

THE DECLINE OF THE MEXICAN STATE ?
THE CASE OF STATE HOUSING INTERVENTION (1917-1988)

by

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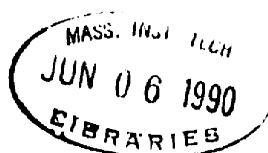
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ABSTRACT

This work shows that the state has always used housing politically. The state has used housing to attract, reward and control social groups, organized and unorganized, for its own process of formation and consolidation.

This work also shows that the state's housing response to social groups has been broad and varied. It has ranged from the issue and approval of legislation to the implementation of programs. The type of state intervention has depended upon the relative power of groups vis-a-vis the state. This power relationship has changed throughout time and has depended upon the degree of organization of social groups and the broad political and economic circumstances. State housing intervention has resulted from the state's and group's relative power position and the technicalities inherent to the housing policies implemented.

Organized labor's support for the state was attracted and maintained by first including housing legislation in a "basket of social goods" and by the construction of few luxurious dwellings which were allocated through labor leaders. Later, as the state's economic crisis eroded its political hegemony housing legislation was finally implemented and the implementing agency was captured by labor.

In contrast, the state first attracted and maintained the support of the unorganized urban poor through "ad hoc" "discretionary" use of laissez-faire and land regularization policy. As this sector grew in size and got more organized, at the same time that the state's political hegemony declined, "discretion" was no longer sufficient. The state sought to respond through legislation (Human Settlements Law) but its implementation was vetoed by the private sector. Recently, in particular after the 1985, the urban poor were capable of taking the state to redefine their relationship and to accept terms which imply higher cost for the state.

This work explores ways in which this re-definition can take place in view of the growing size and increasing political importance of this sector at the time that the political and economic crisis has diminished the state's capacity to respond.

Thesis Supervisor: Lisa R. Peattie.

Title: Professor Emeritus.

This thesis is dedicated to
my wife Ana Luisa
to my daughter Anajose
and to my son Esteban

TABLE OF CONTENTS

Acknowledgements

INTRODUCTION

CHAPTER ONE. UNDERSTANDING STATE HOUSING INTERVENTION
IN MEXICO.

CHAPTER TWO. THE POLITICS OF STATE HOUSING INTERVENTION
IN MEXICO (1917-1988)

CHAPTER THREE. INFONAVIT: REWARDING LABOR'S
BUREAUCRACY.

CHAPTER FOUR. FONAHPO: THE POLITICS OF HOUSING
THE POOR.

CONCLUSIONS

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INTRODUCTION

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The history of state housing intervention in Mexico since 1917 shows that there are instances which do not completely correspond to the characterization of the Mexican state as authoritarian and hegemonic ¹. Moreover, through this analysis I establish that the state has experienced a gradual transformation since the late 1960's. The state's overall capacity to maintain its hegemony has diminished. This is due partially to the exhaustion of the economic model, Desarrollo Estabilizador ², and the failure of subsequent administrations to resolve the economic crisis, thus reducing the state's economic leeway for responding to groups' demands. In addition, recent political events ³ have transformed both the demands groups

¹This approach is in keeping with the tradition of analyzing the mechanisms through which the state has maintained social peace and its political hegemony. see Marquez and Kovacks (1989); Cornelius, Gentleman and Smith (1989)

²see Labastida (1975); Valero, (1972)

³The Lopez Portillo's (1976-82) Political Reform which gave greater power to opposition parties (Rodriguez Araujo, 1979 and the Electoral Reform, carried out during De la Madrid administration (1982-88) (Cornelius, 1987). Carlos Salinas de Gortari's introduction of the issue of democratization in the political agenda, as he perceived the need for the state to regain its legitimacy and a broad base support. (Speech, Oct.23,1987). In addition, the PRI announced a process of internal democratization in the party's national meeting in the city of Queretaro last February, 1989 (Excelsior March 9,1989; El Financiero February 6,1989) and apparently began its implementation with the internal selection of PRI

make on the state and the way the state responds to those demands *

This study shows that the Mexican state has been pressured or forced by some groups to comply to their demands in recent times, a situation rarely experienced by the state before the late 1960's. During Echeverria's administration (1970-76) broad politico-economic circumstances put the state in a position in which it was unable to carry out its original policy intentions and had to give way to well-organized group's demands. During the sexenio of De la Madrid (1982-88) recently-organized groups profited from the exceptional circumstances created by the 1985 earthquake in Mexico City and forced the state to largely comply with their demands.

One could argue that these examples are only exceptions and thus the overall characterization of the state still holds. I would agree that such a characterization holds but only when analysis is general and these type of cases are overlooked. Moreover, I will show that although these examples could be considered exceptions, they constitute cases which established a precedent and which have served as the basis for recent actions. These exceptions have contributed to the overall process of change the state is going through. They have sometimes forced the state to change while at other times, the state itself has perceived the need for transformation. Thus, it is important to understand these situations, both as they result from the accumulation of previous events, and as they constitute the basis for further change.

I will show in this work how, when and why the state has been pressured to comply with groups' demands, and how, when and why the state has prompted

candidates in Chihuahua and Michoacan (La Jornada May 3, 1989).

* Hellman (1983);

change and greater popular participation. I will also show how these events unfolded in a substantively different way from previous situations and at the same time, how these have led to present political arrangements. In so doing, I will establish the factors, both societal and institutional, which resulted in actions that permitted a wider incorporation of social groups into state housing programs as well as those which prevented that from happening. Finally, I will discuss ways in which the state can be taken to intervene in order to prevent the further deterioration of its political hegemony.

This analysis of what the state does in the realm of housing can thus be regarded as a window, or entry door, through which one can observe, record, and analyze the nature of the state and its recent changes. Clearly, the view of the overall nature of the Mexican state is limited as this study only concentrates on housing. Nevertheless, I hope this work will provide some methodological parameters for subsequent studies of the state; at the same time it will establish the limits and possibilities of government housing efforts.

The nature of state intervention in housing policy is relevant for understanding the state's nature in several ways. First, the right to housing for all workers was incorporated in Article 123 of the 1917 Constitution. It constituted one of the elements which gave the Constitution its progressive social flavour and around which the notion of social justice was structured⁵. It became one of the policy areas in which the state had to intervene in order to show some congruence with the ideological legacy of the Revolution⁶. Secondly, it is one of the material rewards which has permitted the state to retain the support of heterodox and

⁵see Kaufman (1975)

⁶Saldívar (1980); Kaufman (1975); Cordova (1985)

contradictory social class constituencies, in particular organized labor: this support has been crucial to the state's political stability ⁷. Thirdly, it is an area which the state has neglected with regards to the urban poor, although it ranks high among their priorities and therefore contributed to this sector's lack of support for the PRI during the last presidential election, when the PRI came close to losing its political hegemony . And fourthly, it is a policy area which, in contrast to state's intervention in the provision of services like health, conveys very clear and tangible meaning for a variety of social groups and one in which people's participation can reduce costs and increase coverage.

1.-STATE HOUSING INTERVENTION ^a

⁷Reyna and Miquet (1976)

^aIn this work, the notion of the state is derived from Weber (1964) and Stepan (1978): From Weber " The primary formal characteristics of the modern state are as follows: It possesses an administrative and legal order subject to change by legislation, to which the organized corporate activity of the administrative staff, which is also regulated by legislation, is oriented. This system of order of claims binding authority, not only over the members of the state, the citizens, most of whom have obtained membership by birth, but also to a very large extent, over all action taking place in the area of its jurisdiction. It is thus a compulsory association with a territorial basis" (p.156). In addition, borrowing from Stepan "the state is considered more than "government": it is the continuous administrative, legal, bureaucratic and coercive system that attempts not only to structure relations between civil society and public authority in a polity but also to structure many crucial relationships within society as well"(p.xii) It should be added that for the case of the Mexican state the political system should also be included with the rest of the systems which structure state-society relations as this has been dominated by a single party strongly blended with the administrative apparatus.

In this work I have broadened the notion of public housing or housing policy to that of state housing intervention because besides building houses ⁹, the state does many other things related to housing: the state issues and passes legislation; creates and transforms, or even dismantles, housing agencies, and assigns or withdraws human and economic resources for them and implements a variety of housing programs. In fact, my notion of intervention is even broader because for each of these three categories -- legislation, institutions and programs -- there are a number of types of intervention. Legislation can give workers legal rights to housing, establish rent controls, or regulate housing-related-uses of land. Also, agencies can have a variety of purposes, namely to finance the construction of middle class dwellings, to upgrade slums or to regularize pirate subdivisions, for which they will have to adopt different organizational structures and sources of funding, among other features. And programs can vary from building large apartment blocks to developing lots with services or to simply allow squatting: a sort of planned non-intervention. These different types of intervention imply different political and economic costs derived in part from their technical characteristics ¹⁰, and thus define some parameters on what the state can deliver.

⁹In fact the contribution by the state to the total production of urban housing is very small. Garza and Schteingart (1979) estimated that it was only 7.8 % from 1950 to 1970. In addition, the accumulated production of housing units by the state by 1970 was 250 thousand units which represented only 5 % of the stock of 4.9 million units at that time. COPLAMAR (1982)

¹⁰The technical aspects of housing refer to the set of elements required for its implementation, namely design, construction and financial specifications, among others. These elements vary according to the type of housing program. A one hundred units, high-rise, exposed-concrete building requires a different set of technical elements than, say a one hundred units of lots with services. In the case of the former, investment per unit is larger, it requires a large period of time for completion, and involves larger monthly payments per unit; thus, it requires a more complex financing, among other things.

On the other hand, different types of intervention attract and affect different interest groups in society. For construction companies public housing means contracts whereas for workers it signifies the acquisition of subsidized dwelling, while for slum dwellers it awakes the fear of being bulldozed. Whatever the Mexican state does or doesn't do in housing someone will be affected.

In addition to establishing three categories of intervention with their various types, I distinguish two main levels of analysis in which those three categories are placed: one, the societal level which incorporates legislation and the creation, transformation or dismantling of agencies, and two, the institutional level which incorporates what agencies do and the specific factors which shape the implementation of programs. At each level, the actors who intervene, whom I will describe in chapter one, adopt different faces, so to speak, as each level requires. The discussion of housing legislation integrates both broad social groups such as unionized workers, civil servants and peasants, and relates to the private sector and the middle classes. Hence, legislation is regarded as a result of the interaction between these groups.

On the other hand, institutions are both a place where the state and society meet, as well as a place where intra-bureaucratic conflict occur. At the societal level, I regard them as the result of the interaction between social groups ¹¹. Institutions constitute different kind of outcomes, than

¹¹In this work organizations are regarded as specific social phenomenon which results from the interplay and relative power of groups and individuals operating both at the institutional and societal level. Their actions affects them as well as to society as a whole. More specifically, organizations are regarded as the result of an "agreement" either between social actors and the state or among state actors. The formal organizational structure and objectives given to the organization at the time of its creation constitutes the "concretization of the agreement". This agreement binds administrator's decision-making. These boundaries, however, can be "trespassed" depending on

say, legislation. Institutions require both human and economic resources whereas legislation establishes new opportunities for groups' action as the rules of the game are set, and are subject to negotiation. Hence institutions are perceived differently than legislation by interest groups.

At the institutional level, agencies become part of the administrative apparatus of the state. They are assigned goals and formal organizational structures, personnel and budget, and they have to establish a variety of programs in order to achieve their stated goals. At this level, the state becomes an aggregation of different agencies together with the party and the presidential institution. Also at this level, social groups are no longer regarded in general but become articulated by cliques or individuals that affect the behavior of those agencies.

At the institutional level analysis also focuses on the implementation of programs and their impact. Here the focus on the state concentrates on the group of state administrators who make the decisions during the implementation phase. It is important to consider at this level the decision-making criteria used by these administrators. Other social groups also appear at this level. They are the beneficiaries of the programs, regarded as clientele, or as other actors who also have an interest in the implementation outcome, namely party officials, construction companies, union leaders and so on.

These two levels do not constitute separate realms. On the contrary, they are interrelated ¹². The political and social actors involved in the process

administrators decision-leeway.

¹²Agency's actions result from administrator's relative power vis-a-vis other state actors and social groups. Administrators' power is often derived from alliances with groups outside the agency and the state. Thus, contrary to most views of organizations in which these are isolated from the broader societal context, organizations are intertwined with the society's structure

of generating legislation influence the institutional parameters within which the agencies operate. These institutional parameters, together with the political and technical constraints inherent in different types of housing programs, shape administrators' decisions and thus the programmatic outcomes of the agencies. The implementation ¹³ of the programs, with their technicalities, and the benefits derived from them, or who gets what and how, in turn largely defines and shapes the impact of the administrative apparatus on society. Thus, embedded in the very behaviour of the state are the social interests who are usually conceived of only as passive beneficiaries of hegemonic state action. I will elaborate on the workings of both the societal and institutional levels and their interrelation in chapter one.

2. -ORGANIZATION OF THE WORK.

This work is divided into four parts. The first part presents a conceptual framework in the light of the recent discussion about the state in general and the Mexican state in particular. The second part, which corresponds to

of power and are the connecting points between the societal and institutional levels. see Benson (1977).

¹³In this work implementation is not regarded as a "separate process" (Pressman and Wildavsky, 1973; Grindle, 1977; Cleaves, 1974; Daland 1967 among others). Implementation is considered to be part of the policy process or intervention process and this characterized as "an extremely complex analytical and political process to which there is no beginning or end, and the boundaries of which are most uncertain. Intervention itself is often the outcome of political coalitions and compromises among participants, none of whom had in mind to which the agreed action is the solution. Sometimes policies and actions spring from new opportunities, not from problems at all, and sometimes policies are not decided upon but nevertheless happen" Limblom (1968)

chapter two, shows the intervention of the state at the societal level. The third part, which corresponds to chapters three and four, analyzes housing intervention at the institutional and programmatic levels. And part four presents conclusions and discusses the impediments and possibilities for housing intervention in ways in which the further erosion of the state's political hegemony can be prevented through the greater inclusion of the urban poor into state actions.

In chapter one I present the conceptual framework which explains the factors that constrain or facilitate state capacity to issue and implement housing policy. I will argue in this chapter that in order to explain the state's "strength" and "weakness" we require a mid-level conceptualization of the nature of the state which neither the structuralists ¹⁴ nor the instrumentalists ¹⁵ provide, nor those who adopt the contrasting view of the state's relative autonomy ¹⁶. What is required is a view which integrates both the societal and institutional levels. The factors which explain the state's performance are found in an interaction of social groups and the state which

¹⁴The structuralists view state actions as determined by the economic structure in which the state operates. In this case state actions tend to preserve and reproduce such a social formation for the state's own survival. From this point of view, the ruling class is not necessary and at times might even work against preserving the social formation because of their myopic interest. (Poulantzas, 1969; 1976). This approach is "society-centered".

¹⁵Instrumentalists regard the state as an instrument of the ruling class, who directly or indirectly determine state actions. Intervention and control over the state is achieved through patterns of recruitment for high level state positions which usually end up in the hands of the capitalists. Control over state actions is also gained through the press and the media under the control of the capitalists as well. (Domhoff, 1976, 1970; Miliband, 1980). This is a "society-centered" view.

¹⁶State autonomy refers to the notion of "states conceived as organizations claiming control over territories and people, and their capacity to formulate and pursue goals that are not simply reflective of the demands or interest of social groups, classes or society" (Skocpol, 1985:9; see also Hamilton 1982). This view is "state-centered".

is as often embedded in state policy as it is external to the state. It is an approach which places groups and state interaction in the context of a specific, historically defined political culture which bounds but is also modified and transformed by such interaction.

In chapter two I show that housing, in whatever form, has always been included by the state in a 'basket of social benefits' which the state has used to attract and retain the support of social groups or for their control. I show that this use of housing by the state helped its process of creation, formation and consolidation. Housing intervention contributed to the formation of the state's "structure of power"¹⁷: the quasi-corporatist integration of social groups to the sectorial organization of the PRI ¹⁸ and the corresponding patrimonial and hierarchical internal structure of control of these groups¹⁹. Consequently, state housing intervention also helped to prevent a high degree of mobilization by those social groups against the state ²⁰.

I discuss in this chapter how almost all presidents since 1917 have pursued some kind of housing intervention as a way for the state to comply with the social principles of the Constitution and so to legitimize itself. On the other hand, I establish that the type of intervention chosen -- legislation, creating agencies or implementing programs or a combination of

¹⁷ My notion of "structure of power" in society is similar to what Skocpol (1985:21) calls "patterns of politics": an organizational configuration, along with its own patterns of activity, which affects political culture, encourages some kind of group formation and collective political action (but not others) and make possible the raising of certain political issues (but not others) This structure incorporates formal and informal politics. I will further develop this notion in chapter one.

¹⁸ Stevens, (1977)

¹⁹Cordova (1986); Reyna (1987); Kaufman (1975)

²⁰Kaufman (1975)

thereof-- was based not on consideration of the housing situation of the population, although this has never been excluded completely, but on getting a maximum political and economic return with the least investment.

I show in the second chapter that up to the late 1960's and early 1970's the state was able to intervene in housing as the various administrations perceived its necessity, in order to gain or maintain groups' support in the process of constituting and consolidating the state. I will discuss how, from the early 1970's up to the present, the state has been increasingly pressured to intervene in ways which require the state to bargain at a higher price, spending more resources and political chips. I will establish how this pressure is the result of a higher level of organization reached by some groups, together with more favorable broad politico-economic circumstances. Finally, I will discuss how these events have contributed to establish the present political situation in which the state's response to rising public demands is to try both to improve the country's economic situation, and to accelerate the process of democratization.

In chapter two I analyze the reasons for the establishment of agencies; in the two subsequent chapters I analyze what they do, how they do it and why. I discuss in these chapters the institutional factors which intervene in shaping these agencies' programmatic outcomes, some of which relate to the broad political reasons for their establishment while others result from inter-bureaucratic processes and administrators' decision-making criteria. I establish from this analysis the constraints on administrators and bureaucratic cliques to pursue their own politico-economic agenda rather than the official agenda of the agency.

Chapters three and four present an in-depth analysis of two housing agencies. These chapters analyze the institutional behavior of the Fondo

Nacional para la Vivienda de los Trabajadores (National Fund for Worker's Housing) - INFONAVIT- and The Fideicomiso del Fondo para las Habitaciones Populares (National Fund for Popular Housing) -FONAHPO-.

These two agencies were chosen for this work for a number of reasons: one, almost all other federal housing agencies in Mexico are patterned after these agencies. INFONAVIT is a similar agency both to FOVISSSTE (Civil Servants Housing Fund) and to FOVIMI (Armed Forces Housing Fund), both created also during the Echeverria's `sexenio'. Their main difference is their clientele. INFONAVIT's clientele is organized labor whereas state workers are the clientele for the other two. These three agencies are financed by a payroll tax but for the last two, the payroll tax comes from the government's budget and not from the private sector. These three agencies finance finished-housing.

FONAHPO is the sole agency devoted to the housing problems of the popular sector. It is also the successor of agencies which previously performed the same role, like INV (National Housing Institute 1947-70) and INDECO (National Institute for Community Development 1970-81). FONAHPO's resources, like those of its predecessors, come from the federal government. FONAHPO develops mostly low-income housing programs like lots with services, core housing and housing upgrading.

In addition, as each agency has some special characteristics, their analysis illustrates different aspects of the inner-workings of the administrative apparatus. They each exhibit a dimension of the strong blend which exists between this apparatus and the party, one of the characteristics of the Mexican state. With each case the focus is placed on particular elements derived from the unique nature of the agency.

The case of INFONAVIT shows the working dynamics of an agency being

captured by its clientele, which in this case is labor, one of the most powerful supporters of the state. Its analysis demonstrates the political means used by organized labor for capturing the institute and the broad politico-economic factors which made it possible, despite strong state resistance.

It also shows the behind-the-scenes pressure labor bosses put on INFONAVIT officials to change some of the institute's initial organizational features. These features were designed to allocate housing based on a criteria of need, disregarding labor's patrimonial system of reward and control. The case shows that the state chose not to antagonize labor and instead dismantled the democratic allocation system, as it could have endangered organized labor's internal power structure and consequently that of the state.

On the other hand, the analysis of INFONAVIT demonstrates how administrators chose to produce expensive housing which excluded the worst-off members of the institute's clientele in order to satisfy the private sector and labor bosses and thus enhance their administrative careers. It also demonstrates how the technical limitations imposed by the housing programs fed into the political constraints.

Finally, this analysis demonstrates through the discussion of a particular experimental project financed by the institute, "Colonia Guerrero", ways in which the INFONAVIT housing programs could have served a broader clientele with less cost.

The case of FONAHPO, like INFONAVIT, also shows the internal dynamics of institutional behavior but emphasizes the inner-bureaucratic workings because the agency was not captured by any specific clientele. The salient issues here are the technical and political limitations for reaching the poorest of

the poor. On the political side, the analysis shows the pressure exerted over FONAHPO's scarce resources by governors and mayors vis-a-vis independent groups or housing cooperatives, in spite of the fact that the latter can usually produce less expensive and more socially meaningful housing through their participation. On the technical side, the discussion focused on the reasons for the widespread adoption of self-help programs despite the fact that they are not really low-cost and have insuperable limitations with regards to reaching the worst-off of the poor. Finally, this case shows the reasons behind the successful implementation of the post-earthquake housing program, "Programa de Renovacion Habitacional", which managed to build housing which did not exclude groups otherwise left out by most official programs, and which did not displace them from the inner-city.

Thus, these two cases show the circumstances under which state housing intervention can be successfully reach the poorest. At the same time they show the impediments to such an endeavor. Some of these impediments are not found at the bureaucratic level and do not depend on the administrator's decision-making, but are features of the Mexican state, loosely defined as "moderate authoritarian". Others indeed result from the administrator's decision-making leeway together with the technical limitations inherent to the programs implemented. Thus, this analysis shows that the limitations for extending service delivery to the poorest are encountered both at the societal and institutional levels as they permeate each other, and depend upon the type of intervention.

In the last chapter, the findings of state housing intervention at both of these levels are summarized and the possibilities and impediments for successfully dealing with the poorest are discussed. I show in this chapter that the main limitations for a more inclusionary intervention are derived

from some of the elements which constitute the structure of power and which have provided the state its political hegemony. Thus, here discussion reflects upon some of these features of the Mexican state as they have manifested throughout this study both at the societal and institutional levels. Finally, I make some general comments on housing policy and the technicalities of the programs implemented, on the nature of housing institutions, and the prospects of these policies in Mexico's present and future political life.

CHAPTER ONE

UNDERSTANDING STATE HOUSING INTERVENTION IN MEXICO.

1. -ESCAPING THE STATE-CENTERED AND SOCIETY-CENTERED DICHOTOMY.

Most existing views of state action fail to account for situations which go beyond one-way explanations and in which are found contradictory outcomes. Society-centered approaches stress the constraints imposed by the ruling class on state actions, or by the structural limitations of the capitalist system. In contrast, state-centered views present an alternative perspective where the state is highly autonomous, capable of imposing its power over social classes.

What is needed in order to understand and explain the case of state housing intervention in Mexico is a conceptualization of the state which shows that the bureaucracy is far less impermeable to social interests than was once thought, or, to put it another way, that social interests are embedded more deeply in the state than previously thought.²¹ It is a conceptualization which allows us to escape the single-sided view of the

²¹ This approach in which groups' actions are bounded by existing structures which are permeable to change is also suggested by Skocpol with the name of "Tocquevillian approach" (1985:21). She suggests that we "look more macroscopically at the ways in which the structures and activities of states unintentionally influence the formation of groups and the political capacities, ideas and demands of various sectors of society".

autonomous state ²² and permits us to incorporate the capacity of social forces to exercise effective power vis-a-vis the state. It is a conceptualization capable not only of providing additional qualifications to the authoritarian notion of the Mexican state, but which enables us to generate alternative, more adequate views on the light of the latest political and economic events ²³

Thus, what is required is an approach which dissects the state into parts in order to provide a "mid-level" ²⁴ conceptualization of its nature: one which accounts for individual and group's actions, inside and outside the state, in the context of a historically defined political culture but whose actions modify and transform such a culture.

The approach I present here attempts to fulfil those requirements. It also tries to incorporate into this dialectic view of the formation and transformation of the state's structures and activities over time, those unintended outcomes which influence the formation of new groups and political

²²Skocpol notes that "state autonomy is not a fixed structural feature of any governmental system. It can come and go. Structural potential for autonomous state actions changes over time, as organizations of coercion and administration undergo transformations, both internally and in their relations to societal groups and to representative part of government". She proposes to separate the notion of autonomy from that of the capacity of the state to carry out state's autonomous policy decisions.(1985:14 and 27) Evans, Rueschemeyer and Skocpol mention with regard to the differentiation between autonomy and capacity that "as we avoid global characterizations of "state strength", we must conceptualize specific dimensions of state capacities and a range of possible relationships between state actors and other social groups"(1985:356)

²³ Evans, Rueschemeyer and Skocpol suggest that we "trace out the interrelation among various kinds of state autonomy and state capacities, paying careful attention to the formal organizations, informal networks, and shared norms that compose the structure of thm state apparatus" (1985:356)

²⁴Skocpol notes the need to carry through further comparative historical investigations "to develop mid-range generalizations about the roles of states in revolutions and reforms, about the social and economic policies pursued by states, and about the effects of states on political conflicts and agenda" (1985:28). She does not suggest a way of doing it, though.

capacities, ideas and demands. In the process of constructing this conceptual framework I will draw on a variety of concepts from different theoretical views with regards to the nature of the capitalist state in general and the Mexican state in particular ²⁵.

2. -POWER, THE STATE AND SOCIAL GROUPS.

Actions by social groups and by the state are expressions of their power. Power is understood here more in terms of a relationship than a one-way capacity ²⁶ This relationship of power can be between social groups ²⁷ and the state and among actors inside the state ²⁸ The exercise of power by those actors is bound by the existing "structure of power" in society. The "structure of power" is a particular configuration of organization and action

²⁵This view compares to Evans, Rueschemeyer and Skocpol's (1985:348) suggestion of an approach which they say "resemble what Florian Znanjecki once called "analytical induction": it draws research questions, concepts, and causal hypothesis from a variety of existing theoretical debates, specifically from the juxtaposition of Weberian understandings of the state with the propositions drawn from recent neo-Marxist theories"... "These studies are therefore highly theoretically engaged, even though they invert the normal priorities of "grand theorizing".

²⁶Power is understood here in terms of French's (1956) view more than in Weber's (1954). French looks at power in terms of influence and strength. "The power of A over B equals the maximum strength that A can exercise over B minus the maximum resistance which B can present in the opposite sense". French's view of a two way relationship differs from Webers in emphasis. For Weber "Power is the possibility of imposing one's will upon the behavior of other persons".

²⁷The term social groups refers to groups with some degree of organization. It also refers to agglomeration of actors identified not by their class position but by their interest and issues around which they pursue some kind of collective action.

²⁸Actors inside the state draw from Block's (1988) notion of "state managers". The concept is not fixed: as a unit of analysis its levels depend on the specificity of the study or on the level of analysis. In contrast to Block's, the concept does not imply individuals in a monolithic state, nor a necessarily great degree of control over their environments.

that influence the meaning and methods of the exercise of power for all groups in society, including the state . This "structure of power" is historically determined. Actors operate within the inherited structure but their actions transform and change the boundaries imposed by such an structure ²⁹. Change occurs when the structure changes as result of changes in the relation of power between social groups and the state.

The relative power of social groups vis-a-vis the state conditions their capacity to make demands on the state and the kind of response provided by the state. The relative power of both social groups and the state is derived from the political and economic conditions under which they operate in a point in time ³⁰. The degree of organization and independence of social groups from the state is another source of their power as this gives them leverage over the state's behavior.

State agencies are not considered as monolithic state actors, regardless of the homogeneity of their actions³¹. In contrast, they are regarded as one type of outcome of the power relations between social groups and the state.

3.-"BRINGING THE STATE BACK IN" THROUGH HOUSING INTERVENTION.³²

²⁹This notion takes Marx's view that "Men make their own history, but they do not make it just as they please; they do not make it under the circumstances chosen by themselves, but under circumstances directly found, given and transmitted from the past" (in Tucker,ed. 1978:595). see also Cardoso and Faletto (1969)

³⁰Varying economic conditions might seriously affect the relative power of the state. Skocpol (1985:17) notes "The state means of raising and deploying financial resources tell us more than any other single factor about its existing (and immediate potential) capacities to create and strengthen state organizations, to employ personnel, to coopt political support, to subsidize economic enterprises, and to fund social programs"

³¹For a view of organizations as political actors see Wilson (1967, 1975)

³²This term is borrowed from the title of the book by Evan, P., Rueschemeyer, D. and Skocpol, T. N.Y: Cambridge Univ. Press. (1985).

In different countries housing has different meanings and importance for social groups. In most industrialized economies, where most social groups have access to housing through the market, public housing is stigmatized: it recalls images of run-down, dehumanized, large housing schemes. In contrast, in developing countries government housing is eagerly sought after by a large percentage of the working class.

Housing is a particular policy area which needs to be placed in a particular context. That specific context is the "structure of power" of the Mexican state since 1917. In addition, housing as an specific policy area has unique technical characteristics which imply a particular set of resources and expertise, and convey well-defined meaning for social groups. What characterizes state housing intervention as a policy area in Mexico ? Which social groups and state actors intervene ? What are their concerns and relative power to achieve their purpose ? The answer to these questions, to which I will turn next, are interrelated and depend, on the one hand, upon the "structure of power" of the Mexican state and, on the other, on the definition of housing adopted.

4.-STATE HOUSING INTERVENTION: BROADENING THE NOTION OF PUBLIC HOUSING.

In this work I have broadened the notion of public housing or housing policy to that of state housing intervention. State housing intervention includes three categories of intervention: legislation, institutions and programs. In addition, it includes a variety of types of intervention.

Each of the three categories of state housing intervention convey

different social meanings and opportunities, in terms of "remoteness"³³. Their meaning also differs depending on the content of the intervention. The content of a particular category is derived from the various housing types, namely finished housing, lots with services, and others. I will describe the various housing types next.

Housing Types

Housing types refer to the "product" which is provided. The generic purpose of housing intervention is to provide shelter, directly or indirectly. Direct provision of housing implies the actual construction of a housing type. Indirect provision means financing it, or other kinds of intervention which contributes to its direct provision. The various types of housing can be best pictured in a continuum in which at one extreme the product has the least components and the most at the other extreme. Thus, at the extreme with least components there is a lot which is not even serviced and at the other, is a fully finished dwelling, in a low-density complex which includes schools, health clinics, shops, parks and other amenities. In between there is a lot with services (site and services --S&S--), a lot with services and with a multiple-use room, kitchen and bathroom (core housing), and a lot with a house or a dwelling with no finishing, namely flooring, plaster on walls or carpentry work of doors and closets. Usually, the least number of components involves the lowest cost.

³³The notion of remotness refers to the degree to which social groups perceive that they can participate in the decision-making process. Also, it refers to the immediacy of the implications that the outcomes of intervention have for social groups, and consequently the time proximity of receiving tangible results. The most remote intervention is legislation while the least remote is program implementation.

The three different categories of intervention derive their content from one or several of the elements which integrate housing as a product. Land and construction materials are the two most important elements. Legislation can regulate the use of land through zoning or can establish parameters for declaring parcels of land government's property. Institutions can be established for the direct or indirect provision of any of the housing types or a variety of them. And programs can be designed and implemented contemplating all sort of combinations of components.

Legislation.

Legislation sets the rules of interaction between social groups and the state and among social groups. Legislation represents opportunities for social groups to intervene in the pursuit of their interests. Legislation is perceived as a remote area of intervention by groups, given the process through which legislation is generated and approved; once approved, its content is expressed with a high degree of generality.

The remoteness of legislation is accentuated in Mexico since the president issues most legislative initiatives, and these are generally approved by the PRI controlled Chambers³⁴. The role of PRI legislators is largely nominative. Legislation only indirectly captures and expresses the concerns of social groups. In contrast, legislation expresses the state's, and in particular, the president's definition of a problem and the solution which ought to be

³⁴Kaufman (1975: 33) notes that from 1935 to 1961, 84% of the legislative projects sent to the Chamber of deputies by the executive received unanimous approval.

"eventually" implemented. Hence, passing legislation manifests the state's and the president's concern for a specific problematic: this has the power of "illusion" since actual implementation of law is subject to negotiation between social groups and the state.

In Mexico housing legislation has been issued and passed mostly as a result of the initiative of the state. In these cases, the state has promoted legislation for the sake of legitimation and for attracting the support of those potential or actual beneficiaries of the law. The political impact of law has been sought principally through its announcement, as this publicizes the state's concern. Housing legislation has also been issued and passed through the leverage social groups have exercised on the state in negotiations. This has resulted from political circumstances which alter the relative power of social groups --private sector and organized labor -- vis-a-vis the state.

Institutions.

Institutions or state housing agencies are instruments for the implementation of law. They are established for taking law and policy to their programmatic end. They require economic resources, people to manage them, goals and formal internal organizational structures. Regardless of the programs they are designed to implement and their outcome, they constitute a specific set of opportunities for state actors, in particular administrators. Also, they convey potential rewards for social groups as these can become beneficiaries of agency programs, either as participants in producing and implementing them or as recipients.

In Mexico, the creation of a housing agency, its transformation, as well as its demise, is considered an administrative matter completely under the control of the president or his close associates --ministers, governors--. The creation from scratch of most agencies has resulted from the initiative of the state. There is only one instance where the state created an agency as a result of pressure from a particular social groups.

Programs and their Implementation.

Housing programs are the specific "product" of housing agencies. They imply clearly defined resources and technical characteristics. Programs convey a well defined set of opportunities for state administrators, inside and outside the agency, for top PRI members, and for social groups. Programmatic outcomes constitute tangible products which can be exchange for economic and political benefits. The implementation phase of programs offers a greater degree of permeability for the participation of actors other than the agency administrators and thus enhances the opportunities of social groups' intervention in the process ³⁵.

In addition, programs, by their mere existence, create social groups' hope of receiving their benefits, regardless of the extent of their actual implementation. The extent to which social groups or state administrator can benefit from programs depends upon the resources allocated, the type of programs and their inherent technicalities.

5. -STATE ACTORS, BUSINESS INTERESTS, ORGANIZED LABOR AND THE URBAN POOR.

³⁵Grindle (1977); Greenberg (1970)

In Mexico there is a specific set of actors interested and affected by state housing intervention. This set of actors is divided among state actors and social groups. Among state actors there is the president, state administrators, inside and outside housing agencies, and politicians (governors). Social groups include the private sector or business interest, organized labor, including civil servants, and the popular sector. Within the popular sector, the specific group most affected by state housing intervention are the non-unionized urban workers (the urban poor). Peasants and the so called middle-class do not have a specific relationship with the state around the issue of housing. Peasants, although organized, have never considered housing as one of their demands. The middle-class is a highly heterogeneous and seldom organized group for which housing has not been a major concern, although the state has devised financial mechanisms with the purpose of facilitating the provision of housing for them.

The relationship between these social groups and the state actors varies with each group. Their relationship with the state depends on the stake they have in the state's category and type of intervention. I will discuss this when I describe each group. It also depends on their capacity to exert pressure on the state. Groups might have a large stake in state's housing intervention but little or no capacity to effectively voice their interest, thus failing to obtain any response from the state. Or they might have the capacity to intervene but have a low interest in housing vis-a-vis other issues.

Groups capacity to pressure the state partially depends on their level of organization. The higher the level of organization the clearer and louder their demands can be voiced. Also, highly organized groups cannot be ignored

in any society as they represent for the state either a strong source of support or a stubborn opposition.

In addition, social groups' capacity to pressure the state partially depends on their political and economic independence from the state. Organization and independence of social groups has varied over time, with the state exercising a greater or lesser degree of control over social groups. Usually the higher the degree of democratic process within a group, the less control the state can exercise over it. Therefore, the process of democratization in Mexico necessarily has to take place both within the state and within the institutions that make up civil society.

The state's use of the various categories of intervention and programs' types depends mainly on three interrelated factors: first, it depends on the political and economic cost of the intervention. Secondly, it depends on the need for intervention perceived by the state. And thirdly, it depends on the accumulation and type of previous interventions affecting the same social group.

With regards to cost, legislation is the least expensive and the implementation of programs is the most costly. There are cases, however, when legislation requires immediate implementation because of the explicitness of its content. In such a case, the law acts like a program. Also there are cases in which the content of the law is perceived by social groups as a direct threat to their interest, creating strong opposition with a high political cost for the state.

The perception of need by the state for interventions depends, on the one hand, on the acuteness of the problem. On the other, it depends on the capacity of social groups to pressure the state for a response. Clearly, the acuter the problem, the more pressure the social groups affected are likely

to exert, regardless of its effectiveness.

Finally, accumulation of interventions affecting the same group affects the category and type of intervention by the state. When a piece of legislation already exists the subsequent intervention necessarily reflects this, and usually results in the creation of an agency to implement it or the launching of programs by existing agencies. There are cases, however, in which the content of a piece of legislation is made more concrete as a response to groups demands: this allows the state some breathing room before spending the resources required by the creation of an agency or the implementation of programs.

At the institutional level, state housing intervention is not only conditioned by this mutual relationship of the state and social groups. Housing agencies' performance and programmatic outcomes result also from the intervention of state actors. These bring in their own particular interests. In addition, state intervention cannot be disassociated from the technical characteristics inherent in the category and type of intervention. I will describe next each state actor and then each social group in order to later discuss their interaction at both the societal and institutional levels and between the two.

The President.

In Mexico, more than in most presidential systems, the president is very powerful. For Cosío Villegas (1972) "Mexico's presidentialism resembles a monarchy which gets renewed every six years" while for Moreno (1965), the president is a "six year emperor".

The president is the ultimate policy maker in the country. He can

promulgate a law by signing it and ordering its publication. He can veto legislation in toto or by item. Executive-sponsored legislation submitted to Congress takes precedence over other business ³⁶. In short, as Scott pointed out, in Mexico, "the extent of administrative rule-making is much greater than in a country with common law"³⁷.

The president's "estilo personal de gobernar" (personal political style) largely defines the way in which political and economic matters are dealt with during his administration. He sets the tone for policy-making at the ministerial level and for the governors. Clearly, there are plenty of political and economic factors which escape his control but his decision-making power is by far the greatest.

State Administrators.

State administrators are important actors in shaping the final result of the delivery of goods and services³⁸. All housing agencies have administrators.

In Mexico, administrators are not only technocrats but also politicians. Public administrators are not recruited on the basis of technical qualifications and merit, as is done in private firms, although these qualifications are not excluded completely³⁹. They are recruited largely

³⁶Kaufman (1975)

³⁷Scott (1959)

³⁸Benson (1977) and other authors (McCarthy, 1975; Strauss et al 1964; Bucher, 1970) suggest that organizational processes partially incorporate autonomous individuals who are brought into the organization and whose ideas condition action.... Those participants fill organizational "forms" (role and procedures) with unique "content". see also Murphy (1971).

³⁹Smith (1986); Grindle (1977); Camp (1980; 1972; 1988)

because of their political affiliation and clique membership ⁴⁰ . This is due to the very strong blend between the political and administrative apparatus which characterizes the Mexican state. In Mexico, there is no civil service such as exists in some Western democracies. Thus, state administrator's actions are not only guided by the traditional administrative criteria: they are also guided by the political criteria which characterizes political decision-making in Mexico.

Action by state administrators results from the combination of the technocrat's and politician's interest and criteria for decision-making. Administrative criteria pays attention to the "state of the art" in administrative matters and its related technology, as well as to the incorporation of the latest ideas in good currency for better programmatic performance of the agency.

Political decision-making incorporates two principles: one refers to the method by which political betterment or promotion is achieved, which I call "political entrepreneurialism". Another refers to the principle of avoiding the breaking of the tacit political rules of the party and the administrative apparatus, for which one is politically penalized. I call this "political discipline". This last principle complements the other as political discipline is required for political promotion ⁴¹ .

The objective of political entrepreneurs is political success. The political entrepreneur seeks the opportunity which affords him vertical mobility through the administrative apparatus to a position of power and political status. He might accept, however, horizontal or even downward moves if these are the only alternative to remaining with the administrative

⁴⁰Grindle (1977); Smith (1979)

⁴¹Kaufman and Purcell (1980)

apparatus. For a political entrepreneur to move out of the government and into the party is desirable only when this is a vertical move in the hierarchy; this is preferable at times of the presidential succession as it is likely to position him well with regards to the incoming administration. Hence, from this point of view, administrative decisions are evaluated more in terms of the political gains they might reap rather than strictly in terms of the effectiveness of achieving the agency's stated goal, although this is never left out altogether.

Gaining control of an agency and making it grow, even if unnecessary from the administrative view point, is considered to be politically advantageous because the more economic and political resources are allocated to the agency the greater is the political power and chances for personal improvements of its administrator. Administrators in top positions in wealthy agencies can "bend" the rules and procedures to favor some groups and individuals more than others and these "favors" have to be eventually paid back in political or economic terms.

Political discipline refers to the acceptance of the centralized structure of bureaucratic and political decision-making and its derived patterns of explicit and tacit political authority, which go beyond the formal boundaries of the agency. Political discipline tends to incline the decisions of state administrators in favor of the maintenance and reinforcement of the hierarchical-patrimonial structure of domination of the party and the administration.

Administrative criteria of decision-making are subordinated to the political-administrative ones. Political criteria takes into consideration not only the programmatic impact of the agency's actions with regards to specific social groups but also evaluates those actions in a broader

political perspective. In so doing, administrators seek to acquire a clear understanding of the political motives behind the creation of the agency and whose interest it is supposed to serve and a sense of the relative and evolving power of the agency's clientele. All this can influence the political success or failure of the agency's performance, and consequently, the administrators' careers. In addition, administrators take into account the president's "estilo personal de gobernar" as one of the important guide lines for any policy decision.

State administrators outside housing agencies can also influence policy and implementation outcomes. They share with those inside agencies the administrative and political criteria of decision-making. Thus, they seek intervention in influencing agencies' behavior as they perceive benefits they can obtain for their political and economic agenda. Given their position and the hierarchical structure of government and the party, plus the rules of political behavior just described, they can often get an agency to do what they want, to some extent. The degree to which an agency can be made to comply with their decisions depends on their relative power vis-a-vis that of the agency's administrators and to a lesser extent, that of the agency's clientele.

In general, state administrators are the translators of knowledge into state action ⁴². They are technocrats inserted in a field or fields of knowledge from which they derive a view of the world, as well as their ideas about what ought to be done in a given situation. Those ideas and the way

⁴²Evans, Rueschemeyer and Skocpol (1985:359) mentioned that one of the state's research frontiers should include " a full understanding of state capacities for socio-economic interventions...this requires a better understanding of the historically evolved interrelations between states and "knowledge-bearing occupations", particularly the modern social science professions".

they can be used for solving a given problem constitute the technical knowledge they bring in their "bag of skills" to their role as state administrators. The technical expertise included in the administrators' bag of skills is an influential element for the definition of problems and solutions adopted by state agencies. This definition of problems and solutions conditions, in turn, the behavior of agencies and the outcome of their programs. The design of the internal organization and administrative procedures of state agencies is derived from their programmatic objectives. Thus, technical expertise and ideas in good currency have an impact on the relationship between the state and social groups since state administrators largely determine the nature of the intervention of the state's administrative apparatus.

The specialized knowledge of state administrators is guarded by the administrative apparatus through the transfer of ideas and administrators between agencies. State administrators who carry a bag of skills loaded with knowledge or experience in a particular field, warrant their survival in the government for various sexenios, and in some cases until retirement.

A loaded bag of skills is constantly updated, though. Knowledge is never constant. The way we perceive and define problems and solutions changes in a dialectic process with the transformation of reality. This is important for administrators, as outdated definitions of a problem and its consequent solutions might not be effective. Ideas in good currency not only have the potential of being more effective, they also portray a sense of modernity. They are more powerful for modeling reality and consequently for conveying a message of what need to be done. The administrator who is able to bring in ideas in good currency to a situation is not only useful for solving problems but also appears to be so, and this by itself is translated into an

administrator's assets.

Political Actors: Governors.

Governors are important policy makers in their states. At the state level, they hold almost total power, similar to the president at the national level. The power of governors is derived from his position as a political head of his autonomous constituency ⁴³. It is also derived from the political and financial support by the executive branch.

State governors are responsible for the political situation in their states. Their role includes guaranteeing the political strength of the party, at the state level, and social peace. Their space for political manoeuvring is not complete as they have to balance the different interest of social groups in the state. In a manner similar to the state's use of housing at the national level, governors use housing, in its various types, in order to strengthen the internal coalition of groups affiliated to the PRI and to reinforce its position with regards to the opposition. Thus, governors will seek to capture resources from federal housing agencies or create their own housing agencies for this purpose.

The Business Interest of Private Sector.

There are several specific groups within the private sector interested in state housing intervention: the construction industry and the construction firms, financiers, land owners and industrialists. With the exception of

⁴³States are autonomous political and administrative units. They have their own local laws and legislative bodies.

those members of the construction industry organized in the National Chamber of the Construction Industry, the organization of the other groups varies, depending on the role they chose to play. Financiers or land owners are often owners of construction companies. Thus, it is difficult to determine the relative power of each of those specific groups vis-a-vis the state. The private sector as a whole is a powerful and independent group, though. They have accounted for about 70 percent of Mexico's domestic investment since 1940. They are organized in various chambers ⁴⁴ and have no formal affiliation to the party ⁴⁵.

Foremost among those groups are the construction companies. These firms are the main builders of public housing. They are interested in large public housing projects. Other business interests are merchants and industrialists. Their interest in housing is more general as this is limited to the extent that housing prices put pressure on wage levels or reduces people's capacity to spend on other goods. Financial groups also have a concern in housing since it represents potential profits, both in loans and interest rates. Their capital, in the form of long term credit, is needed in order to ameliorate the difference between housing costs and wage levels. Finally, land owners are also interested in public housing since land is a required input for housing production.

The interest of all those groups in the provision of public housing often conflicts⁴⁶. The profits of construction companies or of the construction

⁴⁴ There is the Confederation of National Chambers of Commerce (CONCANACO), the Employers Confederation of the Mexican Republic (COPARMEX), and the Confederation of Chambers of Industry (CONCAMIN).

⁴⁵about the "informal" affiliation of the private sector to the PRI see Kaufman (1975:41-45)

⁴⁶Pickvance (1976, 1977)

industry in general, depend upon high standards which result in high housing prices. The higher the price of housing, the larger the amount and variety of building materials and so the involvement and profits for both of them. On the other hand, the profits of industrialists depend, among other things, upon the low level of wages which requires low housing prices. Financial profits inherently put pressure on the wage percentage dedicated to housing monthly payments, bringing about in turn, a demand for higher wages or lowering the construction industry profits. In addition, land owners push for higher land prices which in turn forces higher housing costs.

Not only these groups' particular interests in housing conflict but also their interests conflict with that of the state. Zoning regulations which help the state to plan urban development set the boundaries for land use and hence restrict the free flow of market forces and speculation of land values by large land holders. Rent controls, which are the only housing solution for a segment of the population, make rental housing unprofitable. S&S and core housing, which are the only affordable alternative for some groups, offer little profits for the construction industry, as few inputs from them are required. And, housing solutions targeted to lower-income groups are considered as high risk investments for financial and constructions companies because of the little collateral they offer, in addition to their small profit margin.

Organized Labor.

Organized labor is one of the most important social groups in Mexico. They constitute about one-fifth of the nonagricultural labor force ⁴⁷. They are

⁴⁷CT membership was about three million members in the late 1960's.

organized into various "Confederations". The most powerful is the Confederacion de Trabajadores Mexicanos (CTM), founded in 1936 ⁴⁸. In 1966, most workers organizations united under one umbrella organization called the Congreso del Trabajo. However, in spite of their degree of organization, their independence has historically been circumscribed by the state. Presently all members of the Congreso also belong to the labor's branch of the PRI and several provisions in the Federal Labor Law provide the state the means for undermining organized labor's power ⁴⁹. This does not mean, though, that organized labor is not capable of pressuring the state for responding to their demands. On the contrary, their relationship with the state is characterized by a continuous process of negotiation, which at times has taken on the dimension of a fight ⁵⁰.

There are several reasons why organized labor is interested in state housing intervention. First, the living conditions of a large percentage of unionized workers can be improved by public housing ⁵¹. Secondly, the provision of housing for workers was established in the Constitution of 1917. The implementation of such a mandate is important for the legitimation of labor leaders. Thirdly, the provision of housing is not only important for legitimation purposes but also as an effective mean to reward and control organized labor's rank and file, given organized labor's patrimonial and

⁴⁸CTM membership was about one and a quarter million workers in 1966.

⁴⁹Kaufman (1975:20-21) notes that among the legal means against labor autonomy is that the state decides about the registration of unions and their right to strike.

⁵⁰ Loyo (1979); Aguilar (1982); Alonso (1972); Cordova (1974)

⁵¹ According to COPLAMAR (1982) in 1972, 70% of the existing urban housing was deteriorated, 59% was overcrowded, 46% did not have water and 39% did not have drainage.

hierarchical internal structure of domination ⁵². And fourthly, state housing intervention provides business opportunities for the construction companies of labor leaders.

Organized labor has always defined housing as a finished dwelling in a housing complex provided with all the required amenities. This is partially because that was the type of housing suggested in the Constitution ⁵³, and partially because the better the quality of the housing provided, the greater the benefits union leaders can derive from its provision. Finished housing constitutes a better source of legitimation, a greater reward for political support, and more business for their construction companies.

Civil servants, as an organized group, share a similar interest to labor in state housing. However, their union, the Federacion de Sindicatos de Trabajadores al Servicio del Estado (FSTSE) ⁵⁴ is treated differently than labor by the state. It is not incorporated into the labor's branch of the PRI but into the so called popular sector: the Confederacion Nacional de Organizaciones Populares (CNOP) ⁵⁵. In addition, there is a specific article of the Federal Labor Law which regulates the state and its employees' work relations ⁵⁶. Their degree of independence from the state is far more

⁵² See Leal (1975); Basanez (1981); Huacuja and Woldernberg (1975) and Stevens (1974) on "charrismo".

⁵³No explicit suggestion is made in the Constitution as to the housing typology to be provided for workers. However, it does mention houses not a lot with services. The typology of housing has always been imported from countries whose experience in the area is much older, namely England, France or Holland.

⁵⁴FSTSE membership in 1972 was estimated in 680,000 workers. Kaufman (1975:26).

⁵⁵ CNOP in an umbrella organization of the PRI which includes among its members the liberal professions, students, small businessmen and the urban poor. This last group is organized in the Federacion de Colonias Proletarias.

⁵⁶Reyna and Miquet (1976)

restricted than that of organized labor in general.

The Urban Poor (The Popular Sector).

The popular sector refers to the population engaged in "informal sector"⁵⁷ activities. These activities, which have been named the informal sector by some or the "marginal sector"⁵⁸ by others, are characterized and differentiated from the formal by the non-recognition of their existence by the state. In general, monthly wages earned by this group range between less than one to one and a half times the minimum legal wage. This population constitutes what has been often called the urban poor. Small shop owners, like tailors or corner shop owners, as well as some street vendors, carpenters and the like make up this group.

The size of the population engaged in informal sector activities which constitutes the "underground economy" is very large. In Mexico at least fifty percent of the urban population belong to this category.

This group lacks organization, though. In spite of its size, and in contrast to the "formal" labor force, this sector's organizations are fragmented, when they actually exist. When these organizations exist they are usually promoted and captured by the PRI through the CNOP. Thus, their capacity to put pressure on the state for housing is weak. When their organizations are independent, these are ephemeral and usually center around very local and immediate issues, namely the legalization of land, the provision of services, and the like. Once demands are satisfied, these

⁵⁷Portes, Castells and Benton (1989)

⁵⁸Vekemans and Giusti (1970); Quijano (1969, 1972, 1974)

organizations lose momentum and eventually fade out ⁵⁹. A recent exception is the constitution of the CONAMUP in 1980 ⁶⁰.

6.- THE PROCESS OF STATE HOUSING INTERVENTION.

The picture of the various social groups and of the state actors presented above is somewhat static. I defined their relative power and their interest in the various categories and types of housing intervention, but the overall picture is motionless. It presents a picture of the structure of power in Mexico taken at the end of the 1960's.

To depict the present power structure is difficult, if not impossible. Such a picture is still largely in the process of being made. There are a wide variety of political and economic events, some of which I mentioned in the Introduction, whose effects are unpredictable.

It is not necessary to depict the present structure of power in Mexico in order to produce a conceptual framework for explaining state housing intervention, though. What is needed is to bring into motion the actors described above as they exercise their power, according to their interest and capacity to do so, to influence state intervention in the housing realm. Similarly, the state should be brought into action as it seeks to attract and maintain groups support or tries to control them through housing actions.

The sexenio and the "sexenio phases".

⁵⁹Cornelius (1975, 1977); Eckstein (1977); Montano (1976)

⁶⁰CONAMUP or Coordinadora Nacional del Movimiento Urbano Popular was established as an umbrella organization to urban poor associations all over the country. See Hernandez (1987)

In order to give a dynamic dimension to my analysis, I have defined two different "tempos". Both tempos take as a departing unit the sexenio (six year presidential period), since the president is the ultimate policy-maker in Mexico. One tempo considers the sexenio as a unit of a larger historical whole, while the other looks into the parts of a sexenio. I have called these parts of the sexenio, the "sexenio phases" ⁶¹.

Each of these tempos correspond to an specific analytical level: the sexenio corresponds to the societal level and the sexenio phases correspond to the institutional-programmatic level.

At the societal level the purpose for using the sexenio unit is to provide an analytical unit which corresponds to an actual political era, during which one can delineate clear political tendencies both on the part of the state and in the response of social actors. The intention is to assess the role of housing intervention in shaping the interaction between the state and social groups and in helping the state's own process of formation and consolidation.

At the institutional level the purpose for using the sexenio phases is in order to uncover the factors which condition the programmatic outcomes of state housing intervention. At this analytical level, decisions by individuals and cliques are important. The sexenio phases, as a unit of time, permits us to capture those decisions adequately since most administrators regard that time span as a clear boundary for their actions ⁶².

There are three, more or less defined, phases in the sexenio. The first two years of the sexenio, are usually characterized by low-key activity, since the new administration is still in the "learning" process. Low-key

⁶¹Grindle (1977)

⁶²Grindle (1977)

activity does not, however, mean inaction. This phase offers opportunities to administrators to rapidly consolidate and even enhance the position to which they were appointed. It is the time for administrators to "capture territories of power" and "forge alliances" with other incoming administrators.

The middle-years of the sexenio are usually characterized by a situation of things as usual, unless special circumstances are encountered. "Things as usual" means production. This is the phase when administrators try to present an image as efficient public servants. During this time the administrative apparatus should be working to its full capacity, when "performance" is the ticket to promotion for administrators. This is the time when administrators profit from the alliances made during the first phase, as these facilitate "getting things done" through the informal support of clique members.

Finally, during the last year, few or no decisions are taken, or on the contrary, intense activity takes place as individuals seek positions within the future administration. This phase is characterized, to a great extent, by lack of responsiveness or "institutional indifference" to programmatic initiatives. Politics take over administrative concerns. The successor of the president is chosen ("destape") and his political campaign takes place. During this last year of the sexenio alliances between groups and individuals shift, and determines administrators' willingness and ability to struggle either for the agency's formal goal or for their own.

7.-THE SEXENIAL POLITICS OF STATE HOUSING INTERVENTION.

In each sexenio presidents are the ultimate policy-makers. In each sexenio presidents encounter a specific economic situation, inherited from their

predecessors, with which they have to deal. Similarly, presidents inherit a particular structure of power. The structure of power is less subject to change sexenio by sexenio than the economic conditions. Economic conditions in a dependant capitalist economy like the Mexican are less under the control of the national state than the political affairs ⁶³.

These two spheres, the economic and the political, are interrelated, though. Political stability inherently relies on the functioning of the economy. Economic growth relies on the adequate relation between capital and labor, which the state guarantees with its political interaction with social groups and fosters in the structure of power. Each sexenio the president's role is to balance out the interaction between the state and social groups so as to maintain the conditions for economic growth and social peace.

Two principles guide the state in deciding the category and type of intervention to be used at a point in time: one is "legitimation" and the other is "pragmatism": "maximum political and economic return with the least investment, also political and economic".

The pragmatic principle is used by the state in its negotiation with social groups around housing intervention. In analyzing the category and type of intervention to be employed in order to attract or maintain groups' support, the state considers several elements: first, the economic investment which is determined by the technicalities of the intervention; secondly, the political cost in terms of potential or effective opposition the intervention can generate; thirdly, the capacity of the beneficiaries to pay for the intervention in political or economic terms; and fourthly, the political visibility of intervention and its potential impact. The actual need of housing by social groups does affect all those considerations; it is never

⁶³Evers (1979)

completely excluded from the analysis altogether.

Neither broad economic conditions nor the structure of power remain constant throughout history. They are both always changing in an accumulative process. Previous experiences cannot be erased from memory, nor can preceding gains be easily given up. A conceptual framework for understanding the history of state housing intervention since 1917 cannot ignore this process of accumulation of experiences and gains. At this point concepts need to be more intertwined with facts so as to provide useful generalizations of the cumulative process of this particular history.

Three distinct stages in the history of the Mexican state are identifiable. Each is characterized by different, but cumulative, economic conditions and a structure of power promoted by the state. In these three stages housing intervention had different political uses. I will analyze this in great detail in the next chapter. At this point it is important to establish some generalizations in order to guide analysis.

The first stage corresponds to the period between 1917 and 1940. During this period the economic policy of the state sought to restore the conditions needed for economic growth after the revolutionary upheaval. Politically, the state sought to institutionalize political struggle into government channels so they could control conflict and promote economic activity. During this period the modern state was born. Housing intervention was devised to "attract" the support of social groups in this process of creation of both the economic and political structures of the country.

The second stage corresponds to the period between 1940 and 1970. During this period the state sought to maintain economic growth. The foundations for growth had already been established during the previous stage, and the world conditions created by the Second World War provided unique

opportunities for economic expansion. Politically, they consolidated the structure of power previously promoted by the state. During this period state housing intervention was mostly used to "maintain" the support of the groups already attracted by the state. The maintenance of social peace and harmony was a prerequisite for economic expansion.

The third stage takes the analysis to present times. It considers the period between 1970 to 1988. As in the previous periods, during these three sexenios, economic policy was directed towards the promotion, or at least the maintenance of economic growth. However, this was not achieved, nor was economic growth even maintained. The exhaustion of the economic model adopted during the previous periods together with the adverse world economic situation of the early 1970' took the country from a high 7% GNP at the end of the previous stage to no growth. To maintain the structure of power under those economic conditions was no longer possible, nor was it feasible to ignore the development of political awareness of previously passive social groups.

Politically, the state sought to introduce changes in the structure of power in order to compensate for its loss of economic strength during this last stage. Some of those changes were sought through the political reforms mentioned in the Introduction. However, the ultimate purpose of such an strategy was still to maintain the state's political hegemony. However, during this period, in contrast to the previous ones, the state could no longer, at all times, define policy or implement it. Whether the state was successful in issuing policy and implementing it depended on the social groups involved and the specific political and economic circumstances. I will discuss in detail this last period in the next chapter. The factors which contributed to the state's capacity to effectively intervene in housing and

those which impeded it from doing so will become clear from such a discussion. This in-depth analysis of the last three sexenios will also provide the context for the analysis of state housing intervention at the institutional level. I will turn next to the conceptualization of such an intervention.

8.-THE INSTITUTIONAL POLITICS OF IMPLEMENTING HOUSING PROGRAMS.

What the state does in terms of housing intervention cannot be properly comprehended without the incorporating into the analysis the institutional dimension. The final and tangible outcome of housing intervention are the houses which, directly or indirectly produced, mean shelter or lack of it for some social groups (but not for others). It is this final outcome and the construction phase required for its production where this intervention by the state acquires a salient meaning for social groups. It is at the implementation phase that social groups can directly "grasp" what the state can do for them.

The process of program implementation cannot be properly understood unless the institutions and its administrators are included into the analysis. There are four interrelated elements which allow us to understand and explain what administrators and agencies do, how they do it and who gets the benefits. These variables ultimately shape state housing intervention in terms of distribution of goods and services. Consequently, they help to explain, to some extent, the behavior of the state by explaining the performance of the units of its administrative apparatus.

These four elements are: first, the performance of state administrators inside the agency. State administrators' performance is conditioned by their

political and technical decision-making criteria. The second element are the sexenio phases which influence administrators' decision-making and which bound, to some extent, the technical feasibility of program implementation. The third element are the technicalities inherent in the programs implemented. These technicalities require specific knowledge on the part of the administrators and time spans for their implementation. And fourthly, the relative power of actors outside the agency (social groups, state actors, politicians) to influence the administrators decision-making. Willingness of those external actors to intervene in the agency's operation is affected by the type of programs implemented, the particular phase in the sexenio when implementation takes place and the relative power of the administrators inside the agency.

The interrelation of those four elements can produce a large variety of outcomes. To uncover which are the critical ones for explaining a given outcome is only possible for specific cases. Furthermore, even when dealing with specific cases the causal connections between these elements and a particular outcome are difficult to substantiate and evaluate. I will discuss the interrelation of those elements when I analyze the institutional cases in chapters three, four and five. However, there are some generalizations which can be made about the way in which those four elements usually converge to produce exclusionary or inclusionary outcomes .

These generalizations also allow us to depict the relations between the societal and institutional levels. Thus, establishing these interrelations will with bring together those two levels and will allow us to complete the integration of our conceptual framework.

The Relative Power of Groups and The Creation and Performance of Housing

Agencies.

The most important element which conditions the programmatic outcome of agencies does not belong to the institutional level but to the societal. This element is the relative power of social groups either to pressure the state for the creation of an agency as a response to their demands or to let the state to create an agency for their control.

The conditions under which an agency is created by the state (whether it's the state's initiative or because of pressure) determine the extent to which the president intervenes in its operation and the extent to which the agency's clientele or state actors influence programmatic outcomes.

When an agency is created as a result of pressure by social groups the president intervenes. Only organized labor or the private sector are capable of pressuring the state. When this occurs, the situation becomes a matter of importance for the state and requires the intervention of the president. He usually does not intervene directly but through his ministers or top party officials. The president usually maintains a position of supreme arbitrator of social conflict, even if this is between the state and social groups.

When a social group is capable of pressuring the state to create an agency as a response to its demands, this group is able to influence the agency's performance for a number of reasons: first, since the creation of the agency is perceived by both the state and the clientele as a response to this group's demands, the group feels entitled to participate in decisions regarding the creation of the agency. Secondly, as the group participates in the process of giving the agency its organizational structure and defining its policy and programs their goals are embedded in the agency's objectives. Thirdly, the clientele also tries to participate in the agency's top

decision-bodies by placing some of its members inside the agency. In sum, once the state acknowledges the creation of an agency as a response to a particular group's demand, this group, which becomes the agency clientele, seeks to capture control of the agency's outcomes. However, both the president and the state administrators or other members of the agency's clientele also struggle for the agency's control.

The process through which an agency is created in these circumstances usually involves a lengthy and complex set of procedures because of the need to conciliate the interest of the social groups affected.⁶⁴

In contrast, when an agency is created because of the initiative of the state, the president seldom intervenes⁶⁵, and there is little influence by the agency's clientele on the creation of the agency. Creating a agency in these circumstances is basically considered an administrative matter to be carried out within the administrative apparatus of the state. In a way, it is a secondary matter as compared to the previous situation. Creating an agency under these conditions is usually the initiative and responsibility of the minister in charge of the policy area to which the agency's area of activity belongs. The ministers initiative is usually in accordance to the president's "estilo personal de gobernar". The initiative needs to be approved or rejected by the president, though.

Once approved by the president, the process through which the agency is given its organizational structure and programmatic goal is an intense inter-bureaucratic struggle since state actors seek to capture the agency for their own personal political objectives. The absence of the president in this

⁶⁴ One of the mechanisms used in the past for dealing with those situations are the Comisiones Tripartitas. see Kaufman.

⁶⁵ In those cases the intervention of the president is limited to the appointment of the head of the new agency.

process facilitates the struggle between actors of a similar hierarchical positions and status for control of the agency. This struggle is very much hidden from the public, though.

Similarly, in this case, the process of program implementation is characterized by a constant struggle between state and political actors and the agency administrators for the application of the agency's resources. At the implementation stage, the agency's clientele also pressures the agency administrators in order to increase its programmatic gains.⁶⁶

Agency administrators have more leeway to apply their own decisions when pressure over programmatic decisions comes from other state actors or politicians than when this comes from a powerful clientele (social group). In the former case the agency administrators and outside state actors are all individuals bounded by the same rules, formal and informal. In addition, in that situation, administrators have the agency's formal authority for decision-making. Pressure from other state actors exists but this is through informal channels, thus placing administrators in an advantageous bargaining position. In the latter case, the clientele is as much part of the agency as the administrators.

9. -CONCLUSIONS.

State-Centered or Society-Centered approaches are not very helpful for understanding state actions which escape one-way generalizations. State interventions which result in contradictory outcomes or which at times are successful and at times are incapable of policy implementation, depending on the circumstances, can only be explained through a mid-level approach which

⁶⁶ see Grindle (1977)

brings together both the societal and institutional levels as embedded in one another.

In this chapter I have developed an approach which seeks to integrate these two levels and in which we can uncover the way in which individual actions, both from state and social actors have immediate results but are also part of a larger process of formation and transformation of the state.

Administrators' leeway for institutional decision-making depends on the agencies historical origin: both on their legislative origin and on the political purpose for their creation. Agencies created as an explicit response to social groups permit little decision-making autonomy to administrators. They are captured by those groups, who become their clientele, and who also embed their objectives into the organizational and programmatic structure of agencies. In addition to shaping the internal institutional boundaries within which administrators take decisions, these groups exert continuous pressure on the agencies' administrators in order to further influence programmatic outcomes for their benefit.

In contrast, agencies created by the initiative of the state permit greater decision-making leeway to administrators. In this case pressure comes from other state actors and politicians for bending program implementation to serve their interest. However, administrators have better bargaining position since they have the formal authority inside the agency.

The extent to which knowledge and ideas in good currency have a bearing on the process depends upon who, administrators or their clientele, has a greater capacity to shape policy and programs' implementation.

Thus, the extent to which programmatic results are inclusionary depend on the commitment of the administrators and the clientele towards inclusionary, democratic, participatory policy definition and implementation.

Furthermore, the position of these two actors have to converge in the pursuit of this goal for it to be realized, and not just considered an experimental exercise. If administrators seek democratization in a situation where the agency is captured by an strong, authoritarian clientele, conflict will arise and the programmatic results will depend on these actors' relative power. In contrast, if administrators oppose democratization, but the clientele advocates participation, programmatic outcomes will again depend on these groups' relative power.

In sum, for a more inclusionary housing intervention both the clientels and the administrators, inside and outside the agencies, need to pursue such a goal. This implies a changing the internal structure of power of the state, a similar change in the internal power structure of social groups, and finally, a democratic realignment of the relationship between state and society: it implies a change in Mexico's structure of power.

I will discuss the implications of changing Mexico's structure of power with regards to housing intervention and to the administrative apparatus in the conclusions. I will ground this discussion on the case of housing intervention since 1917. In the next chapter I will discuss state housing intervention through a historical analysis at the societal level. I will establish how, when and why state housing intervention was used either to attract or maintain groups' support or for their control. In the subsequent chapters, I will discuss the same questions through an in-depth institutional analysis of INFONAVIT and FONAHPO. It is from these societal and institutional analysis that the limitations and possibilities for a greater incorporation of the urban poor into the state housing intervention will become clear.

CHAPTER TWO

THE POLITICS OF STATE HOUSING INTERVENTION IN MEXICO (1917-1988)

1. -INTRODUCTION.

In this chapter I will analyze the rise and decline of the political hegemony of the Mexican state and its use of housing intervention in the process of formation and consolidation of the Republic. The state's capacity to maintain political control has diminished since the end of the 1960's, due to the exhaustion of the economic model adopted after the Second World War and the failure of subsequent administrations to resolve the economic crisis. As economic decline reduced the state's capacity to respond to groups' demands, in particular for organized labor and the urban poor, their organizations grew stronger and more cohesive, as did their capacity to influence state behavior. Thus from the early 1970's up to the present, the state has been increasingly pressured to intervene in ways which require it to bargain at higher prices, spending more resources and political chips. The reciprocal impact of state institutions on these social groups who in turn develop organizational capacities to influence the state will be a salient feature of the analysis.

From 1917 through 1940 the state used housing intervention to attract and secure the support of organized labor, including civil servants. At this stage, the urban poor barely appeared on the scene since the urbanization

process had not began. During that stage the state had substantial policy leeway for establishing categories of intervention. There was no precedent for most state housing actions, nor was there a precedent for pressure from these social groups for housing intervention on the part of the state.

During the second stage (1940-1970) the state used housing mostly to maintain the support of both organized labor and the urban poor in its process of consolidation. During this stage, the state's leeway for deciding on categories of intervention narrowed. Previous interventions accumulated. There was greater "need" on the part of both sectors as they grew numerically and the state's economic and social policies neglected them.

In contrast, during the last and more recent stage (1970-1988) the state's use of housing intervention has been erratic in its efforts to control or coopt organized labor and the urban poor . In both cases the state attempted to implement housing policy with broader coverage and popular participation, but programmatic success was rare. As a result, the support of these social groups for the state diminished dramatically, as was evidenced in the last presidential elections.

In the following analysis of state housing intervention these social groups, civil servants and the private sector, appear in chronological order. Emphasis on the participation of each group is derived from their relative historical importance for state housing intervention.

The labour movement takes a preponderant treatment since at the outbreak of the Revolution workers had already achieved a high degree of organization⁶⁷. The popular sector first entered the housing arena during the 40's and

⁶⁷At the turn of the century organized labor was a rather small group, highly concentrated in mostly foreign firms. By 1912 it was formally organized in the "Casa del Obrero Mundial" (COM). From then organized labour's participation during the revolutionary wars up to present times, has constituted a critical element in Mexico's political development. Its

50's when migration resulted in the proliferation of squatter settlements and the urban poor were integrated into the CNOP and the party. In the late 70's they began to voice their housing demands as an independently organized sector.

The private sector has always participated in housing policy since private construction companies built public housing. However, their participation accentuated since the late 60's, when they opposed the modification of the Federal Labour Law's housing chapter. The peasantry as an organized sector is absent from this analysis, as housing provided by the state wasn't and still isn't an important issue for their leaders.

2.- FROM THE REVOLUTION TO THE FORMATION OF THE MEXICAN STATE (1917-1940).⁶⁸

Although it is hard to establish the degree to which housing intervention was initiated by the state in order to attract the support of a broad popular base in the process of creating the state after the Revolution⁶⁹, it

informal alliance with the revolutionary leaders made possible the formation of the state during the late 20's. Then, organized labour helped economic growth by absorbing a great deal of its cost through the holding down wage demands and general discipline. Today, organized labour is the strongest pillar of the ruling party . see Meyer (1977); Trejo (1979); Reyna and Miquet (1976).

⁶⁸In this period the presidential interventions analyzed include: Plutarco Elias Calles (1924-28), Abelardo Rodriguez (1930-34) and Lazaro Cardenas (1934-40). Other presidents during this period were Alvaro Obregon (1920-24) and Pascual Ortiz Rubio (1927-30).

⁶⁹This stage of political development is characterized by a slow process of post-revolutionary economic recovery and by the institutionalization of political struggle through the creation of the Partido Nacional

certainly played an important role. From the time of the constitution of the Mexican state until its consolidation in the early 1940's, the state used housing in four main ways. First, by the approval of legislation. The inclusion of Article 123, Fraction XII ⁷⁰ in the 1917 Constitution sought and managed both to reward organized labour's participation during the Revolution and to further attract, maintain and reinforce their alliance with the state.

Secondly, by the creation of institutions and the production of finished housing. President Calles (1924-1928) devised the creation of the first housing agency in order to secure the support of civil servants. Thirdly, by substituting housing for other social interventions. Organized labour was not given any housing during his administration nor during Abelardo Rodriguez's or Cardenas', but working conditions, the right to strike and other important labour-related issues were formally regulated with the approval of the Labour Law in 1931. And fourthly, by allowing the establishment of illegal

Revolucionario (National Revolutionary Party) by Calles in 1929, later to become PRI. Economic recovery was not immediate since from the late 1910's to the early 1930's war persisted. Both political instability and the largely destroyed basic infrastructure resulted in the lowest GNP given weak private investment, both foreign and national .

⁷⁰The 1917 Constitution, which according to Hall (1981) "was a very outstanding document and more radical than any other Constitution in the world at that time", included an article which mandated employers provision of housing for their employees. Article 123, Fraction XII of the 1917 Constitution stated: "All employers of an industrial, mining, farming or any other type of firm are obliged to provide comfortable and hygienic rental housing for their employees. Monthly rents should not exceed half percent of their dwelling total legal value. Also, employers are obliged to provide supporting community services such as health care centers, schools, etc. If firms are located in an urban area and have more than 100 employees they should comply only with the provision of rental housing and not with the provision of supporting community services."

settlements. During Cardenas' administration a small housing office was created within the Mexico City administration --DDF-- in order to incorporate both economically and politically the urban poor through a policy of "laisser-faire-regularization".

The inclusion of Art. 123, Fraction XII, in the Constitution was politically motivated ⁷¹. In 1917, Mexico was still largely rural and housing provision was not a pressing problem, as most people lived in home-made shelters ⁷². There is no record of popular housing demands made at that time by any of the fractions which fought in the revolutionary struggle and were the ostensible beneficiaries of this law: peasants and labour.

The incorporation of this Article by the leading fraction of the revolutionaries had two main purposes: one) to respond to the political mobilization of organized workers, initiated in the early 1910's, although this was initially far less important than that of the peasants ⁷³, and two) to gain the support from both workers and peasants for the future ⁷⁴.

Article 123, Fraction XII, was designed to also show both workers and

⁷¹The inclusion of this Article was mainly out of Obregon's, head of the 'jacobins', interest and not without some resistance from Carranza, head of the 'renovators', whose more conservative stand resulted in an ambiguous position towards workers. For an account of those events see Hall (1981).

⁷² In 1910, 90% of the population lived in towns with less than 15,000 inhabitants. Unikel (1976).

⁷³In 1913, the "Casa del Obrero Mundial" (COM) openly sponsored demonstrations against the military coup of Victoriano Huerta, although it had never been on very good terms with the deposed President Madero. In 1915, COM and Obregon signed a Pact which secured COM's participation in the war through the "batallones rojos" (Red Battalions)

⁷⁴In exchange for worker's support, Carranza approved in 1916 a series of laws which regulated labour's activity. Reyna and Miquet (1976); Carr (1976); Hall (1981); Meyer (1977).

peasants the state's concern for their well-being. It was intended to portray the state's ideological stand and political project as one in favor of the masses and against the bourgeoisie, a direct descendent of the Revolution ⁷⁵. In more programmatic terms, it helped to reinforce the future alliance between the state and organized labour ⁷⁶, and peasants to a lesser extent, since housing was not an obvious issue for them; the Agrarian Reform was directed to them.

One of the first steps taken by President Calles in order to prepare the foundations of the still incipient state ⁷⁷ was the provision of retirement benefits and housing for the small community of civil servants. He created the Direccion de Pensiones Civiles del Estado y Retiro (Civil Servants Retirement Fund) --PCER-- in 1925 ⁷⁸.

PCER was created for other reasons as well, in particular, to show the state's concern for peoples' housing conditions in general, and to attract the support of the civil servants in particular. Providing housing to civil servants was used as an example of compliance with the Constitution, since the state was the employer of civil servants. PCER housing was also intended

⁷⁵Saldivar (1980)

⁷⁶By 1919, organized labor had forged a close association with the state, helping it to overrule various competing fractions and gain political supremacy. Headed by L.N.Morones, the most important labor leader, CROM helped to suppress opposition insurrections in 1923 (De la Huerta), 1927 (Serrano and Gomez), "La Cristiada", supported Obregon presidential candidacy over Carranza in 1920 and helped Calles to gain the presidency in 1924.

⁷⁷ During the administration of President Calles the state adopted a strategy of economic reconstruction together with political stability. As foundations for economic recovery Calles created a number of financial and development institutions such as Banco de Mexico, Comision Nacional Bancaria, Banco Nacional de Credito Agricola, and Banco Nacional de Transporte among others.

⁷⁸PCER was established to provide housing loans to civil servants.

to make more tangible and visible to workers the housing benefits, until then very remote, which were established in the Constitution. The state succeeded in its purpose and at little cost ⁷⁹. The state later used a similar strategy for establishing wage policy: it would grant civil servants a wage increase when it wanted to set the parameter for subsequent increases to be generalized for workers.

The administration of President Abelardo Rodriguez (1930-1934) did not place any importance in housing other than to continue PCER programs. Neither the state's nor labor's political agendas included housing. For the state the priority was to boost economic growth without which post-Revolutionary recovery was not possible, nor the consolidation of the political stability achieved by Calles. For organized labor the priority was to reorganize ⁸⁰ and establish the rules of the game with the business community which were encoded in the Federal Labor Law. This was also on the state's interest since economic development was not possible without the proper legislation of capital and labour relations. In August 28, 1931, the Labour Law was approved.

In addition to this Law's approval, two large development banks were created in order to finance the construction of roads, and water infrastructure ⁸¹. One of them, BANOSPSA, included a housing department within its organization, but this did not produce any housing until 1947.

President Cardenas (1934-1940) used housing to incorporate rural migrants

⁷⁹PCER produced a yearly average of about 350 units throughout its existence until it became ISSSTE in 1954.

⁸⁰There was a considerable dispersion of labour organizations since the collapse of CROM and the approval of The Federal Labour Law fragmented positions even more as opinions over its content split.

⁸¹Nacional Financiera (1934) and Banco Nacional de Obras y Servicios Publicos (1934) --BNOSPSA--.

into the urban economy and into the political apparatus of Mexico City government as part of the state's broad economic ⁸² and political ⁸³ strategy. The housing office --DDF-- was created in order to integrate the urban poor to the state given their rapid population growth and the proliferation of illegal settlements and pirate subdivisions in "ejido" land in the city outskirts.

DDF included the urban poor into his political project, along with workers and peasants. The state, which held control of most peripheral land (belonging to "ejidos"), gave ownership to the newcomers and serviced it, in exchange for an small fee and access into the urban economy ⁸⁴. The state introduced order into the otherwise chaotic settlements and facilitated the

⁸² On the economic side Cardenas created several state enterprises through which the industrial infrastructure was expanded and which financed agricultural production and promoted productivity in some of the more than 18 million hectares he distributed to ejidatarios (ejido members). Cardenas launched vast electrification projects, created the Banco Nacional de Credito Ejidal and established the Banco Nacional de Comercio Exterior for the promotion of exports.

⁸³On the political side Cardenas was able to consolidate the state through a series of measures: first, the newly created labor organization, (which became the CTM in 1936) allowed him to break the political control of Calles, until then the "Jefe Maximo". Later, in 1938, he nationalized the oil industry. Secondly, Cardenas created a similar organization to the CTM for peasants: "Confederacion Nacional Campesina" (National Peasants Confederation) -CNC- and integrated both in 1939 into the newly transformed PRM. This marked the consolidation of the state through a combination of a strong presidency, the hegemonic control of a mass-supported party over the Mexican political life, and its sui-generis blend with the administrative apparatus.

⁸⁴During Cardenas 'sexenio' the first 'Colonias Proletarias' (worker's settlements) on expropriated land in Mexico City outskirts were created. From 1938 to 1940 several urban developments of this type were established, incorporating more than a million and a half square meters to the urban area. In addition, a number of squatter settlements were legalized, in particular those located in the northern part of the city close to the industrial areas Moreno (1979).

supply of cheap labour for the growing economy at very little cost.

This pragmatic "laissez-faire" approach was complemented with the political incorporation of the newcomers into the party. This policy was followed and enhanced by Cardenas successor: President Avila Camacho.

3.-THE "ECONOMIC MIRACLE" AND THE CONSOLIDATION OF THE MEXICAN STATE (1940-1970) ⁸⁵.

From the early 40's until the late 60's Mexico experienced a period of sustained economic growth. This was the time of the "Mexican Miracle" ⁸⁶. Crucial to the implementation of this economic policy was solidarity from labour ⁸⁷. Rapid economic growth was accompanied by massive urban migration. Mexico's rural face became urban ⁸⁸. A middle-class was born.

During this period state housing intervention adopted various forms:

⁸⁵This period includes the presidencies of Manuel Avila Camacho (1940-46), Miguel Aleman Valdez (1946-52), Adolfo Ruiz Cortines (1952-56), Adolfo Lopez Mateos (1958-64) and Gustavo Diaz Ordaz (1964-70).

⁸⁶From 1942 to 1945 Mexico's GDP reached 13% per year, decreasing afterwards to an still high 6 to 7%, which was largely maintained throughout the period. This growth was well above the 3% population growth. The economic policy adopted during this period was called "Desarrollo Estabilizador". The cost of growth under this policy was transferred to workers through low wages and to peasants through the depressing of food prices. It was assumed that there was going to be a trickle-down effect: the private sector would accumulate enough profits so as to invest in more jobs and filter the wealth down little by little, and reach everybody. This did not happen, though.

⁸⁷For this purpose the state sought the consolidation of labour into an umbrella organization. This was finally established in 1966 as Congreso del Trabajo --CT-. It was easier for the state to negotiate with a single integrated worker's front than with many small unions.

⁸⁸The percentage of the population living in towns with more than 2500 inhabitants went from 30% in 1930, to 50% in 1970 and to 65% in 1985. Unikel (1976); COPLAMAR (1982).

First, housing units were built between 1956 and 1962 and handed over labor leaders for their allocation. Until 1969 no housing legislation was passed since social security and profit sharing legislation were approved in 1942 and 1963 respectively. The housing chapter of the Labor Law was not fully implemented in 1969 due to the opposition from the private sector. Secondly, a federal housing agency -INV- was established for dealing with the housing problems of the urban poor but its outcome was largely symbolical. In addition the urban poor, attracted during previous sexenios, were alienated through the adoption of "bulldozer" policies. Thirdly, civil servants continued receiving state support as the output of PCRE increased. And fourthly, a financial mechanism was designed which facilitated the growing middle-class's access to housing for the first time.

During Avila Camacho's administration (1940-1946) the state sought to politically incorporate, through the CNOP, the vast groups of migrants moving into Mexico City as part of its overall political⁸⁹ and economic ⁹⁰ strategy. Avila Camacho continued Cardenas' urban development policies for Mexico City ⁹¹. The newcomers constituted a substantial contingent for the creation of the

⁸⁹Avila Camacho created the CNOP in 1943. In 1946, he stripped the army of its political role and the PRM became the PRI, with three well-organized sectors. The PRI has maintained its name and its internal sectoral structure.

⁹⁰President Avila Camacho (1940-1946) assured Mexico's take off during the Second World War by initiating a rapid process of industrialization. He endorsed a politico-economic program which postponed interorganizational struggles within the labour movement, and improved labour-capital relations (which had been tense during Cardenas' administration).

⁹¹During Cardenas and Avila Camacho sexenios, 50 thousand new sites were allocated for self-help housing. These "pobladores" (settlers), inhabited about 150 "colonias proletarias".

CNOP. Their political support for this new branch of the party was exchanged for legal rights to land and services, a practice still in vogue. In fact, by 1946, this practice of exchanging legal rights for support and "pobladores" participation in political rallies took the name of "paracaidismo" (parachuting) ⁹².

The state by this time had not only institutionalized a housing policy, but had also established the exchange terms for its provision. In addition to the economic "cover charge", the state demanded a political one. The state granted land ownership and services in return for loyalty, discipline, and when required, votes. The newly created CNOP and the PRI were the proper channels for collecting these political fees. A large segment of the urban popular sector was thus incorporated into the political apparatus in a process similar to the incorporation of workers and peasants, with housing as one of the principal avenues for this purpose.

On the other hand unionized workers obtained other benefits, such as social security. On December 31st, 1942, the Instituto Mexicano del Seguro Social --IMSS-- was established. In this way the state maintained labor's support for its economic policies at little cost ⁹³. Also, in this way the state postponed the compliance of the housing mandate of the Constitution.

President Aleman's (1945-1952) used housing to reward labor's support to his economic policies ⁹⁴. BANOSPSA began its housing activities through an

⁹²Moreno (1977).

⁹³The state contributes with one third of the cost of worker's social security. Another third comes from employees' salary and the other third is paid by the employer.

⁹⁴Aleman emphasized economic growth more than his predecessors. Roads, bridges, irrigation systems, and the like concentrated most of the state's investment. President Aleman continued to pass the cost of economic expansion onto the workers and the poor. The CTM, headed by Fidel Velazquez, helped through the signing of another Pact: "Pacto Obrero Industrial" (Workers-Industry Pact) only a few months before Aleman's inauguration. The CTM's task to hold steady any demand for higher wages by labour was successfully

office within the bank -"Fondo de Casas Baratas" -FCB- ⁹⁵ in 1947. Large, European type housing complexes were built in the center of Mexico City and a few other important towns. Units were strategically allocated by labor leaders and civil servants emphasizing a hierarchical and patrimonial internal distribution of benefits: it was at this time (1947), that labour's internal control was openly associated with corruption and named "charrismo". In addition, they were admired as a manifestation of the country's process of modernization and its care for the housing situation of workers in general. Thus, during this sexenio, the housing actions implemented by the state were directed to what was perceived as a strategic clientele for the state's support. The political principle of exchanging support for housing remained, although this time it was not only a serviced lot but good quality and highly visible housing. The state managed to postpone the approval of the housing chapter of the 1917 Constitution at the same time as it reinforced organized labor's internal mechanisms of reward and control.

On the other hand, President Aleman did not do much to help the poor even though by the late 40's, economic growth had resulted in urban explosion. This was accentuated by President Aleman's agrarian policies which concentrated agricultural wealth in few hands, resulting in a massive migration to the urban centers⁹⁶.

President Ruiz Cortines (1952-1958) adopted two different kinds of housing intervention in order to deal with a situation of economic recession and

performed.

⁹⁵FCB produced an average of 1,370 units per year mostly allocated to a population whose income was over twice the minimum: unionized workers, civil servants and teachers.

⁹⁶Mexico City grew 84% during 1940-50 out of which 73% was due to immigration.

increase unemployment⁹⁷: One was the creation of a housing office within IMSS in 1956. The purpose of this office was to produce housing for unionized workers as a way of rewarding their solidarity to the economic policies of the sexenio. The other was designed to deal with the ever increasing urban poor population resulting from the high rate of urbanization, for which the Instituto Nacional de la Vivienda (National Housing Institute) --INV-- was created in 1954.

IMSS launched a housing program in 1956 for organized labor ⁹⁸. The program, which ended only six years later, was designed to provide rental housing for workers. During this time it produced a total of 9,500 units, of fairly high standards, similar to housing being produced in Europe at the time. These housing schemes adopted the high-rise, all-services-included, concept of the 'L'unite d'habitation' created by the French architect LeCorbusier, famous throughout Europe. In Mexico, however, they were Mexicanized, so to speak, through the use of murals and local materials. They were not only symbols of the country's level of modernity but of the country's new revolutionary identity, very much in vogue at the time.

⁹⁷President Ruiz Cortines inherited a country facing high inflation with economic recession. His response was to implement an austerity program which reduced public expenditure and consequently increased existing unemployment in the context of a deteriorating level of wages. "Programa 14 de Mayo" did result in economic recovery, as GDP went from a low 3% in 1952 and 5.4% during 1953 and 1954 to a 7.9% in 1955 and 7.5% in 1957. Wages increased in real terms for the first time in sixteen years. And the Mexican peso devaluated in 1954 from 8.65 to 12.50.

⁹⁸In addition to the economic program, a Pact between labor and capital was signed to help its implementation. Formalized in 1955, "Pacto de Unidad Popular" was headed by CTM and agglutinated almost all labour organizations of the time. This concentration of labour groups into a few major Confederations with the leadership of CTM, enabled the state the firm control of labour: 32,000 strike notifications were issued but only 160 were made effective.

The allocation of these units were handed over the union leaders, as in previous administrations, who rewarded the politically important members. The IMSS housing program was a palliative for the housing problems of about two million unionized workers who were still largely neglected by the state.

While labour matters appeared to be under control, urban development kept up its rapid pace so did the growth of the urban poor ⁹⁹. In order to deal with this situation the state chose two different strategies: One was the creation of a new housing agency: "Instituto Nacional de la Vivienda" (National Housing Institute) -INV- in December 1954. INV constituted an acknowledgment and a partial response at the national level to the problems of the urban poor which had accumulated during previous sexenios. For the first time an independent agency was created, not as a part of a larger institution, like DDF, PCER and FHP, nor to produce civil servant's housing. INV was created with the purpose of providing a solution for inner-city slums and squatter settlements. Its impact however, was more symbolic than real because little economic resources were assigned and these came from the Federal Government and were unstable ¹⁰⁰.

⁹⁹The problems of the urban poor, which were acquiring scandalous proportions became even more complicated at the end of Ruiz Cortines (1958) sexenio, when no new urban developments were authorized in the Federal District. This restriction stimulated urban development in the adjacent municipalities of the State of Mexico. Growth was tremendous: the population of these municipalities went from around 300 thousand people in 1960 to around two million a decade later. To put it in different terms, in 1952 'colonia proletarias' (pirate subdivisions) constituted 23.8% of an area of 150 square kilometers and concentrated 14% of the population, while twenty years later they constituted 41% of 750 square kilometers and housed 40% of the population. Moreno (1979)..

¹⁰⁰INV yearly housing production was only 900 units from 1954 until its transformation into "Instituto Nacional para el Desarrollo de la Comunidad" (National Institute for Community Development) -INDECO - in 1970. INV output had little relation with the magnitude of the problem: the urban poor (those without a formal job) in Mexico City, made up roughly 50% of the population, approximately 2'500,000 people or about half million families, in 1960.

The other was to deal with illegal settlements and pirate subdivisions on a discretionary bases. The state largely chose this second strategy for a number of reasons. The state did not have to promise a general solution for the housing problems shared by the popular sector, as any comprehensive solution required resources which were, and still are, beyond the state means. In addition, it permitted the state to adopt a "laisser-faire" attitude when required to permit squatting. Finally, it made it possible for the state either to take the "laisser-faire" stand, the "bulldozer" stand or the "benefactor" stand and regularize ownership in order to coopt specific groups.

The state could take such a discretionary position because the popular sector was so atomized and incorporated so many different social groups, that it could not present a common front and demand a more systematic and comprehensive response.

During the administration of Lopez Mateos (1958-1964), the state adopted several types of housing intervention while economic growth continued ¹⁰¹ under relatively calm political conditions ¹⁰². First, housing benefits were increased for civil servants ¹⁰³. Secondly, the IMSS housing programs for

¹⁰¹Economic growth during the 60's remained at the level of 6% to 7%.

¹⁰²In 1958, while labour calm was relatively generalized, the railroad workers' movements broke out only to be strongly suppressed by President Lopez Mateos, the Minister of Labour under the previous administration. These events together with the elimination of the most active radicals in important unions, brought back a climate of labour tranquility for the rest of his sexenio.

¹⁰³Housing production for the politically important civil servants did increase as PCER became ISSSTE in 1959. It built from 1,748 units per year during the period between 1947-59 (22,735 total) to 4,279 units per year from 1959 to 1967 (34,232 total).

workers were canceled as organized labour was granted the approval of the profit sharing legislation. Thirdly, a financial mechanism was established in order to facilitate access to housing to the middle-class ¹⁰⁴. And fourthly, a "bulldozer" policy was taken with regards to the urban poor in spite of the deterioration in their living conditions in general ¹⁰⁵, and of their increasing demand for shelter.

The state adopted a "bulldozer policy" in order to control and discourage these settlements' growth. The expansion of the manufacturing sector had not been dynamic enough to absorb even the existing urban population. Hence, the constant influx of migrants who could not find a job became a burden for city administrations mainly because these settlements became an embarrassment to the state. Their chaotic image distorted the picture the state sought to project: the country's level of modernity and economic prosperity. Last but not least, urban migrants became the target of unscrupulous land developers who sold lots which never got the service promised or even worse, which did not exist, thus passing these problems onto the city governments ¹⁰⁶.

During the sexenio of President Díaz Ordaz (1964-1970) state housing intervention was devised in order to deal with the changes in the profile of Mexico's society brought about by economic growth. Mexico's population was now predominantly urban. A middle-class had emerged for which Díaz Ordaz

¹⁰⁴The "Programa Financiero de Vivienda" -PFV- was created towards the end of this administration in order to finance middle-class housing, but it had no real impact during his term in office.

¹⁰⁵In 1960, 47% of the housing of Mexico City, already with five million inhabitants, lacked water and other services. In the other eleven important Mexican cities the problem was even worse: at least 65% to 85% of housing was considered inadequate in terms of construction standards and services.

¹⁰⁶Cornelius (1975)

administration encouraged the development of PFV ¹⁰⁷. The political organization of the state consolidated and so did organized labor with the creation of CT in 1966 ¹⁰⁸. The transformation of the housing chapter of the 1931 Labour Law was approved in 1969. And although the political awareness of the urban population began to develop Diaz Ordaz maintained Lopez Mateos' "bulldozer" policy.

The transformation of the Federal Labor Law, which gave private firms with more than 100 workers the responsibility to house them, ¹⁰⁹ was a step forward

¹⁰⁷PFV worked in the following way: housing was to be commercially produced by the construction industry. This mechanism ensured that commercial banks, at that time still in private hands, had to assign 30% of their resources for the construction or acquisition of housing. Such a percentage was discounted from the bank's compulsory deposits with the "Banco de Mexico" (similar to the Federal Reserve) and was allocated to finance housing at a lower interest rate than normal. Also, foreign funds, such as the World Bank's, were to be channeled through the banking system for that purpose. PFV housing was usually detached. Thus, this program, abandoned the IMSS "revolutionary" housing schemes since small developers and not the state were doing the construction. PFV typology tried to capture some of the features of suburban American middle-class housing to the extent that its style was often referred to as "californian". The idea of modernity in housing changed from the post-War European styles to the style of the "American Dream" at the same time as the United States was clearly taking on an hegemonic role in the world's and in Mexico's economy. From its creation until 1970, this program financed the production of 14,170 houses per year, an increase in housing production with no precedence in Mexican history. Total production for the period 1963-70 was 99,190 units. See Garza, G. and Schteingart, M (1979)

¹⁰⁸The formation of the "Congreso del Trabajo" -CT- was proposed in the PRI General Assembly on April 1965, later approved by Diaz Ordaz, and formally constituted in Feb. 19, 1966. This great worker's organization had a membership of about three million in 1967. It was constituted not as a federation of labour organizations but as a 'platform' for discussing issues of common interest and eliminating differences between participating groups. CT became an important mechanism, initiated and supported by the state, for neutralizing, mediating and controlling labour demands.

¹⁰⁹Once amended, Fraction III of Article 111 stated that those firms with more than one hundred employees should provide housing for its workers. It established a period of three years for complying with the mandate and provided workers the right to obtain a monthly compensation while housing was provided. Workers could resort to the "Juntas de Conciliacion y Arbitraje"

in the operationalization of the original Article 123, Fraction XII of the 1917 Constitution. However, its approval faced strong opposition from the private sector, since complying with the Law implied a cost for industry. This represented the first important appearance of this sector as an antagonistic force in the history of state housing intervention. Represented by the COPARMEX (Confederation of Employers), they claimed that about 50% of industry's total investment during ten years would have to be devoted to housing costs, thus jeopardizing industry's expansion. Also, they claimed that the annual cost of labour would increase by about 33% due to the cost of financing housing. Finally, it was argued that possible confrontations were likely to arise as a result of disagreements about the interpretation of the Law, which were to be settled by the "Juntas de Conciliación y Arbitraje".

The private sector through COPARMEX stated that the provision of housing for workers could not solely be the responsibility of the private sector. It was also necessary for the state to intervene, to plan and to coordinate the different state administrative branches for the implementation of the law. The state later accepted this argument for the Law's full implementation when it created INFONAVIT.

In spite of the opposition, the amendment of the Law was approved. In this way the state rewarded labor for its control of wage drift and even more importantly, for their abstention from support of the students revolt of 1968, which ended in a bloody massacre and a crisis of legitimation for the

if employers did not comply with the mandate.

state ¹¹⁰ .

Diaz Ordaz left his successor a country in political turmoil. The number of landless peasants had increased, as had the number of those without a job. The level of wages was still behind the cost of living in cities and inflation was widening that gap. After 1968, it was clear that the young generation rejected the distorted outcome of Mexico's development as well as the PRI's rhetoric, rigidity, and repression.

Intellectuals and liberals in general demanded amnesty for the political prisoners of 68¹¹¹. In contrast, the private sector, which had grown stronger throughout the last sexenios of "Desarrollo Estabilizador", appeared satisfied with Diaz Ordaz's performance ¹¹².

Faced with this political situation and the fact that he had been Minister of the Interior in the administration that was about to conclude, Echeverría exploited one of the characteristics of Mexico's presidentialism: the change of the 'sexenio' and its consequent hope for a better future. As Soledad

¹¹⁰Not all labor's demands were granted, though. The demand for the approval of the 40 hours labor week was not granted. Also, in spite of support from the "Partido Popular Socialista" (Popular Socialist Party) -PPS- for the reduction of the period for the compliance of the Housing Chapter of the Labour Law, from 3 to 1 year, it remained three years, leaving its implementation to the next presidential administration.

¹¹¹In November 1969, a well-known intellectual, Jose Emilio Pacheco wrote: "Mexico's political life cannot go back to normal nor can it be dignified unless amnesty is dictated right away." "Excelsior" Nov. 16, 1970

¹¹²In November 1970, a month before leaving office, during CONCANACO (National Confederation of Chambers of Commerce) III Ordinary Assembly, the private sector expressed to the president their satisfaction with the way he had preserved 'freedom and order' during the events of 1968. "We have perceived with great clarity that the freedom we enjoy today would not be possible if you had not taken those decisions and in the interest of our country." "El Universal" Nov. 13, 1970

Loaeza (1977) observed:

"The proximity of a new presidential period auspices an atmosphere similar to New Year's Eve....because given the system of strong presidentialism and the cult of personality it conveys, a new president means new possibilities and alternatives, promises of more efficient solutions and in general, change brings optimism."

4.-FROM POPULISM TO "OIL BONANZA" TO THE PRESENT CRISIS (1970- 1988)¹¹³

During these three sexenios Mexico went from economic growth to stagnation and from political stability to political crisis. During this period the state's hegemonic control over the country's political life diminished. Mexico's economic bonanza came to its end. As the economic situation of the country deteriorated without having achieved the welfare dreams of the trickle-down effect contemplated during the post-War economic policies, the political arena became the site for a high degree of conflict and social mobilization.

In this situation the state could no longer afford to appease social groups with housing programs. Problems were more acute for some social groups and both labor's and the urban poor's capacity to exert pressure had

¹¹³This period of history included the administrations of Luis Echeverría Alvarez (1970-76) -LEA-, Jose Lopez Portillo (1976-82) -JLP- and Miguel de la Madrid (1982-88) -MDM-. I will analyze these three 'sexenios' in greater detail than the previous ones, for three main reasons: First, they are very important in terms of the intensity of state housing intervention as major institutions and legislative pieces were created; Second, they provide the context in which the history of the agencies INFONAVIT and FONAHPO developed. These two agencies will be analyzed in depth in the next chapters. And third, Mexico's present situation can better be understood in the light of these previous administrations.

increased. The urban poor were no longer the newcomers for whom the city life meant an important improvement in their living conditions. By the early 1970's, the urban poor were the second or third generation of those first migrants, more politically aware, more educated, and more organized. Similarly, organized labor had grown stronger and more powerful and most of its other demands like social security and education were satisfied. On the other hand, there was a new, growing middle-class full of expectations for continuously improving their living standards and the business community was eager to maintain and enhance their privileged position.

President Echeverria (1970-1976) declared many times, while extensively touring the country, that the work of the Revolution was incomplete, and that his first priority in office would be to improve the welfare of peasants and workers.

Once in office Echeverria talked about "open dialogue", "new economic and political reforms" and encouraging the formation of independent unions ¹¹⁴ as ways of dealing with the political ¹¹⁵ and economic¹¹⁶ situation that he

¹¹⁴Inauguration speech on December 1st., 1970.

¹¹⁵Politically, Echeverria's administration encountered a crisis of state legitimacy, mainly as a result of the student massacre in 1968, and the government's import substitution policy during the 40's and 50's, which concentrated on the production of capital goods to the detriment of consumer goods and social services.

¹¹⁶The sexenio of President Echeverria and in general the decade of the seventies, was characterized, from the economic point of view, by very unstable stagnant economic growth and greater unemployment. This was accompanied by a slow growth of internal production which accentuated inflationary pressures and translated into rapid price increases from 1973 on. There was a decrease in both the investment rate and in the rate of profits due to the confrontation with the private sector and to a lesser extent to the world economic situation. In addition, a crisis in agricultural production translated into greater imports at a time where the economy was unable to generate foreign exchange, resulting in the increase of foreign debt.

encountered.

Echeverria increased the state's provision of social services, including housing in order to meet the demands of those groups. With regards to organized labor, the housing mandate of the Constitution was finally implemented. Article 123, Fraction XII of the Constitution was modified and the most important housing agency was created: INFONAVIT. The Human Settlements Law was approved in order to facilitate the state's land regularization policies in favor of the urban poor¹¹⁷. However, Echeverria's rhetoric flew in the face of already intense antagonism between the private sector and the state and the Human Settlements Law approved in 1976 was not implemented. He also intended to move the state close to its long ignored popular base, and at the same time he wanted to democratize organized labour and renew its leadership. Instead, Echeverria was forced to abandon his early democratic pretensions and those embedded in INFONAVIT's organizational features and forge alliances with the traditional labour bosses. He could not afford to lose their support during an economic crisis, especially when the relationship between the state and the private sector was at its worst since the Revolution.

Echeverria's social reforms could not be implemented without a parallel economic one. A key element of this reform was a fiscal reform sent to

¹¹⁷Other important interventions in housing in favor of the urban poor were: the transformation of INV into the "Instituto Nacional para el Desarrollo de la Comunidad" (National Institute for Community Development) - INDECO, and the creation of the "Comision para la Regularizacion de la Tenencia de la Tierra" -CORETT-. Both INDECO and CORETT were given land regularization powers. Other agencies were also created and given similar powers in Mexico City: FIDEURBE, DGHP and "Procuradoria de Colonias Populares".

Congress on December 16th, 1970 ¹¹⁸ to which the private sector reacted with hostility¹¹⁹. That event marked the beginning of the antagonism with the private sector which characterized his sexenio and which handicapped the implementation of his reforms ¹²⁰.

In contrast to this antagonism with the private sector around the fiscal reform, negotiations between the state, the private sector and organized labour which would lead to the eventual creation of INFONAVIT were under way by the end of 1971 ¹²¹. This was due, on the one hand, to the process through which these negotiations were implemented. On the other, the issue of housing was less threatening to the private sector than fiscal reform.

The mechanism through which these reforms ¹²² were finally agreed upon was

¹¹⁸This reform, if approved, was designed to halt the prevalent concentration of wealth in a few hands through a new tax structure which increased both personal income and corporate taxes. In addition, a new capital gains tax and a 10% tax on luxury goods, together with consumption taxes charged in restaurants, hotels, night clubs, and special real state taxes, among others, were to be imposed.

¹¹⁹The next day this initiative was sent to Congress, on December 17th, Roberto Guajardo Suarez, head of COPARMEX, declared to the press that "the dialogue between the state and the private sector could be interrupted". This hostile reaction from the private sector to this initiative, was not only because of its content but also because of the secrecy with which it was handled. A tacit historic rule of the game had been broken, as this sector had not been "consulted" before the legislative initiative was sent to Congress.

¹²⁰This antagonism was aggravated months later, in August 1971, when Echeverria referred to some members of this sector as "men who only pursue personal wealth and enrichment", thus who are "ultimately un-Mexican" Hellman (1983).

¹²¹The idea of both amending the Constitutional mandate and creating INFONAVIT can be traced to the 1970 National Housing Conference held in the city of San Luis Potosi, while Echeverria was campaigning, and to the May 17, 1971, meeting of the "V Comision Nacional Tripartita". This idea was further discussed and developed throughout the year and in December of 1971 reforms to Article 123 and to the Federal labor Law were proposed by the Commission. They were proposed first to the president on Dec. 2, 1971 and then to Congress on Dec. 22, 1971 for the purpose of creating INFONAVIT.

¹²²The reform to Art. 123 established that: "Employers obligation to provide housing to their employees will be met through their economic contribution for the creation of a national housing Fund and a financial system which will make possible to provide employees with large enough and inexpensive credits for housing acquisition." It is... "in the public good to

the "V Comision Tripartita", which was devoted to housing. This, and other similar Commissions¹²³, had already proved themselves useful years before in the case of the Profit Sharing regulation. Echeverria, an expert politician, understood both the extent and limits of presidential power ¹²⁴ and consequently, the virtues of "controlled" interest participation in policy-making through these Commissions.

The V Commission, a "controlled mechanism for group's participation", served as a mechanism for ameliorating conflict between labor and capital while at the same time protecting the President from its unsavory political consequences. Labour representatives were encouraged to actively participate in the V Comision Tripartita. Strong labour participation was important not only to support the president's initiative against potential private sector opposition but also to reinforce his "populist" image.

The V Commission minimized most conflict between participant groups since

issue a law for the creation of an organization integrated by representatives of the federal government, labour and the private sector. Such a law will regulate the means and procedures through which employees can buy a house."

¹²³These Commissions were government-sponsored "ad-hoc" mechanisms for conciliating otherwise opposed interests. They usually headed by a trusted subordinate of the president, to whom he delegated substantial decision-making authority, included the participation of the federal government, labour and the private sector. Their purpose was to discuss delicate issues which were usually subject to interest confrontation. Their usefulness was that through tacit or explicit group consultation with group representatives open confrontation was usually kept behind doors. Results were made public only when politically desirable: secrecy was used to keep opposition at a minimum. Kaufman (1975)

¹²⁴Echeverria recently declared in an interview: "I maintained contact with the people and developed policy in favor of labour and peasants. But a president, even if he concentrates a lot of power, like in the Mexican case, only proposes...the large social groups dispose. There is a network which reaches the government, as well as the party, which often delays, distorts and makes 'injustice of justice'"

its purpose was to specify the institutional mechanisms for the operationalization of the law, not to discuss the law itself ¹²⁵. The 1917 Constitution had already established employer's obligation to provide housing to their employees. In addition, the Labour Law had been amended, setting a time limit for housing provision. Operationalization of the situation needed clarification, as mentioned by a high government official:

"The modification of the Labour Law generated some 'preoccupations'. Its implementation was left to a bilateral negotiation between labour and the private sector. Also, it was not explicit whether it was to be housing ownership or rental. The Law, in order to facilitate negotiation between the parties provided a three year period for arriving at an agreement....This generated a lot of 'uncertainty'....a great harm to the country's development process".

Thus, the V Commission sought a permanent mechanism for the provision of housing. The solution recommended and finally adopted modified Art. 123 and established a payroll tax for the creation of a housing fund. The housing chapter of the Labour Law was also modified to add specificity to the housing chapter. The fund, later to become INFONAVIT, was meant to finance housing acquisition.

The amendments of Art. 123 and of the Labour Law, together with the creation of INFONAVIT were well received by the private sector. On February 27, 1973, Alejandro Alvarez Guerrero, president of CONCAMIN, declared to the national press:

"Regarding public housing, INFONAVIT has been created. All of us who

¹²⁵Like in the case of Profit Sharing, discussion was to focus on technicalities largely to be resolved by technocrats. Technocrats' outlook and values often converge, reducing the potentially destabilizing and disintegrating effects of negotiation about principles.

belong to it feel proud, in one way or in another, of what has been done....We have said it and we will repeat it again, the institute is one of the main, if not the principal, achievements of the "Comision Nacional Tripartita" ¹²⁶.

There were a number of reasons why the private sector was satisfied with the creation of INFONAVIT. First, they were not only consulted but actually participated in the decisions which lead to its creation; second, the cost of doing it had been a bargain for them since they had transferred at least 5% to the consumer, as CONCAMIN openly declared in 1973:

"Prices have to go up as a result of higher production and distribution costs, which in turn have increased because of higher wages, taxes... in particular those related to social welfare like the social security and the 5% that have to be paid for INFONAVIT" ¹²⁷.

With such a price increase they were able to easily comply with what originally was an obligation which would have cost them much more. And they were satisfied since housing construction was largely going to be carried out by the construction industry.

The process through which INFONAVIT was created was an example of the conciliatory spirit his populist outlook adopted. As Echeverria himself observed:

"My government was in favor of labour, but in a capitalist system of mixed economy other factors of production also need to be considered. Hence, the government together with them initiated a series of negotiations in order to conciliate interest".

Echeverria's conciliatory spirit also implied that the state was to be the

¹²⁶ Mexico City dailies Feb. 27, 1975

¹²⁷CONCAMIN N.579, Vol. 23,1973

conciliator, as Saldivar (1980) rightly pointed out:

"Echeverria's government very cleverly used workers against the private sector and viceversa, seeking at all times an equilibrium out of which the state was to maintain its autonomy" ¹²⁸.

In essence Echeverria's strategy was that of a confrontation between the various sectors of society out of which the state, as an arbiter, increased its power position. This kind of "double game" became evident in his stand towards organized labour and independent unions and in the negotiation process for wage increases during the first years of his administration. I will show in the next chapter how this "double game" affected INFONAVIT's performance.

Echeverria's position towards democratizing labour's bureaucracy was made early in the sexenio when on December 15, 1970, he declared in a meeting with the Workers Federation of the Federal District, that:

"How can we speak of democracy in Mexico if when union's leadership is elected this is not done through a democratic process?"

Echeverria sought to democratize labour by first removing the old bosses. His strategy was to weaken their support through the encouragement of independent labour movements which by that time were proliferating because of rank and file's discontent with leadership and the economic situation of the country ¹²⁹. He not

¹²⁸ Saldivar (1980:112)

¹²⁹In 1971, the "Movimiento Sindical Ferrocarrilero" -MSF- was established out of a schism of some sections with the "Sindicato de Trabajadores Ferrocarrileros de la Republica Mexica" -STFRM-. Similarly, during that year the electrical worker's movement, which developed into "Corriente Democratica", began. In addition, there was a failed attempt by the employees of the banking system to unionized, and in 1973, the National University Worker's Union was created. These were just some examples of new unions being formed or independent stands being taken with independent unions.

only sought to neutralize labour leaders' power through encouraging the formation of independent unions but to strengthen the state's and the president's position by adopting the role of mediator.

The behind-the-scenes "democratization" of labour's bureaucracy came to an end because the deterioration of the economic situation together with the mounting antagonism with the private sector, rendered the support of labor critical ¹³⁰. By the end of his third year in office, he was constrained to abandon his "populist" programs in all but rhetoric and to adopt policies catering to conservative interests.

This trend towards concessions to the right was evident in Echeverria's treatment of the conservative labour boss, Fidel Velazquez. Politicians both inside and outside the CTM, who were challenging Velazquez's thirty-three year reign over the labour confederation, initially enjoyed the support of the president. However, when Echeverria realized that Velazquez was so firmly entrenched that the union leader was likely to resist any showdown between the two, the president quickly revised his policy and provided Velazquez with the concessions he needed to consolidate his control. Echeverria resorted to a hard line position with independent unions, an attitude which culminated in repression in general and the breaking of the strike of the previously supported "Corriente Democratica" in 1976.

Furthermore, Echeverria proposed to modify Article 123's provision of the right to strike in order to strengthen the bureaucracy's hand in their struggle against independent labour organizations. This modification imposed a mandatory conciliation period which effectively outlawed the kind of

¹³⁰In 1974, the rate of inflation reached 25% exacerbated by food shortages brought on by droughts and floods, plus the impact of a world wide inflationary trend. Prices of popular staples like beans and 'tortillas' rose by as much as 50% completely outstripping the wage increases obtained.

wildcat strikes which had been undermining Velazquez's power. Last but not least, the fight over the control of INFONAVIT, to be analyzed in detail in the next chapter, was finally won by CTM, in part because of the support of Velazquez by groups inside government and the political apparatus.

While Echeverria was trying to recuperate the radical side of his program, so that he could confront the private sector with labor's support, antagonism with the private sector was so intense that they were talking about a "crisis de confianza" (crisis of trust)¹³¹.

In the midst of this "crisis de confianza" Echeverria sought the expansion of state power over urban land in order to facilitate state intervention in the land market through the approval of the Human Settlements Law. This time opposition by the private sector was almost violent, largely triggered by widespread rumors. They perceived the state as violating the principle of private property through the legalization of expropriations. This fear was accentuated by Echeverria's populist rhetoric and mistrust which prevailed by the end of his sexenio and which was accentuated by mystery and secrecy with which the initiative was handled, in contrast to the process through which INFONAVIT was created.

At the beginning of 1976 rumors had spread that a radical urban reform was in the making ¹³²: homeless families were to be located where there was an

¹³¹From 1974 on, capital flight abroad accentuated a "dolarization" of the economy which triggered, in turn, expectations for a devaluation. The "emissaries of the past", as the private sector was often disdainfully referred to, were in addition, withholding investment funds and probably encouraging their foreign partners to do likewise. They were using their economic strength to halt Echeverria's reforms.

¹³²A 'rumor war' was initiated by radical groups of the private sector. In February 1976, those rumors reached the press. A document subscribed by all employer's organizations of the state of Nuevo Leon was published. The document stated: "The law breaks the legal structure of the Republic and leaves the private citizen completely resourceless against the power of the

extra room or a large house, large private gardens were going to be expropriated for public housing, and those with more than one house were to give the surplus housing away.

In reality, the purpose of the law was not that radical. It was designed to regulate the anarchy and liberalism in the real estate market (land and construction) as well as to stop the concentration of control of urban land by a few speculators. Housing and many other urban problems were obviously intertwined with the value and control of land ¹³³.

The law was finally approved at an extraordinary session by Congress on May 26th, 1976. It was general and mild with regards to the state's right to expropriate and establish the use for urban land. This same law was presented as an example of progressive urban planning in the UN Human Settlements Conference in September 1976.

On the other hand reconciliation with CTM reached its highest point when

state, regarding his most precious possession: his land". see Loeza (1977); Saldivar (1980)

¹³³The magnitude of illegal settlements and of urban problems in general had reached such proportions by 1970 that it required drastic actions on all fronts. Although data about the situation is incomplete and contradictory at times, in 1977 the Mexico City government estimated, based on the cadastral value of the lots subject to taxes, the city should have received 314,000 million pesos. Since this income constituted at least 64% of the city's budget, it became clear that a vast amount of lots were not paying any taxes, since the total budget for 1970 was 3,500 million, 15,000 million for 1976 and 29,461 million for 1978. According to some official figures, there were 6 million people living in 514 illegal settlements which covered about 3,400 hectares in the Federal District. Echeverria's intentions to strengthen the state powers for the control of urban land had additional objectives: one, to improve the state's capacity to regularize land and consequently to receive its economic and political 'cover charge', both badly needed because of the economic crisis and the political antagonism with the private sector; and two, it was a way of paying back those groups for their support and strengthening their link with the state, an important consideration in Echeverria's populist political strategy. Moreno (1979) On land issues see grimes (1976); Darim (1977); Doebele (1974) among others.

at the end of the sexenio CTM announced the PRI's candidacy of Lopez Portillo for President. This event, known in Mexico as "destape", allowed CTM to gain important positions within the next administration. As we shall see when I analyze in great detail the case of INFONAVIT, both the behind-the-scene struggle between CTM and government and their conciliation were clearly manifested in the institute's actions during Echeverria sexenio and after.

Echeverria's administration was able to increase total housing production considerably ¹³⁴. The state was also able to provide a similar response than that given to workers for civil servants and the armed forces, who were considered workers employed by the state. Given Echeverria's political strategy and the turmoil it generated, he sought all the support he could get from these two sectors, in particular that of the armed forces.

Also for the first time, the state placed particular importance on the provision of housing to the urban poor whose income was under or slightly above the minimum¹³⁵. However, by making land regularization the main intervention type, the state implied that it did not pretend to go beyond providing land ownership and services to ameliorate their housing situation.

¹³⁴During Echeverria's sexenio housing output considerably increased. The newly created funds, INFONAVIT and FOVISSSTE produced 154,626 and 14,655 units respectively. FOVIMI output for the period is not known. DGHP housing production went up from 1,600 units/year to 7,892 units/year while INDECO output was 7,881 per year (of which 6,107 were urban) constituting an important increase in housing production from its predecessor's (INV) 900 units/year. The exception in this picture were both BNOSPSA and FOVI-FOGA output which remained the same with 3,326 units/year for the former and 14,170 units/year for the later. In addition, small state level housing offices were created in 12 of 32 states.

¹³⁵The percentage of people belonging to that income bracket went from roughly 10% during the previous administration up to about 20 to 25%. Such an increase becomes even more significant given the fact that total housing output more than double of the previous administration's.

During Echeverría's sexenio the state's policy-making and implementation capacity declined. The solutions adopted in order to maintain the support of social groups implied a greater political and economic cost and were difficult to implement. The state did not democratize organized labor bosses and in the end even antagonized independent unions. Similarly, the private sector's veto of the Human Settlements Law prevented the implementation of state housing policy towards the urban poor. The state was successful only implementing policy with regards to its own employees, civil servants and the armed forces. The social interests embedded in state institutions rendered them an arena of conflict which mirrored the conflicts in civil society, vexing any independent state action.

At the end of the sexenio of President Echeverría a fiscal crisis had taken Mexico to the brink of economic ruin. No doubt there had been a considerable expansion in many areas of the economy and social provision ¹³⁶ but the internal inability to cover those costs had been largely resolved by borrowing abroad¹³⁷.

Echeverría left office without achieving much of the political and economic rejuvenation his initial reforms proposed. On the contrary, the economy would have collapsed completely hadn't the announcement of Mexico's

¹³⁶Indeed, the Mexican state during Echeverría's 'sexenio' had tried to compensate for previous administration's social neglect: Social security expanded to cover an additional 10 million Mexicans, INFONAVIT alone produced more than 120 thousand new dwellings during the 'sexenio' and the Ministry of Education budget quintupled, increasing the number of technical institutes from 281 to 1,301 during this period. In addition, the administrative apparatus of the state multiplied in order to fill the void left by lack of private investment: CONASUPO nearly quadrupled from 1971 to 1975 while its subsidiaries companies grew from five to sixteen. In general, the number of state enterprises went from 84 in 1970 to 845 in 1976.

¹³⁷The foreign debt went from 3 billion pesos in 1970 to almost 16 billion pesos in 1976. See Guillen (1984)

vast reserves of oil boosted confidence and temporarily halted the crisis circle¹³⁸.

President Lopez Portillo (1976-1982) managed to temper private sector antagonism with the state during the first years of his sexenio¹³⁹, mainly at the time of the oil boom of 1979-80¹⁴⁰. Yet at the end of his administration, as Mexico's economy collapsed, he reversed this process by nationalizing the banks. His preoccupation with managing oil wealth and making government efficient resulted in rather timid housing intervention, given the amount of resources at his disposal during the oil boom. An agency was created in 1981 -FONAHPO- and plans and programs were discussed, issued, and published but seldom implemented. Housing actions increased but not at the same rate as compared to those during Echeverria's administration ¹⁴¹. Labour was granted firmer control of INFONAVIT as a payoff for their support,

¹³⁸see Pereira (1979)

¹³⁹On the economic front recovery appeared on the horizon when IMF removed some of the restrictions imposed in 1975. The condition set by IMF was the adoption of a "stabilization" program which called for limits on external borrowing, on welfare spending, and on monetary policy which would float the peso until it reached its own stable rate of exchange with world currencies. Central to this economic program was a cut in public spending, a reduction of development projects, and a freeze on wage increases below the inflation rate.

¹⁴⁰The administration of President Jose Lopez Portillo (1976-1982) will be remembered as "The Illusion of Bonanza", a political and economic strategy he resorted to in order to hide the fact that the myth of the "Mexican miracle" had faded away during Echeverria's administration. Production in both industry and agriculture had stagnated or even slowed; inflation, to many Mexicans an unknown phenomenon until then, was becoming familiar; trade had deteriorated; national and foreign investors' confidence had been shaken by political and verbal violence; and social injustice and income inequalities were as glaring as ever in spite of all efforts in social policy implemented by Echeverria.

¹⁴¹ Total housing output during the administration of Lopez Portillo was 488,517 units, 25% more than the units produced during Echeverria's administration.

particularly during the implementation of the IMF program negotiated at the beginning of his term in office. I will discuss the situation inside INFONAVIT in the next chapter.

Lopez Portillo rewarded CTM's support¹⁴²: the "Banco Obrero" (Worker's Bank) was created and several deputy and senator positions as well as governorships (Nayarit, Queretaro, Zacatecas, and Tamaulipas) were gained by labour. Also, CTM won control over the institute's union, formerly independent, thus increasing their power position inside INFONAVIT, as I will show in more detail in the next chapter. Finally, labour managed to negotiate with the state and the private sector that the 60% of total housing promotions which they had already obtained remained in their hands.

The benefits received by labor in INFONAVIT were negotiated by Jose Campillo Sainz, Minister of Commerce and Industry during the previous sexenio, who was appointed Director General of INFONAVIT and whose initiative to make the institute a solely financial institution was welcomed by both labour and the private sector: they both wanted to have a greater share of housing production.

Other important housing interventions during Lopez Portillo's sexenio were: a) the creation of a ministry specifically given the function of human settlements planning -"Secretaria de Asentamientos Humanos y Obras Publicas" -SAHOP- and the approval of a National Urban Development Plan (PNDU) and a National Housing Program (PNV); b) the dismantling of INDECO in 1981; and c)

¹⁴²In 1977, during the first year of Lopez Portillo's administration, CTM agreed to contain wage demands. Faced with wage contention, labour pressed for other types of benefits or "prestaciones", as a way of increasing income. This has since become standard procedure. The state intervened in the creation of stores for workers and other type of side benefits. However, it should be noticed that those making the minimum who were not included in labour's contract could not negotiate for those "prestaciones".

the creation of INDECO's substitute, through the transformation of FCB, which existed within BANOSPSA, into an independent financial agency called "Fideicomiso del Fondo para las Habitaciones Populares" -FONAHPO. I will discuss in detail FONAHPO's performance in chapter four.

The creation of SAHOP made physical planning one of the most important housing-related activities. SAHOP was responsible for operationalizing both the PNDU and PNV which already were within the loose legal boundaries of the Human Settlements Law. The PNDU was approved in May 12, 1978. Among the sectoral programs involved was one which referred to housing ¹⁴³. The basic notion of PNV was to help the poorest sector of the population through greater coordination of existing public housing programs and through greater participation of the beneficiaries. Community development and housing cooperatives were to be promoted. In essence, since the state had less resources to devote to housing, given the state of the economy and the compromises with IMF, the definition of public housing explicitly included for the first time programs like S&S and upgrading through self-help actions. It also called for greater administrative efficiency in their implementation through improving coordination among all housing agencies.

Lopez Portillo himself said:

"With regards to the housing problem, the possibility to extend coverage of housing benefits comes precisely from incorporating into government initiatives the housing actions people themselves already carry out. Intensive self-help housing programs appear then as a feasible housing alternative which also allows for community organization and the use of

¹⁴³The PNV was approved on December 3, 1979. The PNV called for "improving the housing conditions of the majority of the population, in particular those with very low income, and to structure and coordinate all housing actions in order to make them congruent with other federal government plans and programs".

local building materials and technology"¹⁴⁴

Such a view of housing was highly congruent with the main slogan of his political campaign: "La Solucion Somos Todos" (We are all the solution)¹⁴⁵. FONAHPO's formal objectives were precisely to encourage those type of programs, as we shall see in great detail in a subsequent chapter.

Those plans and programs ended up being more rhetorical than real, as during Lopez Portillo's sexenio both housing production and land regularization were down as compared with the previous administration. Emphasis was placed on producing plans and programs which did not translate into action. This was partially due to the economic recession of 1976-78 and to the agreement Mexico signed with IMF. The state compensated by making big announcements and seeking greater efficiency in its own intervention but above all, by strategically giving labour a greater share of the biggest housing producer: INFONAVIT. I will discuss this in greater detail in the next chapter.

Ironically, Lopez Portillo resorted to the same measures that had brought his predecessor to grief. As the government's internal supply of money grew so did its borrowing abroad ¹⁴⁶. Together with the debt crisis, the value of

¹⁴⁴ NHP (1980:12)

¹⁴⁵In his well-known inauguration speech on December 1st, 1976, Lopez Portillo went back to the central theme of his presidential campaign and stated: "To overcome the present problems depends to a large extent on ourselves, our work, our responsibility, our discipline, our security and our prudence....starting with government itself and with those who have wealth.... it is convenient to be conscious that we all going in the same boat". The message addressed the importance of both sectors' collaboration. As in his campaign, where the main slogan was "La Solucion Somos Todos" (we all are the solution).

¹⁴⁶In 1981, Mexico borrowed three times over its set ceiling of 5 billion dollars, and the overall foreign debt increased eightfold during his sexenio. By the summer of 1982 debt had reached a staggering 80 billion, of which 60 billion represented loans to the public sector . By mid-August it was clear that Mexico would be unable to meet the payments on its debt.

the peso declined by 76% between February and August of 1982, in two subsequent devaluations. Inflation reached 100% and continued to climb, and the rate of economic growth declined from 8-9% during the previous years of the oil boom to zero in 1982 and was threatening to become negative ¹⁴⁷. Finally, on September 1st, 1982, in his final State of the Nation address, Lopez Portillo announced the nationalization of all private Mexican banks. That event marked the end of his 'sexenio' and the beginning of a new antagonism between the state and the former bank owners.

In sum, as Lopez Portillo turned office over to his successor, Miguel de la Madrid, it was evident that he had not been more successful than Echeverria in shaping economic policy to meet his economic program. In spite of having totally abandoned any populist gesture, political pressures from the masses undermined Lopez Portillo determination to further cut social spending. In fact, what Echeverria had constructed as a welfare apparatus was no more than a response to the need to defuse unrest through a selective distribution of goods and services, a policy Lopez Portillo could not but continue. Thus, he soon found he had to do much of the same even if he created apparently new projects or gave existing ones new names.

President Miguel de la Madrid (1982-1988) encountered a political-economic situation much worse than his predecessors'. This situation, soon to be defined as one of "crisis", was characterized by high inflation, a decrease in real income, unemployment and a staggering debt: inflation had gone well over 100%; real per capita income fell in 1982 for the first time in decades; an estimated 800 000 jobs in industry alone disappeared in that year and an

¹⁴⁷Indeed, hundreds of firms of all sizes filed bankruptcy and manufacturing activities fell by 50%, laying off thousands of workers. Hellman (1983); Teichman (1988)

overall one million Mexicans lost their jobs as businesses closed for lack of equipment or imported inputs and most construction was suspended.

As Miguel de la Madrid received a country in a state of economic crisis and on the brink of a political one, the political importance of housing intervention was replaced by the sole determination to maintain the level of wages and their buying power. De la Madrid's housing intervention thus involved only the approval of a Housing Law, and the National Housing Plan¹⁴⁸.

In addition, De la Madrid's administration faced the political and economic impact of the earthquake which hit Mexico City and the states of Jalisco and Guerrero in 198¹⁴⁹. The administration of Mexico City in particular and his political leadership in general, were severely criticized for the government's initial mishandling of the catastrophe. Pressure by urban groups affected by the earthquake mounted around housing provision. The government's initial response was forced to incorporate these groups' demands. A special program, called "Renovacion", was established to deal with this situation. I will discuss this program in detail in chapter three.

5.-CONCLUSIONS.

Since the constitution of the Mexican state during the 1920's until the late 1960's, it exercised an hegemonic control over the country's political life. However, the state's hegemony has declined as has the policy options

¹⁴⁸This Plan contemplated the implementation of a thousand housing "actions" a day. It became clear later to the discredit of the Plan, that a "housing action" could consist of the replacement of a broken window.

¹⁴⁹ This program absorbed 75% of the resources allocated to FONAHPO in 1986. see Mexico City dailies, Nov. 10, 1986.

the state can employ to coopt and control social groups.

During the process of creating and shaping the post-revolutionary Mexican state (1917-1940), housing was used in order to incorporate social groups into the political apparatus. During that first stage, there were few constraints on state action. Neither policy precedents nor previous social mobilizations had concentrated on the issue of housing.

Organized labor was integrated into the state by the inclusion in the 1917 Constitution of several socially progressive mandates guaranteeing workers' and peasants' wellbeing. The state remained the final arbiter of these mandates. The state set the terms of the exchange for the distribution of social goods, the principle condition being political fidelity to the PRI.

The urban poor were integrated into the state-building process differently than organized labor and direct employees of the state, such as civil servants and members of the armed forces. State intervention facilitated their settlement in the growing urban centers at the same time as they provided an unlimited supply of cheap labor for economic expansion. The state later collected the political and economic fees for their settlement through the political incorporation of the urban masses into the party, via the CNOP, and through the cover charge collected for land regularization and the introduction of services. Such a policy reaped large rewards with little costs.

The private sector profited from most of the housing policies as they did most of the construction. Also they profited from the maintenance of social peace, the unlimited supply of cheap labor, the state's development of the national infrastructure, as well as the eventual bonanza of profits from construction in general.

During the second stage of Mexico's modern history (1940-1917) the state

sought to sustain growth and political control through the selective allocation of social goods. The constraints on state action at this stage were considerably greater, now that conflicting social interests were embedded in state agencies. As the precedents for state policy grew more complex, so did the capacity of groups to organize and pressure the state.

Throughout this period, both civil servants and the private sector received "more of the same." The urban poor also got "more of the same" until, in the late 1950s, their presence became an embarrassment for the image of modernity which the state sought to project. At that time, both President Lopez Mateos and president Diaz Ordaz resorted to a bulldozer policy. Despite this, the influx of people continued and also became a goldmine for unscrupulous developers. In addition to the state's "ad-hoc" strategy towards the housing needs of the urban poor, INV was established, but its symbolic existence did little to ameliorate the enormous dimensions of urban problems.

Maintaining the support of organized labor during this second stage was not easy for the state. Workers paid most of the cost of economic expansion during this period through a policy of depressed wages. The state had a twofold housing strategy. First, they made small steps towards the full implementation of the constitutional mandate. And secondly, they reinforced the hierarchical-patrimonial internal structure of labor through the politically strategic allocation of a few luxurious dwellings among the rank and file. BANOPSA and IMSS provided highly visible housing to labor leaders to allocate among their supporters.

During the last stage (1970-1989) the economic model of import substitution could no longer provide adequate jobs for the growing population, nor could it satisfy the expectations of the middle-class and the

students. The student revolt of 1968 was the first signal that the structure of power was in crisis. Thus the state sought to modify its structure--without giving up power--and at the same time tried to promote a different model for economic growth.

Both the civil servants, the military, and the middle classes received increased benefits through the acquisition of greater credit. At the same time the state attempted to launch ambitious land regularization projects for the urban poor, and continued its housing developments for organized labor.

Nonetheless, during the administration of De La Madrid, the state's strategy for capturing the support of the urban poor through the newly created FONAHPO saw only limited success. The strategy sought their participation in housing provision. However, internal state opposition to any power-sharing effectively hobbled this program. I will discuss this in detail in chapter four when I analyze the performance of FONAHPO. I will also show the conditions under which state policy towards the urban poor can succeed when I analyze the case of "Renovacion".

With regards to the private sector and organized labor, the position of the state was even more difficult due to the deteriorating economic situation. Their relationship with the state is summarized in the creation and performance of INFONAVIT, which I will discuss in the next chapter. Some general comments can be made here though.

In contrast to the antagonism between the state and the business community around the Human Settlements Law, the creation of INFONAVIT mostly generated their support. From their perspective, there was a lot gained and no threat to their interests, including construction contracts, expansion of the construction industry, and compliance with the Constitutional mandate with

the costs passed on to the consumer.

In the case of the relationship between organized labor and the state, this was harsh and difficult all along, since the burden of the economic crisis was passed on to them. The creation of INFONAVIT was part of Echeverria's "double game" intended to attract and fortify independent unions vis-a-vis the old labor bosses. His strategy was not successful as the state's power was economically eroded and politically exhausted by the political struggle against the private sector, and to a lesser extent, against organized labor. The results of state "weakness" in democratizing organized labor became apparent as INFONAVIT benefits were handed over to the old labor bosses during the Lopez Portillo administration.

In sum, democratization of INFONAVIT could not be successfully implemented because the state could not afford, politically and economically, to change the structure of power--hierarchical and patrimonial--which had been so functional for the consolidation of its own hegemony.

CHAPTER THREE

INFONAVIT: REWARDING LABOR'S BUREAUCRACY.

1. -INTRODUCTION.

I discussed in the previous chapter how INFONAVIT was created as a response to long-ignored housing demands by labor which had accumulated since workers obtained the right to housing in the 1917 Constitution. I discussed the "participatory" process by which organized labor, the business community and government created INFONAVIT's main organizational features, such as its tripartite top decision-making bodies and its payroll-tax-based funding. I explained how Echeverria failed to dispose of the old union bosses, including Fidel Velazquez, in an effort to democratize the internal organization of labor.

I this chapter I show how the political negotiation which generated INFONAVIT gave labor a strong bargaining position for shaping the institute's performance. I discuss the intervention of other state actors in establishing INFONAVIT's initial democratic institutional features and how these were changed in a parrallel process by the struggle behind-the-scenes between the president and Fidel Velazquez, which resulted in labor's capture of the agency.

2.-INFONAVIT'S DEMOCRATIC INSTITUTIONAL FEATURES.¹⁵⁰

The institute's initial innovative organizational features resulted from both the works of the V Comision Nacional Tripartita and from the participation of state actors inside and out the institute.

INFONAVIT represented many innovations in state housing policy. The institute, together with the other housing funds FOVISSSTE and FOVIMI, is based on a payroll tax. Such a financial formula had not been used in the country before. This formula was developed by INDECO's professionals. This formula allowed the collection of an unprecedented amount of economic resources and these, for the first time, were largely concentrated in a single institution totally devoted to housing production ¹⁵¹.

INFONAVIT's tripartite decision-making structure was another new modality in institutional terms. Labour, government and the private sector were equally represented in the institute's two main decision bodies: the General Assembly and the Administrative Council ¹⁵². As I mentioned earlier, this idea

¹⁵⁰INFONAVIT was established as a financial institution with the following goals: one, to administer the Worker's Fund; and two, to establish and operate a financial system that provides members workers with low interest loans for acquiring a new "comfortable" and "hygienic" dwelling, building, upgrading or modifying their dwellings, and paying former housing related debts --for acquisition or construction--. and three, to coordinate and finance the construction of housing for worker's acquisition.

¹⁵¹Total state housing output in the country, which went from 80,561 units in 1963 up to 162,372 in 1970, more than doubled by 1976; 368,896 units were built. The then recently created funds, among which INFONAVIT is the most important, largely contributed to this production. INFONAVIT alone assigned 154,862 loans from 1972 to 1976.

¹⁵²Formally, the three most important decision making bodies in INFONAVIT are the General Assembly, the Administrative Council, and the Director General. The General Assembly is integrated by 45 individuals, 15 are representatives of various government agencies, 15 of the most important labour unions, and 15 of private sector organizations. The General Assembly

came from the V Commission. Such a "democratic" structure was complemented by a "fair" and "efficient" computerized system of housing allocation, which used "need" as a selection criteria ¹⁵³. This allocation procedure did not come from the Commission nor from INDECO but from INFONAVIT's first General Director, as I will explain below. This again was another unusual feature in allocation mechanisms in Mexico, as mentioned by Garza and Schteingart (1978) ¹⁵⁴:

"Even if this objective allocation procedure could not totally escape some arbitrary manipulation, it is important to mention that it constitutes a step forward in the way goods are distributed in state institutions, since most times it is the political criteria which prevail."

The Director of INDECO, a close friend of Echeverria, was responsible for developing the scheme for implementing the Constitution by creating a housing

meets twice a year and its functions are to review and approve the institute's investment plans and budget. The Administrative council includes individuals, equally representing those three sectors. They are the most important decision makers of the organization and meet at least twice a month. The Administrative Council decides on investment policies, approves new high officials or regional delegates nominations, and presents for approval of the general Assembly, credit regulations, financial programs and an annual activities report. The Director General is the legal representative of the institute. He is proposed by the president and approved by the General Assembly. The Director General is assisted by three Assistant Directors in the Financial, Judicial and Technical areas. They, in turn, control a number of related departments and offices. In addition, INFONAVIT established a number of Regional Delegate in order to control different geographic areas in the country. These are coordinated by the Coordination of Delegations. Originally nine delegations were established covering fifteen states. By 1984, a total of eighteen delegations have been established covering all thirty two state in Mexico.

¹⁵³The computerized allocation procedure, called at that point "the most modern computer system in Latin America" selected new homeowners on the basis of "weights" with need the heaviest one.

¹⁵⁴Garza and Schteingart (1978:160)

fund. One participant suggested:

"Initially INDECO was expected to become what INFONAVIT became: the most important housing institution in Mexico. The Director was close to the President and we had already been working on the idea of a housing fund, a kind of 'Mexicanized' version of the Brazilian 'Banco Nacional da Habitacao'. There were some doubts about whether to establish a 7 to 5% tax. The general idea was already worked out, though."

One can assume that bringing this suggestion in was regarded by INDECO's Director as a way of positioning himself close to the events and perhaps eventually gaining control of the fund which was going to be created.

Clearly, INDECO's Director, was eager either to absorb within his institution the functions which the new housing fund was going to have or to be appointed head of such a fund. The resources and political importance of the fund were to be far greater than those of INDECO, as the former was to be financed from a tax whereas the later was dependant on federal funds. And the greater the economic resources at his disposal, the larger the possibility of converting them into political gains and consequently into personal promotion. It is not clear, however, to what extent he understood that the creation of a totally new institution was required and that for INDECO to absorb the new fund's functions was impossible for several reasons. INDECO had just been created by Echeverria to broaden INV functions. Both INV and later INDECO had nothing to do with organized labour and their clientele was precisely those non-unionized workers. It was not likely that Echeverria would change the state's historical strategy of having different agencies and programs for different clienteles, which were used in quite discretionary fashion as the political circumstances required.

Secondly, by giving INDECO the new fund's functions Echeverria would have failed to profit from a unique opportunity of showing that labour's demands had finally been met and the "revolutionary" constitutional mandate had been operationalized. Given Echeverria's "populist" political outlook this was certainly unlikely to happen.

And thirdly, both labour and the private sector were going to demand a new institution, with unique organizational features, since they were both participants in the institute's top decision-making bodies. In addition, for the first time a housing agency's economic sources were based on workers' payroll tax so a new type of organization was required.

Thus, despite the political entrepreneurialism exhibited by the Director of INDECO, there was no possibility that it could absorb the functions of the new agency. Instead, a new institution was created: INFONAVIT.

3.-CHANGING INFONAVIT INSTITUTIONAL FEATURES.

INFONAVIT's history during Echeverria's sexenio did not unfold according to plan. First, the institute got involved in direct production of housing in spite the fact that it was set up as a financial institution. Secondly, the housing developments the institute built from 1972 to 1976 were luxurious and expensive, especially given INFONAVIT's mandate to serve workers. These housing complexes benefited mostly the higher income group of the institute's clientele ¹⁵⁵. Thus, the institute's housing supply was inversely related

¹⁵⁵ 74.7% of total loans applied during this period went to those with an income higher than 1.25 tmw, and of those, 48.3% went to a population earning above twice the minimum. Only 25.3% of total recipients earned an income from 1.0 to 1.25 tmw.

to its stated demand.

Thirdly, INFONAVIT's computerized system of housing allocation was substituted by "external promotions" ¹⁵⁶, which favours corruption and higher housing costs ¹⁵⁷ as intermediaries multiply, and promoters control the allocation of houses.

Fourth, in spite of the democratic principle of equal accessibility by labor and the private sector to the institute's housing loans, labour increasingly took over a larger share of "external promotions" ¹⁵⁸.

Fifth, INFONAVIT financed twice as many credits for finished housing than its own policy recommended, in detriment to S&S and housing upgrading loans which could have benefited a larger population ¹⁵⁹.

Sixth, the percentage of loans allocated to the lowest income of the institute's clientele group (1.0-1.25 tmw) was below the recommended level.

¹⁵⁶Under 'external promotions', developers representing labour unions, private sector or government present a housing package to INFONAVIT for its approval and financing. Such a package includes a site, complete with services and already approved by the city planning authorities; urban and housing design, according to the standards set by the institute; working drawings and technical specifications approved by the city authorities; a construction company responsible for the execution of the project; a socio-economic study of future home owners represented by the developer; and a feasibility study showing the affordability of the project.

¹⁵⁷Garza and Schteingart (1978:168) calculated an increase of at least 13% in development costs because of this mechanism.

¹⁵⁸Labour's share of "external promotions" increased from 32% in 1975, to 60% in 1976. By 1976, out of the total of housing actions developed by the institute, 27.0% were through external promotions. This percentage substantially increased during Lopez Portillo's administration until it reached 100% in 1980. Annual Report p.67.

¹⁵⁹About 80% to 85% of the institute's loans were devoted to housing construction --credit line I-- even though INFONAVIT's own demand study recommended only 44.7%.

Why did INFONAVIT launched itself into developing luxurious housing schemes, and why was this exclusionary attitude reinforced by dismantling the computerized allocation system in favour of patrimonial criteria of housing distribution ?.

4.-INFONAVIT AS A DIRECT DEVELOPER.

INFONAVIT did not remain a financial institution because as in the case of most state agencies its programmatic actions did not follow the formal goals of the organization but expressed instead the preferences and relative power of groups and individuals within the organization. In addition, since the groups acting inside INFONAVIT, namely labour and the private sector, had significant power bases outside the agency, the implementation of some programs more than others --finished housing vs upgrading-- and in a particular way -- direct construction -- reflected the power these groups had beyond the formal boundaries of the organization vis-a-vis the institute's administrators. Thus, although INFONAVIT was initially set up as financial institution, it was soon forced to get involved in direct housing development because of pressure from its clientele and, the administrators's entrepreneurialism and technical constrains inherent to the programs implemented.

INFONAVIT's involvement in construction programs resulted from several interrelated factors, some political and some technical. First, the Director General's political entrepreneurialism made him responsive to pressure from the institute's clientele in a practical and expedient way, so that he largely put aside INFONAVIT's announced objectives. Secondly, private sector and labour pressured the administration and in particular its Director

General for immediate results regardless of how they were achieved. Thirdly, unresolved technical problems combined with its clientele's unwillingness to wait for solutions, and their capacity to exert pressure, to force the institute administrators into immediate construction.

INFONAVIT's first Director General, Jesus Silva Herzog, was a young, (38 years old), economist, appointed by President Echeverria ¹⁶⁰. He was committed to making INFONAVIT perform according to the operating principles he helped to create ¹⁶¹.

However, in spite of his commitment to democratically allocating loans and his participation in making the agency a financial entity, he could not prevent INFONAVIT's direct involvement in housing construction, nor could he avoid the eventual dismantling of the allocation system.

As usually happens with a newly created agency, there is pressure on administrators to produce immediate results. In this case the pressure was even greater since both organized labor and the private sector constituted a powerful clientele, had participated in its creation, and the agency had a very important historical and political meaning for both of them. These

¹⁶⁰He was the son of an illustrious politician who participated with President Cardenas in the nationalization of the oil industry in 1938. At the time of his appointment he was working in the Ministry of the Treasury. He had not had much previous administrative or political experience nor he had been involved in housing matters before .

¹⁶¹The following statements from him shows his personal attitude towards the institute's organizational design and procedures in which the computerized allocation system was included: "I think we did what we had to. We probably were a bit before our time. Maybe this had to be done not then but in twenty years ... But history is made this way... Through this kind of decisions. Take for instance the creation of IMSS in 1942. There were groups within the labour movement which opposed it." "We wanted to save some time, but I realize now that it was too precipitous After all, one has to understand that government rests on the support of organized labour and INFONAVIT allocation procedure affected this group's interests."

factors, combined with the institute's apparent large resources, which in principle were the contribution of the private sector, placed enormous pressure on the institute's Director General, as an informant mentioned:

"The institute was born in May, 1972 with a great deal of solidarity between labour, the private sector and government. Also, there were great expectations regarding INFONAVIT's housing output: 100,000 dwellings a year!"

High expectations about what a housing agency is supposed to do does not necessarily present a problem in itself, although it does create additional pressure on administrators for producing results. To actually produce those results is not always technically easy or possible, though. Lending money for housing construction requires a very clear set of technical specifications on the type of housing to be produced in order to produce cost estimates and financial and construction programs. Also, the construction firms involved needed specific technical and financial capabilities. INFONAVIT's intentions of building one hundred thousand units a year, or more than two hundred and seventy units a day, was an ambitious program with no precedent in Mexico. The problem administrators faced was twofold: one, there were not sufficient construction companies who qualified as borrowers; and two, there was not enough time to develop housing norms and types to be used by external construction firms ¹⁶².

¹⁶²In fact, this issue of the institute's direct involvement in construction, both because of the technical problems and the political pressure, had been on the table for discussion two months after its creation, as a former INFONAVIT official mentioned "In August, 1972, there was a lot of discussion about whether the institute was to be only a financial institution or also was to get directly involved in housing development. It was concluded that INFONAVIT needed to be involved in direct production of housing because there were no building and design standards to regulate the institute's production, and above all, because of the political pressure from all sectors given the amount of resources the institute was capturing."

Thus, as expectations and pressure on INFONAVIT's administration mounted for results and the existing technical limitations became apparent, INFONAVIT launched into direct housing development ¹⁶³.

5. -BUILDING LARGE AND LUXURIOUS HOUSING.

Once the decision of directly building housing was approved administrators needed to establish the kind of housing to build. Certainly, there were a wide variety of examples of public housing around the world and in Mexico from which to draw ideas and on which to base appropriate designs for INFONAVIT. Since the Director General was not an architect, nor had he had any previous experience in housing matters, he had to rely on his technical staff for defining the housing product the institute was to develop. The institute's direct involvement in housing production required that the housing produced reflected the self-image that the state wanted to project. For higher government officials, in particular the president, labour bosses and the business leaders, this was the image of "modernity".

As an architectural response, the institute initially adopted housing projects which resembled European models. Two of the first schemes completed were large housing complexes -"Iztacalco" and "El Rosario" - almost similar in size to some of the British new towns: about 70,000 inhabitants. Their

¹⁶³INFONAVIT not only got directly involved as a developer, but there were instances in which the institute would buy housing schemes already being built if the standards appear reasonable. Garza and Schteingart (1978:162). Also announcements of houses for sale offered for INFONAVIT's membership appeared in various Mexico City papers. "El Sol de Mexico", Feb. 3, 1974. p.23.

architectural design and their "brutalist look" of exposed concrete also followed the architectural trend of the times. Their design included like Thamesmead near London, a small train and a lake. The small train was later thought to be unnecessary and the lake has been dry since their inauguration ¹⁶⁴

In essence history repeated itself. As in the Aleman and Lopez Mateos administrations, Mexican architects looked to Europe for the latest architectural fashion for inspiration. This time it was not France but England's latest new towns that caught their eyes to symbolize Mexico's modernity. Curiously, Thamesmead had been one of the locations for one of the "avant garde" movies of the early 70's: Stanley Kubrick's "Clock Work Orange". Architects proposed it for Mexico as their predecessors had imitated LeCorbusier's years before when his ideas were in vogue.

Clearly, these sumptuous housing developments for workers signified a radical departure from their previous living conditions and obviously pleased them ¹⁶⁵. This was partially due to the improvement it meant compared with their previous living conditions ¹⁶⁶ and partially due to all of the

¹⁶⁴Regarding the Itztacalco housing scheme, a note appeared in the magazine "America" Feb. 1974. p.34. in which the development's appearance was summarized as follows: "It is an small ideal city of very attracting beauty, which provides all of those who have the fortune of dwelling in it the realization of a dream of thousands of Mexican families: to own a house, a secure roof for the loving ones. But this has something else because it provides a new life style, a decent way of living, that a lot of people would never even have dreamt of because it was totally out of their means.

¹⁶⁵An study conducted by the National University (1978) showed that 95% of the inhabitants were satisfied with their new housing conditions .

¹⁶⁶In terms of living conditions of INFONAVIT potential membership, 74.18% occupied rental housing or lived in their parents home or in a "lent" house. About 60% of those units were under the institute's standards, and 45% of them were inhabited by a population whose income was a maximum of 1.25 tmw.

additional services found in these new developments. The "grandeur" of those first schemes also matched the highest expectations of the kind of housing the government defined as "proper" for workers. The problem was, however, that these pleasing and avant garde developments were rather expensive and consequently not affordable by the worst-off members of the working class, a problem with economic and political implications which needed to be resolved.

8.-INFONAVIT'S MIDDLE-CLASS TYPE HOUSING.

INFONAVIT's first housing schemes were dazzling copies of British new towns. They were very popular among labour's leaders and rank and file. However, after a couple of them were finished and by the end of Echeverria's sexenio, administrators realized that the institute could not continue building that type of development. First, they were too expensive and thus unaffordable by the poorest segment of the institute's clientele. Second, inflation in general was high and even higher for construction, so given INFONAVIT's limited resources, less and less housing could be built, with the eventual risk that the institute's resources could dry out ¹⁶⁷. And thirdly,

¹⁶⁷During the first months of 1974, the press denounced tremendous increases on the prices of building materials (about 60 to 70%) due to the unprecedented demand which INFONAVIT programs created and which resulted in a black market and speculation. The paper's headlines referred to: 'Crisis in the Construction Industry' ("El Heraldó", Feb. 21. p. 8); 'Tremendous Increase in Building Materials' Prices' ("El Nacional", Feb. 1. p.2; "El Universal", March 12. p.1); 'Speculation with Building Materials' ("El Día", Feb. 4. p.4); 'Black Market of Building Materials' ("Novedades", Jan. 13. p.7); and the state housing programs as the cause of this situation ("Excelsior", July 19. p.1). In addition, a note in "El Universal", Jan. 8, 1974, reported that the stock of most construction industry related firms experienced an increase in the Mexican stock exchange.

the administration of these developments by their inhabitants was complicated and problematic given the size of the developments.

INFONAVIT's administration then turned to smaller schemes and adopted a middle class housing typology which was and still is very much preferred by labour leaders, the private sector and INFONAVIT officials. INFONAVIT architects and planners devised indigenous solutions, quite creative and more in accordance with Mexico's economic conditions and technology ¹⁶⁸. One example were the centrally located small and middle size housing schemes which the institute developed early 1974 ¹⁶⁹. Another was the recently completed "Programa de Renovacion Habitacional", launched after the 1985 Mexico City earthquake, and which I will discuss in some detail in the next chapter. INFONAVIT's rationale for the promotion of a middle-class type of housing over solutions like S&S and land regularization programs or other

¹⁶⁸The large INFONAVIT schemes were copies which had been applied without questioning the adaptability of the New Town principle to the Mexican reality. For INFONAVIT's clientele it was imperative that housing was close to the sources of employment and not in the city outskirts or outside them as the British New Towns. This was principally due not to comfort, but to cost. Additional transportation expenditure severely affects their already meager income. Also, given the poor quality of the transportation, unlike England, it aggravates the already serious the problems of accesibility to services such as schools, clinics, movies and so on. Hence, rather than a European, avant garde, architectural design, workers appreciate accesibility to services which cuts costs and presents greater potential job opportunities. In March 4, 1974, The Mexico City press denounced that some of the housing schemes which were developed by the City government had not been occupied because they were located in the city outskirts and had problems of transportation and almost no services. "El Heraldó", March 4. p.28.

¹⁶⁹Comments on this new large housing schemes and the problems of the previous large ones were made in the Mexico City press, in particular during the month of June, 1974. See "El Día", June 1.p.1; "El Heraldó" June 1. p.6; "El Nacional", June 1. p.10; and "El Universal" June 17. p.27; "La Afición", June 16.p.19, among others.

credit lines, was related to both political-ideological and economic reasons. These programs made a lot of sense for labour, the state and the private sector, in spite of higher cost and less units built.

Politically, labour demanded a "hygienic, comfortable and dignified housing", the least stigmatized, and closest to the middle-class model -- the best "carrot" for working-class aspirations --. Labour claimed that the right of workers to housing should not be any different from that of the middle classes, as a informant mentioned:

"As a priority INFONAVIT had to provide workers with a "dignified, hygienic and economic" housing ... There was a whole philosophy which was supported by the institute's housing policy". "A dignified, hygienic and economic housing became concrete in the mind of all sectors as a house with three bedrooms, dining and living, and a kitchen and bathroom ... a compartmentalized dwelling".

Besides that sort of ideological argument there were also other economic reasons for labour leaders support of this type of dwelling. Middle-class housing is usually low-density, requiring larger parcels of land. It also involves more components from the housing industry. And, it pleases the user better. Because labour leaders are involved in the construction of housing promotions with their own construction companies, they profit from the purchase and development of land, from the construction of the houses, and they get no complaints from users.

Both government and private firms supported middle-class type housing for the previous and additional reasons. The production of this type of housing helps government in the creation of jobs, it creates business for land owners as well as the construction industry, and it dampens wage demands and thus maintains and increases the level of profits of the private sector in

general. And all of this is done at the same time that workers get housing.

Thus, middle-class housing typology benefitted Mexican private enterprises since it required more inputs from the construction industry and created a large number of unskilled jobs. In addition, the creation of INFONAVIT did not represent a burden to the economy of the business community since this tax was transferred to the consumer, as mentioned in the previous chapter. In fact, this tax represented " a tax on society as a whole in order to benefit the construction industry and private firms and above all, in order to maintain social peace and keep the system going" ¹⁷⁰.

The establishment of INFONAVIT was also partially a reward to labour for keeping the demand for higher wages down when Echeverria's administration began. Thus, lower wages meant profits and capital accumulation for the business community in general. In this case, however, it was an accumulation concealed under the theme of social justice for workers.

On the other hand, middle-class type housing addressed the demand of those INFONAVIT and union members (the ones with higher skills and better salaries) who had greater importance for both the labour movement and the private sector. Unions were certainly interested in rewarding them with a house in exchange for their solidarity. And employers wanted to keep them happy. A source mentioned:

"Labour was not, and is not, interested in providing housing for those with the lowest income, as is clearly shown by the majority of the promotions developed by the sector. They are interested in providing 'finished' housing to their medium income and higher income groups".

An informant also stated :

"Politicians cannot really cut ribbons in housing upgrading or S&S

¹⁷⁰ From a conversation with a high government official.

projects. It is not politically meaningful".

It was not that S&S could not lend themselves to political events, as in fact this takes place in FONAHPO's developments, to be discussed in the next chapter. It was simply that the way the problem and the solution had been defined for the case of worker's housing by the interests involved precluded the adoption of a "houseless" solution like S&S or land regularization. This type of housing was profitable for both labour leaders and the private sector, legitimized government for apparently making employers pay for it, and also pleased employers who could "show" their contribution to the well-being of workers at almost no cost.

7.-A POLITICAL FIGHT HIDDEN BEHIND A FACADE OF TECHNICALITIES.

In Mexican politics, competition over positions of power among state actors is usually concealed behind technical issues. In other words, political fights among the "revolutionary family" are usually fought behind-the-scenes, or as the old Mexican saying goes, "la ropa sucia se lava en casa". At first a political struggle appears as a simple discrepancy over technicalities. Such was the case of INFONAVIT. It takes time for a battle of this type to be uncovered and won by any of the parties since importance is given to the formalities of the procedures. Open political attacks are exceptions in the Mexican political culture. Hence, there were indeed technical issues which partially justified labour's attack on the institute, but the true reason was control over allocation criteria of INFONAVIT housing.

INFONAVIT's first year of performance could not avoid some of the technical problems that usually accompany the launching of a vast housing

program, regardless of the size of the schemes. However, criticism paradoxically focused on the institute's involvement in direct housing construction which both labour and the private had pressured the institute for. Both sectors attacked INFONAVIT for different technical-related reasons. The private sector complained about the institute's apparently unloyal competition, as mentioned by an INFONAVIT official:

"At the beginning INFONAVIT promoted the production of building materials and was attacked by businessmen who claimed that the institute was taking over their business."

Labour attacked the institute for the construction quality of the schemes being developed. Another source mentioned:

"... later, when we introduced board partitions walls which we thought offered the possibility of more flexibility in dwelling arrangements, people asked why we did not use brick. Our answer was: so you can move them... Their reaction, as well as that of union leaders, was negative. We had a "bunch of hunting dogs" behind us... If we gave them carpeted floors, we were attacked because we did so, if not, because we did not... and so on."

There were indeed technical issues to be criticized by labour, namely the use of non-traditional building materials which were not well accepted by the users. This was not surprising to the institute engineers and architects, since most people want their houses to be "solid" and this notion is associated with traditional building materials like brick and stone. Hence, the use of board partition walls was perceived to be non-resistant and second rate solutions.

However, INFONAVIT was not making such extensive use of these so called "experimental" materials to justify the amount of criticism it was being

subject to. The central conflicting issue, at least between government and labour, was not so much the quality of the construction or other related matters, although these existed ¹⁷¹, but a set of issues which originated outside INFONAVIT and which were related to Echeverria's and Velazquez's struggle over the control of organized labour. In essence Echeverria's "democratization" campaign was directed towards strengthening independent unions as a means to weakening Velazquez and the "old guard" union leaders' control over labour. Echeverria wanted to take that control away from labour leaders and lodge it in the presidency itself. His political tactic was "divide and rule", so that none of the labour fractions would have enough power to face up to the government. INFONAVIT was one of the means which the state had created to reward labour, thus it was critical that INFONAVIT ultimately remained in government's hands.

In other words, the problem was not really the type or even the quality of the housing produced, since the recipients were largely content with what was provided: it was over the control of its resources and over who decided who got what and when. The mechanism through which that was decided was the computerized allocation system.

8.-CHANGING THE DEMOCRATIC ALLOCATION SYSTEM FOR THE HIERARCHICAL-PATRIMONIAL "EXTERNAL PROMOTIONS".

On the surface labour's argument for attacking INFONAVIT was workers dissatisfaction with the institute's housing typology and quality. This

¹⁷¹In January 12, 1974, "Novedades" p.13 reported of a legal demand made by INFONAVIT housing scheme dwellers in the city of Tijuana B.C. because houses could not resist heavy rain and were seriously damaged.

argument was partially substantiated. A user of INFONAVIT housing mentioned in an interview:

"Here we live fine...I am happy we moved here...However, I would say that the finishing of the housing could be improved...They could at least have plastered the walls. The stairs handrail is important for the security of the children and we had to put it on. The "lavadero" which is located in the kitchen could easily be placed outside and would leave more room for cooking....But, we cannot complain, this house means for us an important improvement in living conditions...there is plenty of water, my kids have enough garden to play in and there is a nearby school."

And on the occasion of President Echeverría's visit to Itztacalco a user mentioned, making reference to the size of dwellings ¹⁷²:

"We want houses large enough so we can accommodate our large families". Indeed, the housing typology disregarded some worker's spatial needs and desires. What was required in the eyes of labour, among other things, was to get workers closer to the design and housing development process, as had happened in the small housing development which the institute had financed, "Colonia Guerrero".

The basic purpose of "Colonia Guerrero" ¹⁷³ was to provide housing for families living in a run-down "vecindad" in downtown Mexico City ¹⁷⁴. Since

¹⁷²"El Sol de Mexico" Jan.7, 1974.p.1.

¹⁷³Colonia Guerrero is a small, 64-unit housing project, located in a decaying central part of the Mexico City, in appearance similar to many others financed by public housing agencies.

¹⁷⁴The Mexico City paper "El Sol de Mexico" mentioned that a "vecindad" collapsed in which one person was killed and another five were injured. Aug. 11, 1974. See also "El Día", July 11, 1974.

most of them were non-unionized workers and did not qualify for any type of a housing loan, COPEVI (a group of advocate planners) proposed to constitute a cooperative which would then be the recipient of credit ¹⁷⁵. Another "experimental" element of the proposal was the building of a three story high structure in which cooperativists could design and build their individual dwelling according to their family needs and capacity to pay ¹⁷⁶. In principle, these two elements would have allowed the worst-off of the cooperativists to buy at least a small space with only the peripheral walls built which could then be finished through their own work and as income and savings allowed. Thus, through these two complementary elements, "Colonia Guerrero" was intended as a dwelling for the very low-income families. However, as I discuss in the conclusions of this chapter, "Colonia Guerrero" was not implemented as it was intended because its two complementary elements challenged organized labor's internal structure of control.

The true reason for labor's attacks on INFONAVIT became clear at the end of 1973 and beginning of 1974, a year and a half after the institute's creation and only six months after the computerized system was formally established. In a series of articles about the ongoing struggle in the Mexico City dailies ¹⁷⁷, Fidel Velazquez declared ¹⁷⁸ :

¹⁷⁵The idea of the co-operative had two purposes: one, to assure that those who would largely produce the houses would also live in them preventing any displacement and disruption in the life of the community; and secondly, to obtain financing, thereby making housing affordable by residents, so they could remain in the neighborhood

¹⁷⁶The "support" idea was meant to allow people to design their own dwelling's layout in an affordable space. It had to be a structure capable of accomodating whatever the community wanted to build within it. For the design of such structure, an in-depth understanding of user's actual use of the space was required.

¹⁷⁷"IMPACTO" Jan. 3, 1974.p. 16; "Expresion Nacional" Jan 4, 1974; "Vida Politica" Nov. 1973.

"INFONAVIT should renounce assigning individual credits. It should grant them all through the unions"

Thus, the attacks around the technical issues, together with a few direct declarations from Velazquez and other leaders, forced the issue of labor's intentions to control the institute to surface ¹⁷⁹.

INFONAVIT administration responded to labor's criticism. At the beginig of 1974, on the occasion of announcing that year's program for the institute, Silva Herzog made reference to some of the issues brought out in the press. About the high expectations for housing production which had surrounded the institute since its creation, he mentioned:

"In the beginig of the operation of INFONAVIT, there were some 'exagerations' and also some mistakes.. First, it was the Commission which established the goal of one hundred thousand dwellings per year. Their calculation was based on an expected income of five billion pesos, which divided by fifty thousand pesos per unit, resulted in that number of units. This income was to be provided by the federal government --two billion-- and by the worker's tax --three billion-- .However, those were very optimistic calculations. Instead of three billion INFONAVIT only got 2.2 because it was the first year of

¹⁷⁸"El Día" Feb. 4, 1974. p.5 and Feb. 28. p.1.

¹⁷⁹Two informants mentioned; "This [the allocation system] generated a continuous attack from the part of Fidel Velazquez. The argument was that of workers dissatisfaction with the construction quality of the dwellings... You know, roof leakings, weak partition walls, and that sort of things". And "Pressure from labour was through criticism against INFONAVIT because the institute had betrayed labour and had become an organization under the control of the private sector. Moreover, the argument was that since the institute's resources were under the name of individual workers members of INFONAVIT, the institute should be entirely controlled by labour."

operation and many employers took time to register. The other two billion from the federal government did not come on the first year, as assumed, but it was later determined that they were to be payed between 1972 and 1976. And the price per unit of fifty thousand pesos, which had been based on an average housing cost for the last fifteen years, proved unrealistic as construction costs increased, as is well known to everybody. Thus, the expectations were high and unrealistic".

Then, when asked about the shortage in the supply of building materials, he replied:

"The construction industry, which is one of the more dynamic, did indeed receive a tremendous push by the state's housing program and by public works in general, generating an unbalance between supply and demand. However, we consider that eventually this situation will balance out".

About the criticisms received from the CTM he loosely said, to avoid conflict:

"As INFONAVIT is an institution of the workers and for the workers we consider their comments and opinions about our performance of the utmost importance....these constitute powerful elements which guide our activitites..".¹⁸⁰

Furthermore, a political observer mentioned in an article in a well-known Mexico City daily that " The Federal Government made clear during INFONAVIT's last meeting of its Administrative Council that the institute was not going to be handed over to organized labour for its managment nor to the private

¹⁸⁰Interview made by Hernan Tellez, published in "IMPACTO", Jan. 17, 1974. (my translation)

sector"¹⁸¹.

This battle did not finish with those remarks from the Director General. On the contrary, throughout the year of 1974 ¹⁸², and in particular during the month of October, labour's criticism of INFONAVIT activities mounted ¹⁸³.

However, as I have discussed in chapter one, by Echeverria's fourth year in office he was already beginning a retreat forced by the politico-economic circumstances. His intentions to "democratize" and to rid of the old labour

¹⁸¹Teisser, Julio E. "El Heraldó", Feb. 12, 1974. p.8.

¹⁸²Paradoxically, this climate of attacks against INFONAVIT was one of the factors which made "Colonia Guerrero" possible. COPEVI's attack led INFONAVIT officials to invite the director of the planners' organization to develop a proposal which would address the issues involved in the project criticized; population displacement, disregard of popular initiative in housing solutions (self-help), and the 'sumptuous' cost of "elitist" housing. COPEVI's criticism of INFONAVIT centered around the charge that the agency acquired a piece of land partially occupied by an illegal settlement, had forced some of the settlers out, and had failed to re-house them, even though INFONAVIT claimed to be a public housing agency. The piece of land was later occupied by the Itztacalco scheme. Thus, it was argued that "INFONAVIT acted as an elitist instrument of a sector of the working class against those of its worst-off members". COPEVI's publication called "Dinámica Habitacional" in its May, 1974 issue refers to the problem of land eviction and INFONAVIT housing plans in Itztacalco as 'Itztacalco: Official Urbanism vs Popular Settlements'. See also "La Prensa" Feb. 21, 1974. p.15 among other papers on the Itztacalco eviction.

¹⁸³Taking the opportunity of the LXXXIV Assembly of the National Council of the CTM, various labour leaders declared that "INFONAVIT was a large and very costly bureaucracy which was producing unfinished, expensive and small houses, all located far away from the city centers", and that "INFONAVIT had not complied with its announced program of one hundred thousand units but instead had barely built only half of them and that these were small, uncomfortable, far from the employment centers, and that their location had favoured, with obscure motives, land owners, "compadrazgos", and political ends". "El Diario de México", Feb. 12. p.8; "El Universal", Feb. 10.p.31 and Feb. 16. p.6; "Avance", Oct. 28. p.11; "Ovaciones", Oct.28. p.12; "Excelsior", Oct. 28, p.1; "El Universal", Oct. 28. p.4.

bosses was beginning to fade. Thus, the struggle which was also taking place inside INFONAVIT, was slowly but surely won by labour. Housing actions began to be implemented and allocated through external promotions ¹⁸⁴. By 1976, 27% of actions were developed and allocated through "external promotions" and by 1980 this percentage went up to 100 ¹⁸⁵.

The battle fought over the allocation procedure was not over technical issues or related to user's satisfaction. Nor was the fight over the control of an institution like INFONAVIT limited to actors and interests only located inside its organizational boundaries. What was at stake in such a battle was INFONAVIT itself, as an important institution, whose control could provide considerable leverage on the power relations between government and labour.

INFONAVIT's computerized allocation procedure did not reduce labour power "per se", since the institute's housing was only allocated to workers. What it did was to maintain in government's, and in particular the president's hands, the control over the Institute.

For Echeverria's political purposes housing needed to be the explicit outcome of the state's intervention and not a result of the participation of "various" interests. The direct involvement of INFONAVIT housing design and construction and its democratic system of allocation suited those needs. Echeverria wanted INFONAVIT to subtly remain in government's hands in spite of the institute's creation being, in principle, a measure for redistributing social benefits in favour of labour. With this system, organized labour, particularly the CTM, depended on government's allocation of housing.

¹⁸⁴INFONAVIT's Director announced in early 1974 that the internal law of the institute was subject to revision in order to make that possible. INFONAVIT Programa de Actividades 1974.

¹⁸⁵By 1980, labor had captured 60% of all INFONAVIT actions.

Consequently, it gave the state stronger negotiating position against labour leaders as their rank and file did not see any direct connection between leaders and those who got a dwelling. This was critical for government, especially as at that time that Echeverria was fighting on all political fronts. Labour felt the need to fight against this situation not only because it could profit from gaining control over the institute but also because it was perceived by them as a threat to its own survival as an organization.

The appointment of Silva Herzog had the effect of a "tapon" ¹⁸⁶ for labor's intentions because of the Director's personal views. It is hard to know the extent to which Silva Herzog knew beforehand the implications of challenging Fidel Velazquez and went along with them or if he did so following Echeverria's instructions or if those instructions were given at all. As a political entrepreneur he was managed to make himself and the institute the news of the day in early 1974 when he promised to inaugurate a housing scheme every two weeks ¹⁸⁷. Also, he had to respond in a disciplined fashion to his critics if he was going to be able to follow the president's to the president's tacit or explicit instructions. These, quite likely, were intended to neutralize labour's position within the institute as part of his overall political strategy. Silva Herzog's responsibility to his party and his career impelled him towards producing results demanded by organized labor and the private sector, no matter what relationship these had to his original intentions via allocation to the rank and file. Thus, the agency's policies

¹⁸⁶A "tapon" in the Mexican political jargon is someone whose personal views and experience will tend to neutralize the strongest group incorporated in the institution, labour in this case.

¹⁸⁷"Excelsior", Feb. 8.p.2 and Dic. 26.p.2; "Cine Mundial", Feb. 28.p.4, besides other publications cited.

were subordinated to showing fast and grandious results that were politically expedient both to the president and to him ¹⁸⁸.

Housing is a good reward for labour. Labour leaders' control over housing allocation was then indispensable for their survival. "External promotions" allowed union, who leaders became the promoters, to decide who got a house. Leaders not only allocated houses but hired their own construction companies as well as lower rank leaders ¹⁸⁹.

Thus, it is not hard to see how a system which allowed a greater degree of discretion, like "external promotions", house, was more "politically rational" than a "democratic" computerized one, where both loyal and dissident union members could have equal chances of getting a house.

9.-HANDLING INFONAVIT OVER TO LABOR.

As the new sexenio began and President Lopez Portillo's administration came to power, a whole rearrangement of forces took place. New individuals, some already working in the government, were brought into positions of power. Consequently, new alliances were made and others dissolved as individuals and

¹⁸⁸Making reference to the fight's outcome in personal terms, he said: "I was personally affected. I went to the 'bench' in 1977. I represented the opposition to the labour movement."

¹⁸⁹Making indirect reference to interest group involvement and the possibilities for profit-making under 'external promotions' a former INFONAVIT official mentioned: "We did try to eliminate corruption by buying more than two million square meters of land and provide them for housing development. But of course, this system did not facilitate "recommendations" and consequently, taking "a slice of the pie". Also, we tried to assign construction contracts to local companies based on their past performance. We tried to eliminate 'compadrazgos' and non-existence... "phantom" ...construction companies."

cliques brought in their own values and perspectives.

This provided labour with an opportunity to consolidate their share in INFONAVIT's operation. Labour was already in an advantageous position, since the climax of their reconciliation with Echeverria had brought them the privilege of announcing the selection of the PRI candidate to succeed Echeverria.

In addition, Lopez Portillo, like Echeverria, needed Velazquez's support in order to implement his economic policies, in particular the "stabilization plan" negotiated with the IMF.

The country's difficult political and economic situation was described by an active political actor and administrator, then and now, in the following terms:

"When it came the change of administration, the new President -- Lopez Portillo -- who had not had a long political career but had been more a public administrator, faced a very difficult time for the country. The country was in a severe crisis, perhaps the worst since the thirties. His problem was to restore peoples confidence in government [since Echeverria had strongly attacked the private sector up to the last days of his administration]. He, like any President, required political support. In this case, the clearest, most obvious and strongest was labour's. Labour adopted a clear position of support and severely limited wage demands in 1977 for the country's economic recovery during 77 and 78. And... we are talking about great risks being taken by labour leaders when they limited wage increases way below price increases. One can talk about a clear sacrifice on labour's part for the economic recovery of the country. Thus, given the criticisms labour had made of INFONAVIT, the institute was practically handed over to them".

What labour demanded was greater control over the institute and they partially obtained it. However, Lopez Portillo was not going to easily hand INFONAVIT over to labor. Lopez Portillo placed a "cuna" as head of INFONAVIT in order to neutralized labour's demands ¹⁹⁰. It was the task of the new director of INFONAVIT to negotiate the terms of such an exchange. Labour had already won significant leverage so there were limits to what the Director could do. Yet, the incoming Director General was not openly in favour of labour since he had to direct a supposedly tripartite institution. Hence, labour had, again, to struggle to gain a larger share of control over the institution, only this time under more favourable conditions.

INFONAVIT's political climate encouraged labour's move to dominate the institute's internal union. This was achieved almost at the same time as the new Director took office. During Echeverria's administration the INFONAVIT union was independent and composed mainly of young professionals incorporated into the institute during the first years of its life. Its position of independence was supported both by the union itself and by Silva Herzog. Negotiating issues with this independent union related to the well-being of union members, namely working conditions, fringe benefits, level of wages, and so on. Issues referring to labour's control over INFONAVIT were not the concern of this independent union.

As soon as the new administration was in charge at the end of 1976, an internal union movement forced its leaders to resign. The new leaders belonged to the CTM. Through gaining control over the institute's own union the CTM acquired greater control over the internal functioning of INFONAVIT, and tried to translate this into greater leverage for negotiating over the

¹⁹⁰Lopez Portillo appointed Campillo Sainz who had been the Minister of Commerce during the previous administration and was supposed to be sympathetic to the private sector.

distribution of "external promotions". The struggle for the control of the union was harsh. A source described some of the events as follows:

"During Echeverría's administration the CTM tried many times to gain control over the union but couldn't. This was a small, very united group who had no reason for joining the CTM. They knew they would get absorbed by the labour bureaucracy if they did. Besides, INFONAVIT itself supported its independence. They were well paid and had good fringe benefits".

"At the end of Echeverría's administration there was a lot of negotiation among union leaders because a fraction of them wanted to go on strike. There was no apparent reason for going on strike, though. There was manipulation behind the scenes and a strike was forced to break out. It did not have any legal bases so it was declared illegal by the Ministry of Labour. Some labour leaders were put in jail while others appeared to negotiate with the institute's authorities. The leaders who remained had been infiltrated by the CTM, and even got the 'blessing' of the incoming Director General who seems to have known what was happening and did not do anything to prevent it."

The fact that CTM gained control over INFONAVIT's union did not mean that they finally gained the control over the institute. Labor indeed succeeded in dismantling the democratic allocation system as well as in maintaining their 60% of all INFONAVIT promotions. Thus, labor managed to change INFONAVIT's balance of power to their favour. However, INFONAVIT's Director General was still appointed by the president and was not a labor leader. Moreover, the position of the Director General was enhanced through some organizational changes implemented during the sexenios of Echeverría and Lopez Portillo. Thus, by the end of Lopez Portillo's sexenio, the internal organizational

structure of the institute had, on the one hand, partially changed in favour of labor as INFONAVIT was solely a financial institution and programs were carried out through external promotions ¹⁹¹. And on the other, it had been changed in order to strengthen the power of the Director General who was still a state administrator ¹⁹².

With the advent of President De la Madrid's administration, the institute did not experience major changes in its organizational structure nor in its basic housing programs. However, labour has still not given up completely its goal of totally controlling INFONAVIT.

In fact, as Carlos Salinas de Gortari was declared the official presidential candidate of the PRI for the 1988-94 sexenio, labour was already asking for changes in Article 123, including greater control over INFONAVIT together with an increase in their share of external promotions.

¹⁹¹From its creation in 1972 until 1984, important changes in the organizational structure of INFONAVIT took place. These were related to the gradual change of the allocation procedure, from "direct promotions" to "external promotions". These changes were manifested in the transformation of the technical area from executive to normative ones. With the adoption of "external promotions", INFONAVIT involvement in the supervision of both types of promotions ended. By 1981, with the full adoption of external promotions, the technical area no longer carried out direct construction supervision, this was transferred to commercial banks through a trust contract and by 1983, the institute had fully adopted that system. This gave both private and labour construction firms greater leeway in their operation as INFONAVIT officials were no longer supervising their construction.

¹⁹²The strengthening of the General Director's control over the institute was the result of the promotion of advisory units to the status of Under-Directions. In addition, in 1977, a Technical Secretariat for housing promotions was created linked to the Director General. This Secretariat oversaw the systemic changes, like that of the computerized allocation system, or like those of different housing types and the size of housing schemes. Through all these organizational changes, greater power was concentrated on the hands of the the Director General since with these mechanisms he concentrated information about the institute's operations and programs.

As an experienced labour leader informally expressed it:

"Labour demands might be put on hold when times are not convenient, but they will never be forgotten altogether. As soon as a better time for presenting them again appears on the horizon, they will be fought for."

10. -CONCLUSIONS.

INFONAVIT was created as a tacit reward for labor's fidelity and support to the state and in order to respond to labor's long-ignored and long-accumulated demands for the implementation of the housing chapter of the Constitution. The political origin of INFONAVIT gave labor access together with the private sector and the state, the process through which the institute was created. Thus, labor had equal weight in the institute's top decision-making bodies. From such a position, organized labor pressured INFONAVIT administrators to shape the institute procedures and programmatic outcomes to their advantage. This pressure centered around what was produced, how was it produced and who got it.

There was no discrepancy between the interest of labor, the state and the private sector with respect to directly producing finished, middle-class type, "visible" housing. That type of housing served the interest of all of them, in spite the fact that it prevented access to the worst-off members of the institute's clientele. That housing type projected an image of high living standards and modernity which conveyed a message of concern and care to the rank and file, in turn, encouraging their support and discipline. At the same time, finished housing was more profitable for the construction industry both whether private or labor owned. In addition, housing created a demand for unskilled jobs.

Conflict between the state and labor arose around the control over the allocation of housing. Whoever controlled the distribution of dwellings could use them as political rewards. INFONAVIT's initial "democratic" allocation procedure served the state's position well. With that procedure the state showed to both loyal and dissident unions its concern for their living conditions and their reward for their support. This situation suited Echeverría's "double game" strategy to dispose of old union leaders and to attract the support of independent unions.

The deterioration of the economy and the increasing antagonism from the private sector forced Echeverría to abandon its "double game". The "democratic" allocation system was substituted by "external promotions" through which labor representatives built and distributed INFONAVIT housing programs. The state was incapable of implementing its policy intentions to democratize labor.

Paradoxically, the project of "Colonia Guerrero" was launched largely as an effort by INFONAVIT administrators to avoid public criticism at the time when their fight against labor was at its highest point. Also paradoxically, "Colonia Guerrero" inspired external promotions although these resulted in a patrimonial mechanism for worker's control and not in a mechanism for user's participation.

"Colonia Guerrero" was not implemented as it was originally designed ¹⁹³ because, like the allocation system, in principle it contradicted both

¹⁹³The final version of "Colonia Guerrero" was not as initially proposed. Both the mutually reinforcing notions of the cooperative and of the supports were rejected. It was required that individual families were held responsible for single credits. Dwellings were allocated on condominium ownership based on family income. That type of ownership prevented the implementation of a "flexible support" structure. In addition, budgetary constraints result in a support which did not allow users many layout changes.

labor's internal structure of power and that of the state.

"Colonia Guerrero" principle of user's participation in design and construction not only emptied the leaders' role as power brokers but also implied a close check on leaders' business opportunities as developers. User's participation and an unfinished housing product mitigated "the visibility of finished housing" as a value attached to housing as reward.

In spite of a hostile political environment, "Colonia Guerrero" was finally inaugurated as a result of the initial pressure exerted by COPEVI and the continuous pressure by the users for its completion ¹⁹⁴. At the end, however, and in contrast to "Renovacion" which I will discuss in the next chapter, the very poor did not get housing nor did they remain in their neighborhood, this was too risky for the state.

¹⁹⁴In November 1974, INFONAVIT administrators gave COPEVI an informal approval on their proposal. Two years went by before this became formal. During those two years planners engaged in the analysis of the living conditions of the community for the adequate design of the support structure. Parallel to these activities the community struggled with the bureaucracy to get the cooperative legally approved since proper legislation on the matter did not exist. The project was finally inaugurated in January 1979 after another two years of a continuous negotiation over construction costs with the construction company.

CHAPTER FOUR

FONAHPO: THE POLITICS OF HOUSING THE POOR

1. -INTRODUCTION.

In this chapter I show that FONAHPO was unable to fully implement its "wide coverage" and "participatory" policy intentions because of pressure from state actors outside the agency and governors and because of the technical characteristics inherent in the programs implemented. I show that unlike INFONAVIT, the origin of FONAHPO was a decision taken at the ministerial level and approved by the president in which there was no direct participation by the clientele. The lack of compliance with FONAHPO's policy principles during its first year was the result of both the administrators entrepreneurialism, as they tried to produce results at the end of the Lopez Portillo sexenio in a "programatically hostile" environment, together with the technical problems. In contrast, FONAHPO's performance improved during De la Madrid administration, as a result of the arrival of a new, more technically experienced group, together with a more favourable sexenio phase. Nonetheless, FONAHPO's failure to fully comply with its policy goals was due to two important factors: first, the technical limitations of S&S and core-housing programs in reaching the poor, and second, the constant pressure from governors and state actors who sought to capture FONAHPO's resources, and whose application of those resources usually resulted in programs which did not fully comply with FONAHPO's policy intentions. Both of these limitations were exacerbated by the difficult political and economic conditions of the

last year of Lopez Portillo's administration and those of De la Madrid's.

The analysis of "Renovacion", included at the end of this chapter, illustrates how this program was successful in incorporating groups otherwise left out by most official housing programs. Renovation was able to provide housing to informal workers without displacing them from their inner-city neighborhoods. The analysis of Renovation is pertinent because it throws light on the ways in which FONAHPO's general performance could have been improved.

2.-DISMANTLING INDECO AND CREATING FONAHPO.

In contrast to the creation of INFONAVIT, FONAHPO grew out of a series of agencies' transformations. These transformations, first of INV into INDECO and then of INDECO into FONAHPO, were a response to a number of interrelated factors, in which the single salient element was that they all were devoted to housing the popular sector. The factors shaping these bureaucratic changes were: first, the presidents "estilo personal de gobernar" or personal approach towards the politico-economic situation of the country, including that of housing; second, the magnitude of the housing problem of this sector; and third, the technical solutions perceived as available for solving the problem.

The Echeverria administration's definition of the problems of the urban poor was that of accessibility to land. The Human Settlements Law, previously discussed, was intended to regulate the land market through land use plans, and more importantly, through giving government extensive powers for land expropriation. This Law was approved but its content and subsequent implementation did not have the intended results.

In contrast Lopez Portillo's approach towards the housing problems was administrative efficiency: administrative reform --"Reforma Administrativa"-- called for "rationalizing" and "ordering" the vast administrative apparatus inherited from Echeverría¹⁹⁵.

As part of his administrative reform, Lopez Portillo restructured some of the ministries and other offices of the federal government, including those responsible for housing and urban development ¹⁹⁶.

The purpose was to increase coordination among the various existing housing agencies. INDECO, as it existed, did not fit into the new concepts of administrative efficiency and decentralization ¹⁹⁷ brought in by Lopez Portillo's team ¹⁹⁸. INDECO was changed in 1978, two years after the sexenio initiated, by a presidential decree. INDECO's functions became more clearly defined and focused with the National Urban Development Plan (NDUP) and the

¹⁹⁵During the sexenio of Echeverría the number of employees of the Federal Government went from 826 thousand to 1.3 million. Guillen (1984).

¹⁹⁶The ministry of Public Works (SCP) became "Secretaria de Asentamientos Humanos y Obras Publicas" --SAHOP-- (Ministry of Human Settlements and Public Works). The new responsibilities of this ministry were the implementation of the Human Settlements Law in terms of urban and regional planning. Organic Law of the Federal Public Administration. Art. 37.

¹⁹⁷The administrative reform and the decentralization policy called for reducing as much as possible the federal government's administrative apparatus and the strengthening of state and municipal government's self reliance, making them more autonomous from the federal government and thus broadening the distribution of the nation's wealth.

¹⁹⁸It was an agency with a large variety of responsibilities, some of which, like rural development, did not seem to be in place. In addition, INDECO had been widely criticized during Echeverría's sexenio. Apparently, it had been incapable of handling the reconstruction programs of cities affected by natural disasters like the flood of Irapuato in 1973 and that of the earthquake of Ciudad Serdan also in 1973. see "El Heraldop.1; "El Dia"p.3; "El Universal"p.6 and "El Sol de Mexico"p.8, Feb.1974 and "Ovaciones" March 6, 1974, p.14.

National Housing Plan (NHP). Coordination with the new State Housing Agencies for more expedient and efficient implementation of programs was emphasized¹⁹⁹.

However, even though INDECO was reformed and a decentralization scheme of some of its functions was implemented, its dismantling was considered necessary by the minister of SAHOP. The immediate dismantling of INDECO was not possible because of the "institutional resistance" by those in control of INDECO. The dismantling INDECO took almost the whole sexenio.

The then minister of SAHOP commented on the process in the following way: "I always thought that the existence of INDECO was absurd, beginning with its name "National Institute for Community Development." Because of mere inertia INDECO had problems which were carried on from previous administrations, when it was INV. When INV was created in 1956, there were monthly housing payments of \$20.00, twenty pesos. How much was it costing INDECO to collect those twenty pesos in 1978? It was then necessary to make those INDECO actions local government's responsibility. However, if you start by establishing a law and there is no existing institutional structure for that matter, how can this be implemented?...The first resistance came from INDECO's administration itself....nobody likes to be a "grave digger"....I had a personal

¹⁹⁹INDECO specific housing programs were: site & services, core housing, and finished housing. Under the new law, all INDECO programs were to be affordable to a population with an income ranging from 0.5 to 2.5 tmw. In addition, INDECO was supposed to promote the production of low-cost building materials and support community participation in those programs, as well as to implement them together with municipal and state governments. For these joint ventures, INDECO's state delegations, administered directly by the Institute, were converted into State Housing Agencies, jointly managed by the state government and INDECO. Those State Agencies, which by 1979 existed in 29 out of the 32 states, constituted what was called the National Popular Housing System.

friendship with its Director General...It took me the whole sexenio to dismantle it because everything was so solidly put together and centralized ²⁰⁰...It was hard. We first established the INDECO State Delegations. We transferred to them the personnel, the archives and all accounting and administrative matters concerning the states. This was done in five years. We then transferred them to the state government...and that was the way in which INDECO disappeared."

The substitute for INDECO was originally intended as a housing institution to finance the housing programs that the recently decentralized INDECO State Delegations, now under the control of the state governments, were implementing. A source commented:

"The creation of a financial mechanism for housing in order to support state government's housing actions was required. This was to reinforce the decentralization policy established by the Federal Government."

²⁰⁰Some of the ideas behind the concept of decentralization were expressed by the former minister of SAHOP in the following terms:"The fundamental problem concerning urban and regional development was concentration or, the opposite, dispersion. Dispersion was what prevented us from providing services to the rural areas and the result was rural-urban migration which, in turn, resulted in concentration--centralization in our country. We had to break with that centralizing pattern...that was what we proposed...". Then he added: "With the purpose of implementing the decentralization policy we got into "cleaning" the Ministry of organizations and working systems which had become highly centralized. That was the case with the Committees for Material Improvement. These collected the federal tax that corresponded to a particular city in order to invest it in public works. For the case of the city of Coatzacoalcos, which had greatly benefitted by the oil boom, what was collected amounted to as much as ten times the yearly municipal budget. Hence, the Director of these Committees became "de facto" more influential than the mayor and at times, than the state governor. It took us a year to dismantle all 47 Committees and return them to their respective municipalities. The same happened to the Water Committees. We were centrally collecting fees for water consumption on street 'x' in town 'y', and of course that was comfortable, in a way, because each time that the water fee increased it was the federal government's fault. There were, of course, other similar actions among which was what we did with INDECO."

4.-FONAHPO AS A FINANCIAL AGENCY FOR SELF-HELP PROGRAMS.

The creation of INFONAVIT constituted the establishment of a totally new institution with no precedent in Mexico. In contrast, FONAHPO was a transformation and blend of two existing housing agencies, INDECO and FHP. Therefore it was not exempt from some inter-bureaucratic fighting for its control ²⁰¹. The blend of those two agencies signified, in a way, the blending of the financial ²⁰² and traditional housing functions ²⁰³ into a single

²⁰¹The intensity of the process through which FONAHPO was created was different from INFONAVIT's, though. The establishment of INFONAVIT required the modification of a constitutional mandate and a lengthy process of negotiations between government, labour and the private sector so the presidential power was, to an extent, limited. FONAHPO was an institution created within the realm of the federal government through a process repleted with internal political fights. The decision itself was a proposal by the minister of SAHOP. Subtle political contention determined which ministry would capture it. Both SAHOP and the Ministry of the Treasury wanted it. Even if the resources FONAHPO was going to appropriate were small, they could still be traded off for political support from governors and mayors, something which was not to be disregarded by a minister. At the end, a source mentioned, "The decision as to who should head FONAHPO was finally the President's. He had to decide because, although he had asked both sectors to present a common candidate, they could not reach an agreement. Hence, after some time, the President chose someone he knew when he was Secretary of the Treasury."

²⁰²On the financial side, FONAHPO institutional background was old. In 1947, Article 46 of the Organic Law of the "Banco Nacional Hipotecario Urbano y Obras Publicas" --BNHUOPSA--, one of the oldest housing institutions in Mexico, stipulated the creation of the "Fondo de Casas Baratas" --FCB--. In 1949, when the Organic Law of BNHUOPSA was modified, FCB's name became "Fondo de las Habitaciones Populares" --FHP--. At that time its legal structure was also changed. However, the fund's goal remained the same; to finance low-cost housing production. From its origins in 1947 until its transformation into FONAHPO in 1981, the fund's definition of low-cost housing followed the architectural and cost criteria of the "great ensemble d'habitation a l'european", as I mentioned in chapter one. The fund's housing programs were not really affordable by the low-income groups. See Garza and Schteingart (1978:85); FONAHPO (1981:11).

agency.

The rationale for taking over FHP in order to make FONAHPO into a financial agency ²⁰⁴ was described by the former Director of FONAHPO in the following terms:

"FHP of BANOSPSA took INDECO's place for a while, but incorporated important changes in order to become FONAHPO. FHP, the Bank's area where all risky projects would end up, or in other words, the "garbage can" of the institution, received funds from the Ministry of the Treasury and from SAHOP and its debts were paid out. FONAHPO was then constituted, with

²⁰³Regarding the housing aspect, FONAHPO was born with the following formal goals: one, to finance the development and upgrading of low-cost housing, both for sale and for rental, promoted by the federal, state or municipal governments and private firms; two, to finance the development or acquisition of low-cost housing by cooperatives; three, to finance low-cost housing redevelopment and renewal; and four, to finance the production of low-cost housing. Its goals stated that all programs should be directed to and affordable by a population with no formal income (0.75 tmw) and a maximum monthly wage of 2.5 tmw, and who do not own a lot or a house.

²⁰⁴ FONAHPO finances six main programmatic areas: 1) site and services; 2) core housing; 3) housing upgrading; 4) finished housing; 5) land banking; and 6) production of low-cost housing building materials. These programs are implemented through five major credit lines or their combinations: 1) program promotion, studies and projects; 2) land acquisition; 3) land development urbanization; 4) housing construction; and 5) self-help housing support. Self-help housing support actions include the promotion and development of appropriate technology and community development. The general financial principle of FONAHPO operations is equity: the larger the credit, the higher the interest rate and the smaller the proportion of total investment financed by the loan. Loan amounts are tied to times minimum regional income. The maximum amount FONAHPO can lend is 2,000 the minimum income in the region. The maximum length of time for the credit is twenty years, with a 10% down payment in all cases. For these programs the down payment is required at the conclusion of the housing action. Monthly payments, including the principal, the interest and the insurance, should not exceed 30% of the recipient's income variations. FONAHPO's interest rate can change more than once during the year if FONAHPO's cost of money increases by over 8% in that same year. Moratorium charges are an additional 5% a month, and a delay of 90 days entails contract abrogation.

independent funding and administrative powers as a financing agency, in a trust with BANOSPSA and within the sectorial control of SAHOP...FHP now transformed into FONAHPO not only addresses more directly, at the state level, the housing demand of those served by INDECO, but also constitutes a financing mechanism for housing within SAHOP, something which did not exist before."

FONAHPO's programmatic philosophy was not new but largely inherited from INDECO. However, FONAHPO's new emphasis on site and services and self-help actions through the constitution of housing cooperatives or other types of community organizations, for which the agency was to provide financial support, had no precedent in Mexico. It was the first time in Mexico in which housing was no longer defined only as a finished product but also as a process.

In the words of President Lopez Portillo:

"With regards to the housing problem, the possibility to extend coverage of housing benefits comes, precisely, from incorporating the housing actions people themselves already carry out" NHP (1980:12).

Thus, the incorporation and full adoption of the self-help view was introduced as part of Lopez Portillo's housing policy approach. It was clear, however, that Lopez Portillo, no expert in housing matters, had been advised by his close associates as to the kind of policy views to propose. This idea, which was perhaps new to the President, was in fact quite well known to some of INDECO officials who later participated in FONAHPO. One of them made the following comment:

"The programmatic philosophy of INDECO was taken to FONAHPO. This can be

reduced to Turner's self-help concept ²⁰⁵ which most housing institutions had not properly understood thus far."

The, self-help notions which FONAHPO had incorporated in its policy and programs were brought in by former INDECO officials, whom were incorporated into the new agency when INDECO was dismantled. They were architects who had already spent a number of years working in housing agencies. They not only favoured self-help views out of sympathy towards people's participation but also because they were aware of some of their practicalities, given the

²⁰⁵The notion of self-help housing, on the one hand, came out of dissatisfaction with the results of government housing policies implemented during the late 50's and early 60's. Developing countries, with scarcity of resources, simply could not afford to destroy existing housing stock and replace it with expensive housing schemes of European style. Something else needed to be done about the housing problem. On the other hand, Turner introduced the view that marginal settlements could be "more appropriately described as self-improving suburbs than as slums" and the work of "consolidators". Thus, the policy encouraged that type of self-help process as this was perceived to be full of virtues. Some of these were: one, savings and investment occur simultaneously. Savings did not have to be mobilized indirectly through financial intermediaries, but they could be mobilized directly. Two, the future owner has a stake in the process of house construction and is in a position to influence its outcome. Control over the method and speed of construction fosters a sense of self-reliance, just as working with neighbors to install streets and walkways improves community interaction. Furthermore, by phasing construction over a number of years, as squatters do, the owner can improve his dwelling according to his financial capacity. Three, family investment and expenditures for materials and equipment may be scheduled to take account of fluctuating monetary resources. During periods of hardship, the family may postpone investment in their unfinished dwelling in order to maintain their consumption of other goods and services, such as food and education. This flexibility is not available for rent payments in public housing or mortgage payments on conventionally built homes. Four, skills acquired in the process may be applied at other sites; possibly the self-help experience gets laborers on the bottom of the building industry ladder as a start to upgrading their skills from that point on. And five, the "sweat equity" built up in the production of their dwellings encourages the owners to upgrade subsequently. "The obvious appeal of this view and Turner's subsequent writings and very strong sense of housing as the arena for fighting out issues of individual autonomy in a world of powerful governmental institutions gave the shift in policy ideas very much the flavor of a movement". For a critical review of the literature see Peattie and Aldrete-Haas (1981).

popular sector's income limitations. In other words, they knew that this kind of response was the only affordable option available to that sector.

As an important actor during Lopez Portillo's administration commented:

"We could not do more. Housing is a problem of salary, is a problem of income. It is not a matter of the state massively building houses.. it is like the problem of food. It would be absurd to have the National Food Institute. Like with food, in housing what is required is income to buy a house. Because improving the populations' income was beyond our reach we concentrated on the legal and normative aspects for making self-help housing possible. We did not think of it in terms of how a family head will build his house but more as a system of inputs to be produced and distributed so it would cost the same to build a dwelling to the user as to a local firm, and to the large firms..."

An Under-Director of FONAHPO stated:

"One of the programs we implement is Site and Services and progressive housing, which can be considered stages of the same process...We have separated them because the cost of the housing inputs increases more rapidly than income...Our clientele is rapidly losing buying power as inflation is hitting our economy, so S&S have become a 'best seller'."

And he adds, making reference to the large European housing schemes:

"The problem has resulted from a conceptual mistake that FONAHPO does not intend to repeat: to provide finished housing with European standards."

Thus, Site and Services and self-help housing had come to stay not only because users and institutions like INDECO or IEBC were already implementing a version of them, but because it was an idea, already widely accepted and

even promoted ²⁰⁶, whose main virtue was to define a housing solution which did not include a house. This idea was brought to FONAHPO by former INDECO administrators in their bag of skills.

4.-FONAHPO'S FIRST YEAR PERFORMANCE: A POLITICAL SUCCESS.

FONAHPO was launched into operation by a presidential decree published on April 2, 1981, as a financial-housing institution. ²⁰⁷ FONAHPO performance during its first year of operation (81-82) did not reach its policy goals: first, 73% of the total of its allocated loans benefited those families with an income higher than 1.5 tmw. Out of that total, 45.2% had incomes above twice the minimum. Thus FONAHPO concentrated its financial benefits on the higher income group of its defined clientele; second, almost 80% of the credits went to state agencies. There was little involvement of community participation in housing development encouragement for housing cooperative integration. Third, poor development administration and inadequate standards made programs unaffordable for those with income below 1.5 tmw.

Thus, as in the case of INFONAVIT, FONAHPO's first year performance did not comply with its announced policies due to a combination of both political and technical reasons. In this case, more than in INFONAVIT's, technicalities

²⁰⁶By the 1980's the self-help notion had already entered Mexico during several visits and field studies made by Turner himself and through the specialized publications issued in the early 1970's. In addition, when Echeverría sent a large delegation to present the Human Settlements Law to the 1976 U.N. Conference, the S&S idea began to be of common knowledge in Mexico.

²⁰⁷See Clause 3, FONAHPO Trust Contract (1981:4)

played an important role, as all the assumed advantages of FONAHPO's S&S programs proved misleading and were exacerbated by the political factors.

The virtues of spontaneous settlements disappeared in the implementation of S&S ²⁰⁸ during FONAHPO's first year of operation, as is often the case. The problem is that S&S is a programmatic approach that fails to reproduce the dynamics of spontaneous settlements. Even though it is a housing scheme where houses have been "removed" in order to lower the cost, it is still not affordable by the worst-off of the low-income population.

In addition, if lot-holders are asked to comply with a given construction program for their houses according to some design criteria and standards, this is likely to exclude another income segment of the low-income population, as was the case in FONAHPO's S&S developments implemented during 1981-1982. Very low-income lot-holders cannot be expected to meet monthly payments on their lot, spend an additional portion of their income in getting back and forth where the job opportunities are, pay more for food, as is usually the case in those removed locations, and still have enough

²⁰⁸The basic concept of S&S is in essence a "houseless concept" since it focuses on the provision of a serviced lot. The aim "is to restore formal planning control over the subdivision and residential building process by providing secure land tenure and other assistance to harness in an orderly fashion the kind of investment which low-income settlers have heretofore employed in squatting or buying illegal subdivision". Hence, in addition to the cost of land, the approach implies administrative costs and a minimum standard which results in a certain cost for a serviced lot. S&S also require a down payment and monthly obligations, which are rarely suitable to the unstable income of most low-income families. Consequently some low-income groups cannot afford the price, nor the down-payment, and often their marginal occupations make it impossible for them to meet any regular monthly payment. S&S then becomes areas of working-class families who can outbid the poor. Finally, economic factors tend to push S&S projects to the outskirts of the cities where low-priced land is found. Large S&S schemes prove more economic to develop than small ones, because of administrative cost. This removes low-income families from the heterogeneity and job opportunities. See Peattie (1982:133)

savings to build a house within a period of a year or so.

On the other hand, political timing became the single most important element in diverting program implementation from its original goal. FONAHPO was created at the last year of the Lopez Portillo sexenio. The sexenios last phase is the time of the "destape", of the political campaign of the presidential candidate, and of course, of his inauguration as president. Thus, in this year politics overtly take over administrative matters. The institutional environment for carrying out programs becomes largely indiferent to the implementation of programs.

At the same time, newly appointed administrators are expected to produce immediate tangible results. FONAHPO's first Director and his team were not pressured for results by the agency's clientele, as these were not organized. In this case, pressure came from the ministers involved, and to a lesser extent and mostly tacitly, from the President, as he had appointed FONAHPO's Director.

Since FONAHPO was created during last year of Lopez Portillo sexenio it need to show quick results. It was an election year. FONAHPO was an instrument for housing provision for a very large segment of the electorate. Housing or promises about its provision could be exchanged for political support²⁰⁹. The last thing government could afford was inaction from a new housing agency like FONAHPO. In addition, both governors and mayors sought loans for housing because it was election year and their political responsibility was to assure the party's victory in their localities.

Another political reason, less important, was that the new agency was created as one of the examples of the administrative reform of the sexenio. The minister of SAHOP was interested in the successful performance by FONAHPO

²⁰⁹see Montano (1976); Eckstein (1977); Cornelius (1975)

as his political and administrative skills were going to be evaluated by other members of the "revolutionary family".

The new director of FONAHPO could not disregard these constraints. His political future depended upon showing that he was capable of producing expedient results, in spite of the fact that he had no previous experience in housing matters. FONAHPO, however, had a well integrated staff of experienced professionals he could rely on.

In sum, on the political side, limited time and the institutional context were the major constraints. These political elements had implications for the implementation for any type of housing program, but even more, for those intended by FONAHPO. Pressure to produce expedient results in the case of INFONAVIT translated into higher costs. This was partially because of speculation in building materials and partially because of the luxurious housing schemes the institute initially built. In the case of FONAHPO, time constraints and the political environment had different implications, but they also pushed costs up and made some programs unaffordable by the worst-off segment of its clientele.

The first impact of the political constraints was the abandonment of the constitution of independent groups and housing cooperatives as means to lower housing production costs. This takes time and effort, as the case of "Colonia Guerrero" illustrated. Once integrated, these groups present a high investment risk from a financial perspective, as loans are difficult to back by proper collateral. Moreover, these groups would have competed with state governors and mayors for limited resources of FONAHPO, something which was politically unacceptable.

Thus, it was not only politically desirable for the new FONAHPO administration to channel funds through the state and municipal governments,

but it was also more expedient and less risky. These governments were responsible for the loans and the construction of housing.

However, state and local governments do not necessarily share FONAHPO's objectives in terms of the income bracket of the population to be served. For them it is not so much income as the political usefulness of the recipients which shapes decisions about housing allocation. At times, these two considerations coincide, though. Thus, the implementation of the programs of FONAHPO by these governments are less cost-and-technically-concious than when they are implemented under the supervision of the users, namely a cooperative or a community organization, as the "Colonia Guerrero" experience suggested. As a result, the high cost of the programs implemented was partly due to higher urbanization standards than the minimum required, land price speculation, lack of technical expertise by the promoters ²¹⁰, problems of adequate administration and budgeting which resulted in higher costs ²¹¹.

In sum, FONAHPO's inability to achieve its stated goal during its first year of operation was the result of a series of interrelated factors. It was

²¹⁰FONAHPO developments also showed some urban design and service problems: FONAHPO housing developments had little articulation and integration with the existing urban and architectural context. The institutional intervention ignored the use of local indigenous urban space arrangements, namely plazas and street, or the local climatological conditions in detriment to the quality of housing. In hot, tropical areas, dwellings' design did not provide for cross ventilation. Roof height were low and not well rain-insulated. People perceived that the quality of some of the construction elements were doubtful, as well. Comments pointed out the "lack of enough number of columns", "thin roofs", "shallow foundations", and so on. FONAHPO Evaluation Report (1982).

²¹¹In 80% of the cases, the urban design was inefficient in terms of the ratio of lot areas and serviced areas. In addition, in spite of the large percentage of land allocated to those services, the lack of their actual implementation on the site and the distance from their location to the city resulted in an estimated increase in transportation and other family expenses of about 20%.

a newly created institution in an election year and with only one year for its administration to produce results. It was under political pressure to show results in terms of actual and visible low-cost housing developments. In so doing, it relied on the state government's housing institutes because they were less risky and the most expedient channels for loan applications and visible results, and because of the pressure exerted by governors and mayors. As FONAHPO loans went to local housing institutions, independent groups were left out, together with the possibility of monitoring more closely cost and technical aspects of developments. This resulted in the exclusion of the worst-off segment of the low-income population.

However, this did not mean that FONAHPO's performance was regarded as a failure. On the contrary, the Director General was appointed to head the large civil servants housing fund (FOVISSSTE) during the following administration. Thus, to some extent, FONAHPO performance was evaluated as a political success.

5.-ENCOURAGING THE FORMATION OF HOUSING COOPERATIVES DURING DE LA MADRID ADMINISTRATION.

In December, 1982, Miguel de la Madrid became the new President of Mexico. Again, as in the previous change of administrations, a whole rearrangement of forces took place. New individuals were brought into power positions, new alliances were made, and others dissolved. A new politico-economic situation confronted the country and there was a new presidential ideology to serve as a guiding principle for both the political and administrative apparatus.

In the case of an existing institution like FONAHPO, organizational objectives, programmatic and institutional ideology tend to be modified by

the incoming group to match the new political and economic conditions of the country along the lines set by the President as well as their own personal objectives, beliefs and values.

FONAHPO was no exception. With the advent of the new administration, two important and interrelated institutional and programmatic changes were introduced: one involved a greater emphasis on the promotion of independent groups and cooperatives in order to constitute a demand for the Fund. This was perceived as an important element for lowering costs and thus necessary for making the most out of the scarce resources available. And two, an Under-Direction for Social Promotion was created with the specific function of organizing independent groups' housing demands.

Such an institutional move on the part of the new FONAHPO administration represented an innovation in the context of state housing institutions in Mexico. Never before had a housing agency made such a genuine effort to support the formation of housing cooperatives and independent groups. Two main factors accounted for this support: first, one of the newly appointed top executives had been one of the pioneers in housing cooperative formation in Mexico, prior to his position as an Under-Director of Housing in SAHOP during the Lopez Portillo's sexenio. Second, experience had shown him the cost, benefits and savings linked to community-developed programs.

During his position in SAHOP he had also promoted cooperative formation, and self-help cooperative housing had been included in the 1979 National Housing Program. This was one of the items in the 'bag of skills' they brought to their new position and which they hoped would be of help in their new jobs ²¹².

²¹²By the end of the '70s there were about 10 housing cooperatives in Mexico. Their existence was precarious since there was no specific legal framework for them within cooperative law until the approval of the National

Finally, the new FONAHPO administration encountered a new "sexenio phase". It was the first year of a new administration. It was no longer an election year, but elections had been won by the incoming president. There was less pressure from governors and mayors for resources, as some of them were also moving into office. In sum, greater technical knowledge and experience in housing matters together with more commitment towards the integration of independent groups by incoming administrators was part of what improved FONAHPO's performance ²¹³. The other part was a "milder, more comfortable political climate" provided by the sexenio first year.

Improvements did not continue for two main reasons: one, because of the technical limitations inherent to S&S programs, already discussed, which had also affected the previous administration; and two, because of political constraints.

The political constraints to which FONAHPO was subject to refer to both the pressure from governors and other state actors outside the agency for capturing some of its resources, and to different political positions taken by FONAHPO administrators. These different positions resulted in an

Housing Law in 1984. The constitution of these cooperatives, before the law was approved, was an endless bureaucratic process. Also, there was no financial support for housing cooperatives, nor was there cooperative land ownership. Two of these ten housing cooperatives were promoted by this new FONAHPO executive. One of them was "Colonia Guerrero".

²¹³FONAHPO emphasis on that programmatic approach did produce some positive results the first year of the new administration: an additional 14.7% of resources went to site and service and no resources were allocated to finished housing. Thus, considerably less resources went to actual housing construction, making housing actions more affordable by those families with smaller incomes: 23% of the recipient families earned from 0.75 to 1.0 tmw, a population segment which had not benefited at all during 82. In addition, the percentage of the recipient families belonging to independent groups went up from 7.8% to 16.4 during 1983, out of which 10% went to housing cooperatives.

interbureaucratic clash which prevented a more efficient performance.

Differences among individuals and cliques working inside an agency do not surface only around technical or ideological issues but, above all, around political positions. Usually, specific programmatic actions tend to satisfy the various interest groups into the control of the organization. When this is not the case, a continuous fight inside the institution develops which affects program implementation. In FONAHPO, this struggle involved, on the one side, people from the technical areas and, on the other, people from the newly created Social Promotion area ²¹⁴.

A source described the position the Financial areas had and their conflict

²¹⁴FONAHPO is presently headed by a technical Committee integrated by a representative of SEDUE, who chairs it, a representative from the Ministry of the Treasury (SHCP) and a representative of the Ministry of Budgeting and Programming (SPP), a representative of FOVI and a representative of BNOSPSA. The Committee establishes the financial policy and programs of FONAHPO and approves all individual loans. Under the Committee there is the Executive Director and a number of Under-Directors responsible for specific programmatic areas. These areas have changed in number and function since FONAHPO was established in 1981. Presently there are seven areas whose functions are the following: the planning and Programming area is responsible for evaluating program implementation; the Administrative area is in charge of the organization's internal resources planning and control; the Legal area deals with all legal matters concerning FONAHPO transactions; the Social Development area is responsible for promoting low-income groups' demand for loans and for assuring their participation throughout the development and implementation of programs. This area was recently introduced in early 1983, after the De la Madrid administration came to office. This area also has the function of promoting the constitution of cooperatives for the production of low-cost housing building materials; the technical and Operations, and the Financial areas, are responsible, as their names indicate, for the operational control, internal and external, of the various stages of the program's implementation process, as well as for their technical adequacy, and for the financial feasibility, programming and control of FONAHPO financial operations; finally, there is the area called Real State Development. This area is in charge of the maintenance and administration of the large housing complexes previously built by FCB, inherited by FONAHPO, and on the other, of the constitution and administration of the fund's programs. The objective of this area, referred to as 'the old fund', is to constitute tenant's associations which would eventually take over the administration of all the fund's old housing developments.

with the Social Promotion's Area over assigning loans to independent groups, in the following terms:

"FONAHPO' has not assigned a large number of loans to independent groups or cooperatives because, as opposed to the State Housing Institutes, these groups constitute a high investment risk. Their loans are usually backed by their land. There is no security that the cooperative members would pay their loans because they do not usually have a steady job and their income is barely the minimum. This situation, of course, could put FONAHPO in a political and financial predicament. If they defaulted on their payments, FONAHPO could hardly evict the cooperativist from their land...it would be politically touchy. In economic terms, their default could harm the adequate financial life of the Fund."

He then added:

"Faced with those financial and legal questions, the areas responsible within the Fund have been reluctant to support the housing initiatives proposed by independent groups or cooperatives. This is not the case of the Social Promotions, the Planning and the Operations Areas".

Along these lines, another source mentioned:

"We [Social Promoters] have not always had the support and assistance from the Finance Area because their objective is to recover the loan and to protect the financial situation of the Fund. Obviously very low-income groups are risky".

"Also work priorities are different by areas.... so we have also lacked the support from the legal and Technical Areas. We once required a person from the Technical Area for a meeting with a group and...we had to do it by ourselves."

An informant from the Technical Areas referred to their conflict with the

Social promoters in more radical terms:

"The Social Development Area should disappear altogether...this is the area with which we have more frictions. In ideal terms, according to the organizational structure of the Fund, all housing promotions should be done by them....but in my case, I had to do all the work,....they did not participate in any of them....they simply lack the technical expertise to "mature" them...."promotions stay in the air"....Moreover, housing promotion has been their "flag" but they have only put together 5 to 10% of all the loans given by the Fund".

To enhance a group's ability to compete, individuals and cliques search for positions of power either by seeking total control over key institutional areas, by finding allies based on similar ideological views or educational backgrounds ²¹⁵ or by weakening other groups positions by inserting allies into their realms. In the Mexican political jargon these individuals are called "cunas".

A FONAHPO informant referred to the ongoing infight among groups and the use of "cunas", in the following manner:

"The link between the planning area manager and the Director General is

²¹⁵An informant made reference to the ideological and educational elements for establishing positions in the following way: "The differences that exist among FONAHPO's executives about what the Fund should be doing seem to be related to the ideology of the area managers and their cliques. The manager of the Planning Area is the son of a well-off, high rank politician. He was educated as an undergraduate in an elitist university in Mexico and did his graduate degree in Oxford, England. His team, including my self, were also educated in the same Mexican university and some of them also went abroad for their graduate degrees. We are regarded as having a "semi-bourgeois" ideology. The ideological differences between our area -- Planning-- and the Social Development area are strong and clearly surface at work...in fact, this even surface in the way we dress: some dress according to the most update European or American fashion while others wear jeans and "huipiles" in the Mexican left fashion".

very strong. The latter was Coordinator of Special Projects in SAHOP when the former was his boss as Director of Regional Centers during last sexenio. Others members of the planning staff also worked for him in that Direction. Hence, this area and the technical [the manager also came from SAHOP] are part of the Director's team. The other areas are clear impositions --"cunas"-- of the minister of SEDUE. For instance, the manager of the Social Development is a woman who was imposed by the minister of SEDUE. She has links with the PMT (Mexican Workers Party) and some of her staff are members of the PSUM (Unified Socialist Workers Party). People in the Financial and the Real State Development areas were also members of the minister's team".

Intra-institutional politics were not the only or even the most important factors preventing FONAHPO from reaching those low income groups belonging to independent or cooperative organizations. Even more important were some of the political factors associated with governors', mayors' and other political figures' competition over FONAHPO's resources.

Pressure from governors and mayors for FONAHPO resources generated conflict as FONAHPO' programmatic objectives and timing did not always coincide with those of state and local governments. Such was the case when, during an election year, governors created an artificial demand for housing in order to secure funds for housing which they could eventually "exchange" for political support, as a FONAHPO administrator mentioned:

"In many cases the potential demand for housing presented to us initially was not the same at the end.....There were other motives such as the urgent need to recuperate the loans for which a higher income population is invited to buy.....or because there were political interests behind the promotion".

And he added:

"Many of the programs being developed in early 1982 were programs which responded to interests linked to municipal political campaigns....., deputy's political campaigns, etc....."

This political use of FONAHPO'S housing actions by state and local governments implied that loans were not decided in terms of the Fund's criteria of user's income, but on a political basis²¹⁶.

As the political criteria takes over that of need, groups' income takes on a secondary importance. In fact, for FONAHPO, the lower the income of the group the more complicated it became to implement the program because the financial risk was higher. Moreover, as it was easier for FONAHPO to channel funds to state governments than to independent groups, the programs implemented usually were unaffordable by the poorest groups. This created both an internal conflict within FONAHPO and between FONAHPO and state governments, as an informant mentioned:

"Part of the conflict of objectives between FONAHPO and state governments is that they choose the clientele for their housing schemes on political terms. Thus, they prefer finished-housing over S&S, they prefer PRI groups rather than groups supported by the opposition parties and they prefer a twice the minimum income clientele than a clientele whose income is uncertain".

²¹⁶According to FONAHPO's information, between 1981 and 1986 a total of 693 credits were contracted. These were distributed as follows: 48% (339) were assigned to the social sector --cooperatives, independent groups "ejido" associations--; 49% (342) to government agencies (public sector) out of which 41% of the total of 693 credits were captured by state governments: and to the private sector 3%. Out of the credits assigned to the social sector, 34% went to groups formally affiliated to the PRI, only one credit went to opposition parties and the rest went to groups with no formal political affiliation. However, the value in pesos of the credits assigned to the PRI was about 70% of the total invested in the social sector. FONAHPO Subgerencia de Analisis Social. Info. Dec. 32, 1986.

In sum, FONAHPO was not able to achieve its policy objective because of a series of interrelated factors, both political and technical. Pressure from governors and mayors to capture FONAHPO's resources vis-a-vis independent groups and cooperatives together with the technicalities inherent in S&S and core housing, prompted some administrators to decide in favour of the former. However, other officials favoured cooperatives. This situation resulted in an inter-bureaucratic fight between the agency administrators that further impeded FONAHPO's support of those groups. Since only a small percentage of the agency programs promoted group participation, only a small percentage of them were accesible to the poorest. This does not mean however, that FONAHPO's problems can not be ameliorated in favour of those groups presently excluded, as the experience of "Renovacion", to be discussed next illustrates.

6.-"PROGRAMA DE RENOVACION HABITACIONAL": FROM THE TOP-DOWN APPROACH TO "CONCERTACION DEMOCRATICA"²¹⁷

The case of Renovacion shows that government housing programs can successfully reach the poor who live in inner-city neighborhoods without displacing them. The factors which account for such a success are mainly political, since the housing solutions adopted can be considered traditional. From the political view point the the salient factors were, on the one hand, the capacity, from those requiring housing, to pressure the state; on the other, there was the willingness of the state to respond, partially because

²¹⁷For the analysis of housing actions taken by the goverment after the earthquake see Eckstein (1989); Michel and Ziccardi (1987) Estudios Demograficos Vol.2 No 1. Jan-April 1987, El Colegio de Mexico.

of public pressure and partially because of the exceptional conditions ²¹⁸ to which the program responded.

The case shows that once the political decision was taken by the state to seek a solution together with those groups, or at least acceptable to them, the state was able to resolve problems which usually have presented unsurpassable limits to reaching the poorest.

The state created an ad-hoc, short-lived agency for the implementation of the program; integrated a highly qualified team of technocrats and administrators; devised creative financial mechanisms; expropriated inner-city land for the program; did not exclude groups because of their political affiliation; and above all, discussed with the users the solutions to be implemented. To a large extent these measures overcame similar institutional, political and technical problems to those faced by FONAHPO.

Together with the surprise about its magnitude and disastrous effects, the 1985 earthquakes brought about a surprise in the way people reacted. Within hours from the disaster, people organized all sort of operations in order to help those in distress ²¹⁹.

²¹⁸On September 19, 1985, at 7:15 AM, Mexico City was hit by a very intense earthquake. It was the strongest earthquake in this century. The earthquake came as a surprise. Although people in Mexico City are used to earthquakes, this was unusually intense and long. Estimates about the final outcome of the earthquakes vary widely. Some calculated that between 10 and 25 thousand perished and an unknown number lost their homes. The city areas most severely damaged were downtown --including the neighborhoods of "Tepito", "Peralvillo", "Morelos", and "Guerrero" among others-- and other areas around it called "Roma", "Narvarte", and "Condesa". Several hospitals, including "Centro Medico", were irreparably damaged, as were two very large public housing developments from the 1950's and 1960's: "Nonoalco-Tlaltelolco" and "Presidente Juarez". One large building collapsed and many others were seriously damaged in the former, and six building collapsed in the later. Mecatl, Michel and Ziccardi (1987)

²¹⁹Students and professionals joined in rescue operations, in assisting people to get their belongings out of their collapsed homes, in getting food, in controlling traffic and so on. By the end of the day, people living in

This is not to say that the government was absent in this effort but simply that the people's participation and organization in effectively dealing with the disaster was more visible than that of the government ²²⁰. Neighborhood organization was not a new phenomenon in the affected areas, in particular those downtown like the "Guerrero", "Tepito", and "Nonoalco-Tlaltelolco" but the earthquake united them to form a common front ²²¹.

Government intervention in housing formally began on the same day of the first earthquake, as several organizations were established and several policy decisions were taken ²²². These decisions reduced buyers' housing final cost and brought down down payments almost to nothing. In addition, by

middle-class or well-to-do areas which the earthquake had not affected, also the joined efforts providing medicines, blankets, food and the like.

²²⁰Perhaps it could not have been any other way. For the people it was a matter concerning their most precious things in life, their families, their belongings and their homes. People were not going to wait for help to arrive. They took immediate action. But because no family lives in total isolation, community action became widespread, first very spontaneously, and later in a more organized form.

²²¹"Tepito" and "Guerrero" are both old traditional areas which had already been organized for several years. In the early seventies they had fought against a bulldozer plan for the area and since then their internal organization had strengthened. In "Nonoalco-Tlaltelolco" there were a number of organizations already active at the time of the quake, and although each had their own agenda, they all united and formed a common front. See Eckstein (1989:265-266). see Ramirez (1983) about the organization of Tepito.

²²²By a presidential decree both the "Comision Metropolitana de Emergencia" and the "Comision Nacional de Emergencia" were created. Together with them, a "Coordinacion de Vivienda" was also established. Three important agreements came out of their first meetings: one, the nationalized banking system agreed to different housing loans' down payments for five years by providing an additional loan to cover that cost with a fixed interest rate as low as 4%; two, both Mexico City government and the government of the state of Mexico exempted those acquiring a house from the sales tax and other charges; and three, the notary's associations of Mexico City and the state of Mexico agreed to do their work in legalizing those operations at no charge. Mecatl, Michel and Ziccardi (1987:26).

September 30, a strategy for temporary housing was designed and implemented²²³.

The population of "damnificados" was basically divided into two different groups: one, those who had a steady job and thus were part of the clientele of an existing housing agency²²⁴; and two, those who did not have a permanent job and whose income fluctuated around the minimum. The problem of this second group, those living in the old downtown area, was far more complicated.²²⁵ They were living in run-down "vecindades" where they paid very little rent and were close to their jobs; thus they could not afford any other living

²²³This strategy involved buildings ranging from tents to board pre-fab houses put up in parks or other spaces available and safe. It was also recognized that different programs needed to be devised depending on the population to be served.

²²⁴This group was mostly located in both the "Presidente Juarez" and the "Tlaltelolco" housing developments and in the "Roma", "Narvarte" and "Condesa" neighborhoods. For this group there already existed all the proper channels for providing them with housing. A program called "Programa Emergente de Vivienda Fase I" --PEV.I--was launched on October 1st., 1985 for coordinating housing actions of existing agencies like INFONAVIT, FOVISSSTE and FOVI-FOGA among others. They were to assign existing vacant housing or loans to the "damnificados" belonging to their clientele. Through this program 8,629 houses and 7,449 housing loans were provided to a population whose income was largely above 1.5 times the minimum. However, the complexity of the problem that existed in "Tlaltelolco" and the high level of their organization, a specific program was launched to deal with their situation: "Programa de Reconstruccion Democratica de Nonoalco-Tlatelolco". On the tenant side, most existing organizations were agglutinated by the "Cordinacion Unica de Damnificados de Tlaltelolco". By the end of 1985, a number of agreements between the partes had been signed establishing the actions to be taken. Mecatl, Michel and Ziccardi (1987:32).

²²⁵More than 70% of the "damnificados" earned below twice the minimum, and of those, more than half were informal workers who could not get access to government housing. In addition, most of their informal jobs were located in the area as is the case of most informal sector employment. The housing situation of this group was somewhat similar to that of the "Colonia Guerrero".

arrangement nor could they move from the area.

The government response to the problem of this group came in two actions which complemented each other: one, the creation of a program called "Programa de Renovacion Habitacional Popular"²²⁶ and the establishment of an ad-hoc agency to manage it ²²⁷. And two, they expropriated hundreds of damaged properties located in the downtown area, on October 1985.

However, although "Renovacion" appeared to be suitable for the housing problems of the "damnificados", the way it was being handled generated a lot of uneasiness among them, given the long lag that was involved between its creation and the implementation ²²⁸.

²²⁶"Renovacion"'s basic purpose was to build new housing or repair the old one, when possible, in the expropriated property.

²²⁷Creating an ad-hoc, short-lived agency was part of a typical administrative strategy for bypassing bureaucratic constraints --vested interests, red tape and even corruption--. It also responded to other issues. It was designed to enable the "damnificados" to concentrate their demands on the agency while avoiding "contaminating" other agencies with such demands. Since funding for this program did not all come from the traditional federal funds but also included a variety of foreign sources its management was vastly simplified if it was all concentrated in a unique program. In addition, the new agency could temporarily borrow professionals from other existing agencies and thus ensure the level of professional proficiency required for the success of the program, as well as at the same time avoid pressure for hiring "recomendados" and "aviadores" which would engross administrative costs and diminish efficiency.

²²⁸First, the expropriation unnecessarily included a number of middle-class dwellings, triggering a wide protest by this and other well-off groups who feared similar expropriations in the future. Thus, as some of these middle-class properties were excluded in a 'revision' made days later, the clumsy and rushed handling of the decree became evident. Second, the launching of the "Renovacion" program was slow, further aggravating the "damnificados" who retaliated by continuously protesting in the press and on the streets. This was quite justified since by the end of 1985, beginnings of 1986, there were a number of issues which still had not been resolved. It was not clear which use was going to be assigned to each expropriated property, nor was it established who would get that housing, the prices of dwellings and the related financial conditions --down payment, monthly payments, interest rates, and so on--. Nor had the ways in which community groups were to participate or the type of housing ownership been established. And third, there were problems of location and construction of the temporary

Damnificados communicated their growing uneasiness to the press and in mass rallies, which could not have come at a worse time for the government. The eyes of the international community, which had for some time been focused on Mexico because of accusations against government officials supposedly involved in drug trafficking and because of the foreign debt, were focused again in Mexico City ²²⁹. The Mexican government could not afford to fail to respond to a pressing housing problem and even less to risk being exposed internationally and nationally for its failure. An answer to this situation came with the removal of the minister of SEDUE and of the head of "Renovacion", among other top SEDUE officials, in February 1986.

The key element responsible for changing the explosive climate was the adoption of a negotiating attitude on the government's part. No longer was the program going to be imposed from the top-down; instead it was to be negotiated or "concertado" (concerted) with the various groups involved:" This constituted a new kind of relationship between government and social groups for solving urban problems"²³⁰.

In essence, what the incoming officials understood, or were forced to understand by the circumstances, was that given the conditions and the issues on stake, a negotiated agreement was the best and perhaps the only solution, for a number of reasons. First the "damnificados" not only were already organized before the earthquake but their organizations grew stronger as they realized their capacity to solve problems without much government help. Second, national and international public opinion favoured the cause of the

housing which made the already desperate situation of the "damnificados" even worse. See Massolo (1986); DGPCPV (1986).

²²⁹The world soccer cup was only six months away from taking place in Mexico so any bad press could jeopardize its success.

²³⁰Mecatl, Michel and Ziccardi (1987)

"damnificados" who used the press with great savy. In those circumstances they knew they could mobilize support from organized social groups like the National University students, CONAMUP, teachers and others. Third, some funds for "Renovacion" were being provided by foreign agencies, which were monitoring the implementation of the program. Fourth, the issue at stake was not only housing but people's survival. People affected by this program could not afford any other type of housing nor could they afford to leave their downtown informal jobs. Thus, their capacity to fight eviction and to struggle for the acquisition of housing grew as they perceived circumstances were in their favour.

The incoming minister of SEDUE and the head of "Renovacion" appeared to have understood this. They perceived that this time, contrary to most previous experiences, the response from the government to this better organized fraction of a largely ignored popular sector, could not be imposed from above. They quite likely recognized that the balance of power had slightly changed, requiring the government to take a different approach. Their approach was that of negotiation. Negotiation or "concertacion" resulted in the signing of an agreement called "Convenio de Concertacion Democratica para la Reconstruccion de Vivienda del Programa de Renovacion" on May 13, 1986 ²³¹. This "convenio" set up the basis on which all groups were to participate, namely the type of houses to be built, the related financial conditions and other technical and social specifications ²³².

The subscription of the "convenio" showed independent group's capacity to pressure the government on particular issues and under specific

²³¹The agreement was signed by more than 80 groups of "damnificados", several universities, technical and professional groups and other social organizations.

²³²Mecatl, Michel and Ziccardi (1987:56); Eckstein (1989:269).

circumstances. Since people were living in temporary dwellings on the streets, the conditions under which the demand for housing was taking place were not the usual ones at all. Public opinion, national and international, was intensely monitoring the government's responses to the perfectly justified demands of "damnificados". The physical impact of the earthquake could not be more obvious, as buildings had collapsed and people were forced to live in board housing on parks. In any event, it was these conditions, together with people's williness and capacity to profit from them in their struggle for housing, which partially made the program possible ²³³.

The "convenio" also showed that under effective pressure, as in other instances of housing intervention discussed in previous chapters, the government was willing to negotiate and assume an attitude which had not been the usual one when dealing with the popular sector and in particular with those living in inner-city slums and "vecindades", as the "Colonia Guerrero" story also illustrated.

7.-CONCLUSIONS.

The creation of FONAHPO resulted from the transformation of INDECO and FHP, from which its main functions were adopted. Its clientele --popular

²³³Cuauhtemoc Abarca, one of the leaders of the "Coordinadora Unica de Damnificados" commented on signing the "convenio": "This date has a very special meaning in the sense that for the first time the state has accepted plurality in society and has accepted the participation of independent social groups.... This participation has been fought for and won by us who have been working, not with the fictitious support of the groups involved, but together with them from the first days after the earthquake" Eckstein (1989:231).

sector-- lacked the capacity to effectively pressured the state ²³⁴. An exception was the recently completed "Renovacion"s program.

FONAHPO was established to meet the housing needs of the urban poor as were its predecessors, INV and INDECO. However, in contrast to its predecessors, FONAHPO was constituted as a financial agency with clearly defined, goals which in principle should have allowed it to be more efficient. FONAHPO was not completely successful in reaching its objectives, although it improved its performance during De la Madrid administration. The means for so doing was a more decisive support for the creation of independent groups and housing cooperatives.

FONAHPO's first year of operation resulted in little compliance with its announced goals. The last year of the sexenio was one of the factors as politics created an environment that was largely indifferent to administrative matters. Also, it was an election year so there was pressure from governors, mayors and the like for housing funds. The other factor was little housing experience on the part of the administrators combined with the pressure to produce expedient results, as their personal political future depended on it. In those circumstances, the time consuming and risky process of integrating housing cooperatives for lowering costs competed unfavorably with funding state and municipal governments, even if their programs were on the expensive side of FONAHPO's menu.

FONAHPO's improved performance was largely due to changes introduced by

²³⁴Since there was no an effective pressure from the clientele there was little presidential intervention and negotiation or subtle fight for their control, incorporated mainly other ministers and similar level government and party officials. FONAHPO's initial features largely result from this negotiation process. This was different than an agencies created as a response to particular group's pressure, like INFONAVIT.

the new administrators together with a more favorable political climate than that of the last year's sexenio. Housing cooperatives were encouraged to integrate form and there was less competition for funds from governors and mayors as many of them had just taken office. Both elements helped in getting more loans to lower-income groups.

However, neither of these efforts were sufficient to replicate the virtues of spontaneous settlements. This was not because the administrators did not intend it, but because this would have implied a far more radical change of the overall institutional environment. This was clearly out of their reach. In essence, this kind of change would require either the modification of some of the basic economic principles which dictate land prices, construction costs, interest rates, profit margins and the like, which make even S&S unaffordable by some low-income groups. Or, it would require the alteration of the political criteria which does not allocate to the popular sector a high enough level of subsidy required for making these programs accesible to them.

Changing the economic principles of capitalism seems out of the question in Mexico. Changing the political criteria and letting subsidies flow in favour of this group is less remote. What appears as politically adequate today might change tomorrow as political circumstances also change. To an extent, the case of "Renovacion" shows how different political circumstances led to exceptional political responses.

Unfortunately, political circumstances were not so special during the early eighties as to modify the general politico-economic criteria applied by FONAHPO in their implementation process. But at the same time, new administrators had brought in a different programmatic approach which marked a direction towards some change and a new area within the agency created,

which together helped to improve FONAHPO performance.

The case of "Renovacion" showed that under special circumstances the organization of low-income groups was strengthened as was their capacity to successfully compete for scarce resources for housing ²³⁵. The lesson to be drawn is that greater and more permanent organization together with a receptive administration might make it possible to overcome some of the S&S falacies, and even to eventually overcome some of the problems encountered in the implementation of "Colonia Guerrero".

In this case not only administrators were open to dialog and people's participation but also the groups who intervened were democratically constituted. In this case both parts shared this common objective and worked

²³⁵By May 1987, 19 months after the earthquake, "Renovacion" had managed to build 48,800 units. Most of the units built occupied the place of the old houses and "vecindades" which had collapsed so most community life as well as the physical appearance of old downtown was preserved. In some cases, the old "vecindades" were repaired and upgraded. In some others, new housing was built. New housing adopted some of the old architectural features like building around an inner-patio, but added new facilities which provided dwellers some desired comfort and privacy, namely private washing facilities and bathrooms. Building heights remained only three stories. The 40 square meters provided with a bathroom and kitchen was a significant departure from previous living conditions: only 14% had larger apartments, only about a third previously had private bathrooms and only two thirds had private kitchens. In addition to the improvement of living conditions, dwellers who were formally renting became owners, and their dwelling cost only included direct building cost, a significant 40% reduction from most market prices for similar housing. Eckstein (1989:231) As in any new housing, there have been problems but on the whole people have expressed their acceptance, and they have begun to appropriate their dwellings to their need as in other INFONAVIT and other public housing developments. They have changed some of the flooring materials, tiled bathrooms, and even changed some interior and facade colors, as in some cases they did not like the 'bright popular Mexican colors' architects specified. As a user mentioned referring to some of the architectural features of his housing: "Architects have this romantic picture of 'vecindades' with their communal facilities for cooking and washing in the inner-patio, and the bright colors you see in Mexican rural towns. They do not understand that we might want more privacy like everybody and that perhaps we do not like those colors that much but sometimes are the cheapest paintings one finds in the market". (from an interview with a dweller).

towards its attainment: this marked the beginning of what could become a new political approach towards the redefinition of state-society relations or what I call " the structure of power"²³⁶.

²³⁶ The case of "Renovacion" showed that the political approach adopted by the state actors represents the position presently taken by the Salinas administration since the then minister of SEDUE is a close associate of Salinas and is presently the mayor of Mexico City.

CONCLUSIONS.

1.-INTRODUCTION.

In this last chapter I argue that making state housing intervention more inclusionary with regards to the urban poor requires as a precondition a change in the structure of power. State housing intervention was used throughout history to form and maintain this structure. Yet, such a structure poses the main constraints for maintaining the support of the urban poor through housing intervention.

There are four, interrelated and mutually reinforcing, elements which integrate this structure. These constitute the salient impediments for wider coverage of housing benefits and user's participation in the cases of INFONAVIT and FONAHPO. These four elements are: first, a strong president; second, a "sui generis blend" of the administrative and political apparatus which gives the president his overwhelming power vis-a-vis the legislature²³⁷; Third, the quasi-corporatist integration of unionized workers, peasants and the "popular sector" into the PRI, and these sectors' hierarchical-

²³⁷Carpizo (1978); Meyer (1989). Most authors argue that was President Cardenas who gave the president those powers as he placed the president as a head of the party when he exiled Calles, until then "Jefe Maximo" and who controlled the party.

patrimonial internal structure, which prevents groups' mobilization ²³⁸ and provides the apparatus political hegemony; and fourth, the political entrepreneurialism and discipline of state actors, both administrators and politicians, which binds together the fractions into an overall hierarchical-authoritarian structure of the state, in which the ultimate power resides in the president ²³⁹.

These elements are not equally manifested in all cases, since the presidential intervention is more visible in INFONAVIT than in the other case, as is labor's internal structure of cooptation and control. The president is in the background in the case of FONAHPO and the urban poor (popular sector) are too fragmented and heterogeneous to be identified as single political actor. Administrators' political behavior and the "use" of these agencies for their own political purpose is obvious throughout.

Within these constraints there are "exceptional cases" --"Colonia Guerrero" and "Renovacion" when the combined participation of organized and representative social groups and progressive state actors in the design of housing policies resulted in the extension of benefits to a greater percentage of the population. In those cases the constraints were superseded through a timely shift in the balance of power and the presence of both state and society. In this conclusion, I will discuss, drawing from those cases, the overall implications for Mexico of generalizing those "exceptional cases": what needs to be changed in the structure of power in Mexico and in the relationship between the state and society so that access to housing on the part of the poorest members of Mexican society, represented by democratic institutions, can become a reality.

²³⁸ Stevens (1977); Kaufman (1975)

²³⁹Kaufman (1975); Carpizo (1978); Meyer (1989)

2.-INFONAVIT: THE LIMITS OF REFORM.

The origin of INFONAVIT shows that "housing as a constitutional right" was made into and used by the state as "reward" for labor's support in the process of state formation and consolidation. It was also used by the state to integrate labor into the sectoral, quasi-corporatist structure of the party. And, it was used to structure and reinforce labor's hierarchical-patrimonial structure of control. These elements ultimately prevented the president from preserving INFONAVIT as a democratic institution and eliminated any possibility of a democratic outcome as envisioned by its progressive administrators.

INFONAVIT's exclusionary housing outcomes --unaffordable housing distributed through patrimonial means-- resulted from the pressure of labor leaders for immediate results and from their struggle against any state challenge to their control of the internal structure of organized labor.

Labor's defeat of the state challenge was reinforced by the political entrepreneurialism of the administrators who responded to labor's pressure with "flashy avant-garde" housing. Administrators' careers depended upon the evaluation of labor and, less so, of the private sector. User's "needs" or "preferences" were ignored.

Since the democratic computerized system emptied leaders' role as intermediaries between "state housing" and the rank and file and reduced leaders' means of control, they rejected it. Echeverria's vulnerability in the face of private sector antagonism made him unwilling to cash in his last political chips in support of independent unions, whose independence made them risky partners in an alliance. Only such an alliance, however, could

have saved the democratic features of INFONAVIT's allocation process.

Thus, Echeverria retreated and blamed Silva Herzog's establishment of the computerized allocation system for his own problems ²⁴⁰. He conceded to labor the privilege of the "destape" of Lopez Portillo. In essence the state could not afford to dismantle one of its strongest bases of power: "charrismo". However, this solution worked only in the short run. In the long run this meant that the president and the "charros" would go down together when economic crisis led people to reject them both. In the long run, an independent labor movement is the only reliable negotiating partner-- for it alone can discipline its members-- for a state faced with a crisis of legitimation and economic ruin.

The successful implementation of "Colonias Guerrero" was not possible because it advocated those very same elements which threatened "charrismo": popular participation. In this case, the democratic nature of participation, not only emptied the role of leaders as power brokers, but also implied, if generalized, a close check on leaders' business opportunities as developers. User's participation and an unfinished housing product contradicted the "visibility of luxurious finished housing" and its attached value as a political reward. Finally, "Colonia Guerrero" proposal of equal accessibility of unionized and non-unionized workers to INFONAVIT loans cancelled its reward value and the political purpose of its creation. It was an expression of housing as a universal economic right rather than an exclusive political reward.

"Colonia Guerrero" was built, though. This was possible because of peoples' capacity to organize, to pressure, and their courage and drive for

²⁴⁰In his last annual "State of the Nation" address Echeverria criticized Silva Herzog's performance. Silva Herzog was sent to the "bench" during the first years of Lopez Portillo's administration.

housing, combined with pressure from advocate planners. "Colonia Guerrero" was not implemented as intended but the seeds for change were planted. These latter flourished in FONAHPO's policy and in "Renovacion" programs.

3.-FONAHPO: POLITICAL CONSTRAINTS ON PROGRAMMATIC REFORM.

FONAHPO's performance resulted from the conflicting views of state actors, both administrators and politicians, about the political use of FONAHPO as a "modernized" version of INDECO. One position was characterized by FONAHPO's first administrators who interpreted "modernization" as the indiscriminate production of many and visible houses since their purpose was to jump into the "next administration's train". The other position was expressed by the next administration's more progressive brand of political entrepreneurialism. They interpreted "modernization" less as "old-fashioned-patrimonial" control and more as encouraging autonomous organization on the part of the beneficiaries for housing provision, thus preempting political competition from the opposition as well. However, autonomous organization presented the threat of group's potential political independence. Thus, organization of independent groups generated opposition from CNOP leaders and from state administrators who feared their power positions being politically depleted. Agency administrators rejected the formation of these groups on more myopic and selfish entrepreneurial fears of their becoming a scandal to the agency through credit defaults plus fewer housing actions which require more time to process (because it required consensus). The fear of "old-guard" administrators that they would lose their political turfs and privileges by re-defining their relationship with social groups prevented FONAHPO's further encouragement of housing cooperatives and the formation of independent

groups.

The unique circumstances to which "Renovacion" responded left no space for the "old-guard-clientelistic" attitudes of the program's first administrators, who were dismissed. The new administration understood that "top-down" control of the situation was no longer possible; the situation required "concertacion" (concerted) between the state and popular interests which were meeting in a more level policy area. Existing organizations grew stronger during the earthquake as they realized their capacity to use the press to represent their interest to the society at large, which considered them legitimate. At the same time, they often solved their problems without much government help, to the governments' great embarrassment. In addition, their organizations were being watched and supported by foreign and local groups, given the acuteness of their housing problem. State intervention could not be exchanged for political support but could only join forces to solve the problem and prevent political turmoil. Help had to be given disregarding political affiliation. In this case the "blend" of the political and administrative apparatus was not useful for social control but in order to organize and expedite the solution of the problem. Housing solutions were not imported but the "vecindad-type" was "revalued". People successfully re-defined their relationship with the state.

4.-RE-DEFINING THE STATE-URBAN POOR RELATIONSHIP.

What can the state do on the face of the increasing housing need by a population who is more politically minded, more organized and thus more capable of pressuring for answers at the time that the state experiences a political and economic crisis ?. The state can either ignore the demands of

the urban poor in which case this group will turn to the opposition further eroding the state's political hegemony. Or the state can seek to answer the demands of the urban poor in which case its relationship with this group need to be redefined. The urban poor can hardly accept "traditional top-down" arrangements after this group concerted solutions with the state after the 1985 earthquake.

The redefinition of the state-urban poor relationship implies to substitute the state's paternalistic, "all giver" attitude for a relationship were both parts join forces in order to solve a commonly defined problem. This, however, cannot be on "ad-hoc", "discretionary basis or the result of actions by progressive administrators like in FONAHPO. Nor can it be the result of critical circumstances as in the post-earthquake case. This new relationship needs to be institutionalized so as to become a permanent feature of the Mexican state. In other words, the exceptional character of the "Colonia Guerrero" and the "Renovación" cases needs to be changed into that of common practice.

One way of achieving a permanent inclusion of the urban poor into state housing intervention is through the creation of "institutional links" between them, in which decision-making is shared.

"Institutional links" can be made at least at two decision levels. One can be created at a top decision level like in INFONAVIT's Administrative Council where the agency's clientele participates in deciding on broad policy lines. The other can be at a more operative level through the creation of departments inside housing agencies, like the "Social Promotion" area inside FONAHPO, but where promoters would be community representatives and not state administrators.

These "institutional links" can be created in agencies like FONAHPO as

well as in state and municipal housing agencies.

There are several political and programmatic implications of creating these "institutional links". Politically, the state can take the lead in the process of further organizing this vast sector of the urban population and can preempt a political space that is highly attractive to the opposition. In addition, the state can gain this group's support for the implementation of policy intentions like the ones encoded in the Human Settlements legislation and which can help the state in dealing with the problems of the urban poor. In other words, the state can give the urban poor the political status of organized labor so as to make possible, with their support, the creation of agencies or the approval of legislation which will, in turn, help the state to deal with the problems of this sector.

Programmatically, there are three main implications of bringing the urban poor into the institutional decision process. One, programs will be more responsive to peoples' needs and will be affordable, like in both the "Colonia Guerrero" and the "Renovacion" cases. Two, standards can be "adjusted" to fit cases so can the type of housing programs. In some cases sites with few services can be provided while in others only the introduction of water will suffice. Moreover, programs like upgrading "vecindades" can be generalized. However, this close association between the state and the community can present problems in decisions which involve the population of a whole city because decisions might affect some communities more than others, like in the case of the Human Settlements Law. And three, by bringing the beneficiaries into the decision process the state introduces a check on the administrators' decision leeway. This will secure their greater accountability to the community and a more adequate use of resources, thus better programmatic outcomes. Such was the case of both the "Colonia

Guerrero" and "Renovacion" cases.

Last but not least, the state will need to promote community organizations that are accountable to their rank and file. It is only through democratically constituted organizations that the state in crisis can survive political and economic decline.

5. -RE-THINKING THE MEXICAN STATE.

This work shows that only a "mid-level" approach for the analysis of the state can uncover "exceptional cases" which shape the processes through which the structure of power is maintained and transformed. It is a view which by bringing together the societal and institutional levels demonstrates that bureaucracy is far less impermeable to social interests than was once thought, or, to put it in another way, that social interests are embedded more deeply in the state than previously thought.

This work shows the usefulness of analyzing state interventions in specific policy areas, or an aggregation of them, in order to understand how individual and groups' actions, inside and outside the state, in the context of a historically defined political culture modify and transform such a culture. It is a dialectic view which dissects the formation and transformation of the state's structures and activities over time, those unintended outcomes which influence the formation of new groups and political capacities, ideas and demands.

This work confirms the "second thoughts" of a number of scholars ²⁴¹ about

²⁴¹ see Stevens (1977); Kaufman (1975). Stevens provides us with useful insights on the PRI's internal corporatist structure. She argues that, based on the study of the operation of groups inside the PRI's structure and outside it, the answer to whether the PRI is the institutionalization of corporatism (as put forward by Schmitter, 1977) is in a qualified negative.

the usefulness of characterizing the, always elusive, Mexican state as "bureaucratic-authoritarian" or other similar categories which were developed for other Latin American countries. This work, I hope, throws light on the usefulness of looking into the Mexican state as this results from a dialectic process in which both state and society form and transform the structure of power.

From the crude occupational categories composing the sectors, there have emerged influential strata whose members have not only been able to protect their own particular interests, but have also been able to manipulate sectorial activity to promote those interests. Meanwhile, outside the PRI structure, other interest groups are able to chose from a much wider range of methods for enhancing their influence. Thus, while the formal legal structure of the PRI corresponds, albeit imperfectly, to the corporatist design, the function is that of control rather than representation.