SOCIALISMS IN DEVELOPMENT

Special Issue Guest Editor: Eric Burton
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ABSTRACT This article traces the rise and decline of state-led industrialisation as a tool of social mobility in the second half of the twentieth century. It examines ideas of transforming primarily agrarian societies into industrial states in the USSR and developing countries, and then considers how these ideas were applied in two cases: Mexico and Soviet Central Asia. In both cases, state-led industrialisation achieved some important social goals, but ultimately proved disappointing and was deemphasized in the 1980s. Politicians and planners increasingly emphasised individual entrepreneurship and a more limited role for the state as a path to achieving greater social mobility. The article argues that while external ideological and economic factors were important in both cases, attention must also be paid to the way scholars and planners reflected on the shortcomings of the industrialisation programme conceived in the post-war decades.

KEYWORDS Development, Welfare, Neoliberalism, Socialism, Labour

In the interwar and especially the post-war era, many states in the so-called ‘Third World’ pursued rapid industrialisation. The strategies varied, but generally it was expected that the state would play a significant role in creating an industrial economy that produced secondary goods for the domestic market and for export. By the 1980s, however, many of these states had abandoned the focus on state-led industrialisation, choosing instead to liberalise markets and accept a more specialised role in global exchange. In explaining these shifts, scholars generally turn to two related explanations. First, they point to the financial crises of the 1980s that forced
many countries to shrink the role of the state (Haggard and Kaufman 1992; Basosi 2011). Second, they point to the growing dominance of neoliberal thought, with its emphasis on market solutions to many spheres of human activity, as embraced by economists and politicians around the world in the 1980s (Harvey 2005; Babb 2001; Latham 2011: 175-185).

While both explanations are important, they leave some questions unanswered. Neoliberal ideas were not the only available option for dealing with the financial crisis in the 1980s. What was it that made them particularly attractive at that moment in time? We believe that a fuller understanding of these shifts requires examining the broader social and political goals associated with state-led industrialisation in its heyday. Johanna Bockman has demonstrated that neoliberal ideas took shape in the socialist world as well as in capitalist states (Bockman/Eyal 2002; Bockman 2013). In this article we turn to the internal problems of industrialisation and social welfare which crossed the divide between the capitalist and socialist worlds. We follow Collier (Collier 2009) in reviewing the link between what the French philosopher Michel Foucault called “biopolitics”, or the way a state manages its population, material life and welfare (Foucault 2009, 2010), and changes in economic thought. For Foucault, the emerging governmental reason of the late 18th and early 19th century was distinguished by its emphasis on living beings as opposed to “legal subjects” or “docile bodies” (Collier 2009: 16). Government policy had to understand the likely behaviour of living beings, using new tools of social science.

By emphasising changes within a governmental system, we trace how the “relationship between critical reflection and successive forms of government” changed over time (Collier 2009: 19). We base our analysis on two cases we have researched individually: Mexico and Soviet Central Asia. The two cases are superficially quite different: Mexico was and is an independent state, albeit one heavily dependent on trade with the United States. The republics of Central Asia (Kazakhstan, Uzbekistan, Kyrgyzstan, Turkmenistan, and Tajikistan) were part of the Soviet Union. Although local politicians and planners had significant autonomy, especially in the post-Stalin years, they were much more dependent on Moscow than Mexico was on Washington. Further, while Mexico had a strong state sector, it never aspired to a Soviet-style planned economy. At the same time, there are significant similarities in the way that economists, planners, and poli-
ticians in both cases thought about questions of industrialisation, social welfare, and mobility; moreover, there are striking similarities in how these paradigms changed between the 1950s and 1980s. We do not attempt a comparative economic analysis; rather, we try to point to the commonalities in histories of development across the second and third worlds. By reviewing these two cases side by side, we draw attention to the similarities and differences between industrialisation in the socialist world and those countries firmly locked into economic relations with capitalist states. We can use this situation as a jumping off point to consider parallels in how scholars and policymakers in both worlds tried to rethink industrialisation and welfare programmes in light of the difficulties they encountered.²

Following Collier, we understand neoliberalism not simply as an attempt to shed the welfare state, but rather to rethink its constituent elements (state, society) under new circumstances. What happened in the Soviet Union and in Mexico was part of a larger trend among industrialised and industrialising countries in the latter half of the twentieth century. For its proponents, industrialisation was supposed to raise standards of living, create modern citizens, and help organise a welfare state. Industrialisation was conceived as a possible path to social mobility for the peasant population, which could enter the rungs of the middle class, and, in the Soviet case, especially for rural women who could challenge the patriarchal order. As the industrialisation programme met with various difficulties, politicians, planners, and social scientists sought ways to preserve these commitments at a time when older conceptions no longer seemed to work. While the broader social goals remained, the tools appeared to be inadequate. The turn to neoliberalism was thus not simply an attempt to shed the broader goals of the state, but to reinvent them under new circumstances.

1. Industrialisation and the welfare state

The Argentinean economist Raul Prebisch once argued that industrialisation was not an aim in itself but “the only instrument” new countries have “to capture the fruits of technical progress and progressively elevate the standard of living of the masses” (Prebisch 1948: 6). In this article we first revisit some of the reasons that industrialisation became such a
widespread goal in the twentieth century for European, post-colonial and Latin American states alike. Our focus here will primarily be on the hopes of economists, politicians, and planners to alleviate poverty, create widespread prosperity, and form a citizenry committed to the nation-state. We are interested not so much in the debates about how industrialisation was to be accomplished, but rather its ultimate purpose.

During the inter-war period, politicians and economists alike worried about the ability of an agricultural economy to support growing populations. In the United States, the dust-bowl of the 1920s and the Great Depression confronted officials with a situation where a very productive farm sector was being impoverished by low prices. But elsewhere the problem was different. Increasingly the concern, especially regarding southern Europe and European colonies, was about growing populations and their inability to feed themselves (Cullather 2010). Already in the 1920s, economists were talking about “disguised unemployment” in agriculture and the problem of “surplus population”, and considering how this population could be put to use in a more productive way (Meier/Seers 1984: 212).

These debates took place concurrently in the Soviet Union. During the Civil War (1918–1922), the Bolsheviks had adopted a policy of “war communism”, essentially requisitioning as needed for the purposes of defeating their enemies. Under the New Economic Policy, however, industry remained in state hands while trade was privatised. Agriculture was organised around peasant communes, largely autonomous of state control. Bolsheviks agreed that the country would eventually have to go beyond the levels of industrialisation achieved before the war, but the question was how to get there. Although a range of options was discussed, a key feature of the debate were the notions of ‘disguised unemployment’ and ‘surplus labour’ in the countryside. One proposed solution was to move these less productive peasants into the industrial workforce, while drawing resources from the more productive ones to invest in industrialisation. In fact, the course that Joseph Stalin ultimately chose in 1928 was an extreme version of this, and the results were widespread famine, particularly deadly in Ukraine and Kazakhstan (Allen 2003: 47-60).

Although scholarship on economics (and most other social sciences) was suppressed in the USSR from the early 1930s until after Stalin’s death in 1953, some of the ideas developed in the 1920s were further developed
abroad, particularly in the late 1940s and early 1950s. Economists like Ragnar Nurkse and Paul Rodinset-Rodin built on earlier discussions of ‘disguised unemployment’ in their notion of the ‘big push’. For Rodinset-Rodin the large agrarian population provided an important advantage in terms of offering a large pool of low-wage labour, but it was not sufficient – it had to be accompanied by a ‘big push’ of investments in infrastructure so that enterprises could effectively take advantage of this labour force. As these industries became more profitable and productive, so it was hoped, wages would go up, leaving everyone better off (Meier/Seers 1984: 209).

For Third World countries, the shift from agriculture to industry was also attractive from the perspective of its impact on the functioning of the international economic system. According to Prebisch and the so called ‘Cepalinos’, primary goods had decreasing terms of trade which affected the economic stability of Latin American countries while benefiting the industrialised centre. This approach, which during the 1970s would be crucial to the development of the Dependency Theory, argued that industrialisation would have freed the peripheries from their dependency on products whose terms of trade were not favourable for Latin American development. According to this analysis, the state was crucial in creating the conditions for the transition from an economic system based on primary production to secondary activities.

Yet economists also expected that, as countries industrialised, their agriculture would become even more efficient, meaning that ‘disguised underemployment’ would grow (Meier/Seers 1984: 178). The urban labour force, meanwhile, would become more skilled and organised, ensuring that in the urban areas, at least, gains would not only accrue to the owners of capital (Meier/Seers 1984: 186). The implication, however, was that they would retain that power only as long as there was industry to provide employment; otherwise, the rural poor would crowd the cities, driving wages and living standards down.

The whole notion of disguised unemployment as understood in the dual sector model, however, depended on viewing men and women as equal economic agents, and at the same time assuming household work was outside the realm of the economy. Arthur Lewis, in his famous 1954 essay on “Economic Development with Unlimited Supplies of Labour”, noted: “The transfer of women’s work from the household to commer-
cial employment is one of the most notable features of economic development.” (Lewis 1954: 143) Lewis’ reasoning was that most of the work women did in the home could be more effectively organised outside the house, thus contributing to overall wealth. The implication, made most explicit in the Soviet case, was that the state or some other provider would step in to carry out many of the functions of domestic labour, especially child care.

From at least the 1970s, these models of development and of the welfare state were under attack. On the left, critics pointed out the damage development was doing to the environment and often to indigenous people who had little say in the politics being applied (Escobar 2011: 154-211; Latham 2011: 155-185). Feminist scholars pointed out the uneven ways that development initiatives affected men and women. And some economists began to question whether the state actually had the knowledge to assess if its interventions were working, and proposed a new approach to welfare that would restore the decision-making power of individuals and communities and restrict the state’s role to allocating funding in response to those demands (Collier 2009). Analogous paradigm shifts took place within the socialist world and the capitalist one, sometimes in conversation with each other. We will now turn to how these processes played out in the case of Soviet Central Asia and in Mexico.

2. The Central Asian case

The area usually referred to today as Central Asia, comprising the modern states of Tajikistan, Uzbekistan, Kyrgyzstan, Kazakhstan, and Turkmenistan, was mostly incorporated into the Russian empire in the second half of the 19th century. This meant an increase in trade and local agricultural production becoming partially reoriented towards the needs of Russian industry. In particular, the region became a source of cotton production for the Russian empire. In the period after the revolution there were discussions of ‘modernising’ the republics through industrialisation, but after 1927 and Stalin’s turn to autarchy, most of the region, especially the valleys fertilised by major rivers, was assigned the role of cotton production. Industrial investment was minimal (Khalid 2015).
In essence, the economic relationship of the Central Asian republics to the rest of the Soviet Union in the early 1950s was similar to that of colonial and post-colonial ‘underdeveloped’ economies to the advanced economies of Europe and South America. Cotton was the main export of Tajikistan, Uzbekistan, and Turkmenistan, to the rest of the USSR. Yet while these republics were allowed to keep 100 per cent of tax collected on their territory, they could only tax cotton as a primary good, and thus were dependent on subsidies from the Soviet centre for almost all investments (Scarborough 2016). This condition was coupled with a new demographic dynamic in the post-war USSR. While the European USSR, in the wake of the famine of the early 1930s and the destruction of the war years, saw a massive population decline and plunging birth rates, the Central Asian republics experienced a baby boom. The spread of health services, such as they were, combined with traditionally large families, contributed to this trend.

The relative freedom of the post-Stalin years, as well as the new importance for the post-Colonial world of these republics in the emerging Cold War, gave local politicians, planners, and social scientists the freedom and tools to challenge earlier economic arrangements. They advocated industrialisation, arguing that the region’s energy potential and booming population outweighed any deficiencies in transport links or other infrastructure. Moreover, they argued that without a programme of industrialisation it would be impossible to raise standards of living and keep up with the more developed Soviet republics (Kalinovsky 2016b).

Industrialisation was also thought necessary to achieve a broader social transformation. For its proponents, industrialisation of the Central Asian republics was about more than production. If people went into industry, they could acquire new skills, gain confidence, and accept a rational worldview. Working alongside Russians and other nationalities, they would see themselves as part of a brotherhood of nations, and ultimately as members of one ‘Soviet’ nation. Industrialisation could limit the influence of the patriarchal extended family, contributing to the goal of female emancipation. Industrialisation would thus be an engine of social mobility: peasants would become skilled workers and even professionals, earning higher salaries and living a more ‘cultured’ life; and even those peasants who stayed on the farm would achieve a higher standard of living.
By the late 1960s, however, this industrialisation programme had hit certain obstacles, the most important being that Central Asians did not seem eager to join the industrial workforce. First, planners had presumed that cotton harvesting would become fully mechanised, as it had been elsewhere. Instead, cotton cultivation relied heavily on manual labour, and especially female labour. There were several reasons for this, among them the deficiencies of Soviet mechanical cotton harvesters. Managers of collective farms found it easier to mobilise women and school-age children than to deal with unreliable equipment (Pomfret 2002; Keller 2015; Kalinovsky 2015). Second, Central Asians who did make it to Soviet cities found it difficult to get housing, and even when they did it was generally unsuitable for large families. Third, managers often seemed reluctant to hire rural Central Asians, whose knowledge of Russian and technical skills were considered inferior. The result was that even in areas of relatively high industrialisation (for example, cities like Tashkent in Uzbekistan or Dushanbe in Tajikistan), the industrial workforce was predominantly European rather than Central Asian (Lubin 1984; Apatnaik 1995; Kalinovsky 2016a). For central planners in Moscow the lack of mobility on the part of Central Asians was particularly unfortunate; not only was the money invested in industrialisation being wasted, but there was little chance of this labour force reaching resource-rich Siberia, where it was most needed (Kalinovsky 2016b).

Confronted with these trends, social scientists based in the region tried to get a better understanding of the rural population by initiating sociological studies into the rural population’s attitudes, plans, and values. What they found, to their own surprise, was that Central Asian youths, and women in particular, were not particularly interested in joining the industrial workforce, or did not believe there was a place for them there. Some argued that the solution was to bring industry closer to where people lived, rather than encouraging them to move. Others argued that the immediate focus should be on investing in social welfare in the countryside – schools, health clinics, and other kinds of services. Not only would these sectors provide employment to the female population, which seemed more interested in these kinds of jobs, but it would raise the overall cultural level of the population (Kalinovsky 2016b).

These patterns held for most of Soviet Central Asia, despite some significant internal variations. For a better understanding of the chal-
challenges that planners faced, however, we will turn now to a specific case and consider the lengths that local enterprises and party organizations went to in order to try to fulfil the social goals of industrialisation. At Nurek, the site of a large dam that was supposed to power the industrialisation of Southern Tajikistan (1960-1982), managers tried to recruit residents of the surrounding villages. When it became clear that few of these had technical skills to do anything but manual labour, they created a technical school to train skilled workers and future managers. The most challenging task, however, was recruiting local women. A few were recruited to work on dam construction, but with enormous difficulty and no small confrontation with the women’s families. Instead, local officials turned to recruiting local women to work in a clothing factory set up in the city (Kalinovsky: 2018).

The main economic rationale of the clothing factory was to provide employment. From at least the 1960s onwards, Soviet planners turned to the creation of industrial towns as a way to relieve overcrowding of the USSR’s major industrial centers, especially Moscow and Leningrad. Yet to make these cities attractive to workers, and to fulfil the promises of Soviet socialism, the cities had to include a full range of welfare services (child day care, medical clinics, and so on) as well as employment for family members (usually presumed to be women) who would move to the city and want jobs (Collier 2009: 114-117). The sewing factory in Nurek, similarly, was originally intended for the wives of dam builders. Yet it quickly took on a new purpose, as officials saw in the factory an opportunity to draw local women out of domestic labor and into the industrial workforce. Activists from the local party organisation and the factory’s human resources department went into the villages to recruit women, also allaying the concerns of fathers and husbands by promising that the workforce would be entirely female. When men expressed concern about travelling between their villages and the factory, activists set up a bus route to take the workers to the factory and back. For all their efforts, however, officials never managed to fill all the vacancies at the plant, nor did it ever come close to meeting its production quotas (Kalinovsky 2018).

This was the situation at the end of the 1970s. The sewing factory fulfilled the recommendation of local economists who insisted that industry be placed closer to the population, and yet it failed to fulfil its social and economic goals. The situation was indicative of the broader problem facing...
Soviet industrialisation in Central Asia, and not just in Tajikistan. The research of Central Asian scholars in other republics also showed that young people in the countryside had little interest in the industrial plants that local officials had lobbied Moscow to build. Other scholars were starting to point to the fact that industrialisation plans usually ignored the reality of large families in the Central Asian countryside (Ata-Mirzaev 1982; Ubaidullaeva 1980). Planners in Moscow were, in turn, increasingly questioning the wisdom of locating industry in areas where the population seemed uninterested in joining the workforce. In addition, a new notion of ethnic difference began to creep into discussions about the proper location of industry. Perhaps, some scholars and planners began to suggest, the problem was that industrial development was simply incompatible with the traditions of the local population (Bromlei/Shkaratan 1983).

One proposed alternative was cottage labour. Forms of individual labour existed throughout the Soviet period, usually outside of any formal organisation. In Central Asia, cottage labourers produced clothing, household items like blankets, and other products that were notoriously difficult to get in state shops. Not only was the practice widespread, but the state exercised no control over it and collected no taxes from the sale of these goods. In Russia, arguments in favor of increasing labour in the home were connected primarily to the difficulties of guaranteeing employment for women in industrial cities and the problem of declining birth rates. In Central Asia, however, this question inevitably became tied up with problems of high birth rates and goals of female emancipation (Ubaidullaeva 1980: 114-129). From the late 1970s, the proponents of cottage labour argued that while more could be done to draw young men into the industrial workforce, there were serious limits to how many rural women could or should be recruited. The state should instead encourage production within the home, both to help rural women earn an income and to fill gaps in production. Not all economists agreed, however. The head of Tajikistan’s institute of economics, Rashid Rahimov, warned that encouraging cottage labour would undermine the social goals of Soviet economic policy, because labour in the home inevitably involved children. Child labour was a bad enough problem in Central Asia, and poorly reflected in official statistics. Rahimov was afraid that a cottage labour policy would only make things worse.
The split revealed a growing divergence of views, not just on the economic rationality of industrialisation, but on how to achieve the social goals of economic policy. For Rahimnov and like-minded scholars, economic policy was inseparable from the broader goals of social transformation and emancipation. Not only would industrialisation ultimately lead to abundance, it challenged a patriarchal order. The proponents of a cottage labour policy did not reject these goals, but believed that the experience of the last 20 years showed that a new approach was necessary. Cottage labour might not be a path to radical social transformation, but it allowed families to earn additional income; and by encouraging the practice among women, it could actually serve the goal of female empowerment.

Although these ideas were percolating in planning circles since at least the 1970s, it was only in the Perestroika era (1985-1991) that promoting cottage labour among women became official policy. As Soviet economic growth stalled in the 1970s and early 1980s, planners in Moscow were increasingly weary about investing in industries and regions when the economic rationale was doubtful. Mikhail Gorbachev’s advisers had been urging him even before he became General Secretary in 1985 to stop wasting money on industrial investment in Central Asia, since the local population was only interested in ‘traditional production’ and refused to join the industrial workforce. Gorbachev saw cooperatives and entrepreneurship as crucial to reviving the Soviet economy, and in particular to fulfilling the demand for consumer goods the planned economy was poor at promoting (Miller 2016: 71-100). Promoting cottage labour in Central Asia, however, was not just about satisfying consumer demand – it was a profound reconfiguration of the link between social mobility and economic development. Rather than empowering women by drawing them into the socialist economy, the state would now allow them to empower themselves by becoming economic agents. In the villages around Nurek, party activists who would have previously gone out to recruit local women into the workforce now encouraged them to engage in “individual labor activity”.

It was an approach that international organisations took up when they came to ‘develop’ the post-Soviet Central Asian states after 1991; yet Soviet social scientists, planners, and politicians had already arrived at something similar several years before. While neoliberal ideas certainly had an effect on Soviet economic thought in the late 1980s, the debates outlined above
began at least a decade earlier. The engagement of Soviet scholars with international debates may have played some role, but primarily they were responding to the challenges of fulfilling the Soviet Union’s commitment to social mobility and the welfare state. In other words, although the terms of discussion may have been different, the critique of governmental reason that took place among scholars and planners in the USSR of the 1970s was close to the logic of what we have come to call ‘neoliberal’ reform of development and the welfare state in the West.

3. Mexico’s big leap towards industrialization: 1950s

After the 1910 revolution, a new interventionist Mexican State emerged and was acknowledged by the Constitution approved in 1917. Article 27, for example, established Mexican state ownership of land and water, while tasking it with the economic development of the country. Between 1924 and 1934, under the de facto leadership of Plutarco Calles, Mexico’s statist approach to economic development became even more predominant. The State dramatically increased its presence in the promotion of development, focussing on the construction of roads and irrigation structures, which had been damaged during years of civil war. Land redistribution increased and the financial sector was fully rebuilt with the creation of a National Central Bank (Banco de México). In the 1930s, this trend was reinforced during the presidency of Lázaro Cardenas when the oil industry and the railway system were nationalised and the process of land redistribution rapidly accelerated. While at the end of the decade Mexico remained primarily an agrarian country, state interventionism aimed at generating the conditions for an industrial boost had increased significantly (Medina Peña 1994: 106-115).

Mexico’s industrialisation process accelerated during WWII, as European imports disappeared and the US converted its civilian industry to war production. During the war, industrial output skyrocketed and its value, by 1946, had increased by 309 per cent (Tzvi Medin 1990: 18). After the war, industrialisation became a more formalised development policy. President Miguel Alemán promoted a mix of private and public resources strategy to accelerate Mexico’s transition from an agrarian economy to an advanced industrial society. Industrialisation was supposed to lead to a
general improvement of social conditions. As Gilberto Loyo, the head of the Mexican delegation at the UN Economic Commission United Nations Economic Commission for Latin America (ECLA), explained: “the per capita income of population in secondary or lesser activities [industry], is approximately ten times as much as the income of the population engaged in primary activities [agriculture].” Raising the population’s living standards meant increasing the agricultural population’s income through the growth of agricultural productivity based on “irrigation, drainage and [the] construction of roads”. Above all, however, improving the Mexican people’s standard of living meant transferring a “group of people from primary activities to more productive ones” through “industrial diversity by making use of all the possible natural resources of the country” (United Nations Economic and Social Council, Economic Commission for Latin America 1948: 4; Pettinà 2015).

Mexico’s state-led industrialisation policies converged with ECLA’s message of progressive transformation for Latin American social and economic structures through economic development, as envisioned by Prebisch in his 1949 Latin American Manifesto. As well summarised by Luis Bértola and José Antonio Ocampo, ECLA’s conviction was that “industrialization” represented “the main channel for the transfer of technological progress and that, in the course of the growth process, the production structure would shift toward an increasing share of modern industrial activities and services and a declining share of primary sectors, especially agriculture” (Bertola/Ocampo 2012: 160). Mexico’s economic plans of industrialisation during the late 1940s and early 1950s had a strong convergence with the ECLA’s theorisation of ISI and the latter’s role as an agent of economic modernisation. The government directly carried out industrial projects or delegated their development to private enterprises. Nevertheless, in most cases, these projects were financed with credit from national lending institutions such as Nacional Financiera S. A. (NAFINSA), the country’s leading development bank created in 1934, the capital of which, under Alemán, increased from 20 million pesos in the early 1940s to 100 million pesos in 1947 (López 2012: 129-163; Martínez 2008: 235). The Alemán government also built new roads, dams, and irrigation systems, as well as power plants (International Bank for Reconstruction and Development 1950: 4-6).
In the Mexican case, as in the Soviet one, state-led industrialisation also entailed a pursuit of modernity, but its impact on the improvement of the country’s social conditions was less direct and less comprehensive. In the early 1940s, the Avila Camacho government founded the Mexican Social Security Institute and, in 1959, President Adolfo López Mateos created the Institute for Social Security and Services for State Workers. The dramatic expansion of the new federal bureaucracy and the new jobs generated by the industrialisation process, along with the dramatic extension of public education, created a strong mechanism of social mobility that greatly enlarged the Mexican middle class. This segment about doubled its size between 1900 and 1960, moving from 8.3 per cent of the population to 17.1 per cent (Smith 1979: 43). Moreover, as in the Soviet case, direct state intervention in the economy and the creation of many state-owned industries (paraestatales) generated employment and mechanisms of social mobility resembling those described in the case of Nurek. Nevertheless, social policies carried out by the state were limited when considering the growing population, and their territorial implementation was not homogeneous. In addition, the Mexican development model was not able to fully absorb peasant workers leaving agriculture, thus generating high levels of informal unemployment: in 1950 9.7 per cent of working people were active in the urban informal sector, and by 1970 the proportion had reached 14.5 per cent (Thorp 1998: 185).

In Mexico, the state also promoted the foundation of industrial cities, which favoured the concentration of state-owned enterprises in regions of the country afflicted by dramatic problems of unemployment and rural poverty. Moreover, in Mexico, as in Tajikistan, industrial cities represented an attempt to decentralise industrial concentration around traditional urban centres and thus grapple with the country’s fast urbanisation process. Ciudad Sahagún, in the Hidalgo State, was founded at the beginning of the 1950s around two paraestatales, Diesel Nacional (DINA), which produced trucks and buses, and Constructora Nacional de Carros de Ferrocarril (CNFC), foecussed on the production of locomotives, passanger and freight cars, and finally a private company with Mexican public capital participation, Toyoda, dedicated to the production of textile machines and, later on, metallurgic activities. Ciudad Sahagún showed some common ground between the Soviet and the Mexican projects. It
underlined the Mexican state’s commitment to industrialisation and its attempt to achieve some degree of social prosperity. Along with the industrial plants, the Federal State made substantial investments in housing, schools, social, medical and recreational services such as a theatre, commercial centres and sports facilities. By the end of the 1980s, between workers, managers and service providers of different kinds, the city had a population of 18,000 (Novelo/Urteaga 1979: 53-71).

Workforce scarcity was not a problem in Ciudad Sahagún; on the contrary, entering the Sahagún workforce represented a challenge, given the strong competition on the supply-side (Novelo/Urteaga 1979: 83-100). Part of the initial success of Ciudad Sahagún was rooted in the fact that, because of its spatial concentration of workers, it became a labour stronghold. Unions gained a strong influence in Ciudad Sahagún and were able to obtain important concessions from the state in terms of social security and salary (Novelo/Urteaga 1979: 66-81). The problems of Ciudad Sahagún, instead, were rooted in the macro-challenges the Mexican state-led industrialisation process faced by the mid-1960s.


During the 1960s, state-led industrialisation remained at the centre of the project of economic modernisation envisioned by the PRI and its leadership. As highlighted by Antonio Ortiz Mena, the long serving Secretary of Treasury (1958-1971) and Inter-American Development Bank Director (1971–1988), Mexican governments’ main aim during the 1960s was achieving a rapid rate of economic growth through the expansion of the industrial base, a further Mexicanisation of the economy, and a more balanced share of the wealth produced by the process of national development within a context of low inflationary levels. During the 1960s and the 1970s, the state significantly increased its participation in the economy. In 1960 the state nationalised the electric industry and increased its stake in the iron and steel, cement, aluminium, and fertiliser industries (Loaeza 2013: 683). Known as Desarrollo Establizador (Stabilising Development), this model produced impressive results: between 1958 and 1970, GDP and GDP per capita growth averaged 6.8 per cent and 3.4 per cent respectively,
while the levels of inflation registered an accumulated increase of 34.5 per cent. This rate of growth allowed the country to absorb its dramatic population increase. During these 12 years, only Japan, Singapore and Korea fared better than Mexico in terms of GDP growth (Ortiz Mena 1998: 49-51).

At the same time, by the early 1960s, the economic model was giving signals of structural exhaustion. Mexico’s industrialisation process was not affected by workforce scarcity-related problems as was the case in Central Asia. Mexico, as the majority of the largest Latin American countries, experienced a rapid process of population increase and urbanisation in the post-war decades. In Mexico, the population doubled between 1930 and 1960, jumping from 16,552,722 to 34,923,129. In 1930, 70 per cent of the population lived in the countryside. By 1960 the people living in the 27 biggest cities of the country increased by 200 per cent, growing from 2,207,095 to 6,693,409. In 1930, 70 per cent of the total population worked in the primary sector of the economy and 14 per cent in the secondary. By 1960 the percentage of people working in primary activities had decreased to 54.3 per cent and that of those working in the secondary had increased to 18.9 per cent (Zapata 2015: 184, 188).

For Mexico, the main obstacles for its process of state-led industrialisation came from unstable terms for the country’s primary goods and from its difficulty in increasing the quantity of semi-manufactured products (IBRD and the International Development Association (IDA) 1964: I; Heredia 1994: 11). By the end of the decade, the Mexican economy was not generating enough hard currency to import the industrial capital needed by local manufacturers. The mining and farming sectors that had generated increasing levels of export revenue during the 1950s were suffering from declining international commodity prices and from increasing foreign protectionism (Cárdenas Sanchez 2010a: 517; IBRD and the International Development Association (IDA) 1964: 21). The country’s industries were not sufficiently competitive to allow an increasing volume of exports. This external disequilibrium became a structural feature of the Mexican developmental model that, between 1959 and 1970, registered an 8 per cent annual import growth against only a 6.1 per cent increase in exports (Villarreal 1976: 113).

The strategy successive governments adopted to grapple with this problem during the 1960s and the 1970s was based, on the one hand, on
generating the conditions for improving manufactured products and thus increasing exports. On the other hand, during the 1960s and 1970s, the country tried to increase its activism in regional and Third World forums, convinced that Mexican economic disequilibrium was tied to factors such as First World protectionism and the chronic decrease in the prices of commodities against comparison to the increase of industrial prices. These efforts were evident in Mexico entering the Latin American Free Trade Association project, formally created by the Treaty of Montevideo in February 1960, and assuming an increasingly active role in Third World forums such as UNCTAD and the G77 (Pettinà 2016: 4).

Finally, in order to overcome the disequilibrium in the industrialisation process, Mexico, as with many other Latin American and Third World countries, increasingly resorted to external financing. Once again, the faith in industrialisation as a vector of social transformation was at the root of Mexico’s use of external funding to maintain its programme of economic development. Commenting on the necessity of maintaining an increasing level of foreign debt, Echeverría Secretary of Finance, Hugo B. Margáin, argued that “we must acquire from abroad some primary products, some semi-manufactured, and machinery and capital goods…While we would like to not go into debt (…) we cannot accept the misery there would be with no policy of development”. During the 1960s, the external debt jumped from 813 to $2,500 million (Loaeza 2013: 683).

By the end of the decade, however, the pillars of the Mexican strategy were faltering. The oil boom, which followed the discovery of vast reserves in the second half of the 1970s, masked Mexico’s dependency on external funding during the López Portillo’s presidency (1976-1982). When international oil prices normalised at the beginning of the 1980s and the US Federal Reserve raised interest rates, Mexico’s debt crisis exploded with dramatic social, economic and political consequences. The decline of the Third World as a political block at the end of the 1970s eliminated any hope of changing the international economic environment in terms more favourable for ‘Third World countries’ developmental projects. While the middle class that had slowly developed following the country’s industrialisation stumbled under the austerity measures adopted by the Miguel de la Madrid government, the country began to undertake a dramatic change of its developmental model.
5. From ISI to neoliberalism: Mexico’s new path to modernity, 1980s–1990s

Between 1982 and 1994 Mexico undertook a dramatic transformation of its economic structures. The change of the country’s development model was triggered by the complex political and economic crisis which affected Mexico during the 1980s and pushed it to enact deep structural reforms inspired by neoliberal principles. The way in which the political elite implemented the neoliberal model in the country was deeply influenced by its own changing perception of how the state could foster a new phase of economic and social modernisation in Mexico.

In exchange for the IMF’s and US Treasury’s financial aid, Mexico undertook a dramatic process of public spending cuts, privatisation of state-owned companies, liberalisation and trade opening, accompanied by a commitment to pay the external debt. During the presidency of Miguel de la Madrid (1982–1988) the fiscal consolidation represented an almost inevitable response to the crisis which the national economic system was experiencing. However, the continuation and deepening of neoliberal reforms during Carlos Salinas de Gortari’s presidency (1988–1994), which culminated with Mexico’s negotiating its entrance into a North America Free Trade Zone in 1992, entailed a much more radical transformation of the national economic model and showed the way in which neoliberal reforms were perceived, at least by a part of the Mexican political elite, as a new path towards modernisation.

Studies of Latin America and Mexico’s transitions from state-led industrialisation to neoliberalism have correctly underlined the impact that external factors had in shaping the country’s transition towards a neoliberal economic paradigm (Stallings 1992; Kahler 1992). However, it would be difficult to understand the process without taking into consideration regional and domestic scenarios and the way part of the political elite came to favour such a change (Centeno 1997: 26). In Mexico, for example, during the government of Salinas the further enhancing of economic reforms was accompanied by a new political/ideological discourse justifying the new course. As underlined by Isabelle Rousseau, the new course was framed as an ideological update of the old, outdated nationalist-revolutionary ideology, leading towards a new, more effective modernisation of the country (Rousseau 2001: 332–335).
The neoliberal project was presented in Mexico as a new path toward modernisation, and was, as argued by Kathy Powell, “a vision of the future by which Mexico will emerge from the Third World and into the First World” (Powell 1996: 42). The main target of the process of reform became the state and its deep involvement in the process of economic development of the country. Statism became in all respects synonymous with a dysfunctional past. The role of the state had to be drastically reduced and private initiative was to be tasked with the duty of finally developing the country. This meant a drastic process of privatisation of public enterprises which, accompanied by trade liberalisation, basically ended the state-led industrialisation experiment began at the end of the 1940s. During the de la Madrid presidency the privatisation process had mainly targeted small and medium sizes companies. However, under Salinas, major public companies such as the two main airlines, the bank (nationalised during de la Madrid), the telecommunication company Telmex, and steel, fertilizer and sugar companies were all sold to private investors. As a result, between 1982 and 1993 the number of public enterprises decreased from 1,155 to 200 (Weiss 1996: 67).

The second pillar of the state’s transformation was the liberalisation of trade and investments. This began with the elimination of the limits on imports, moved through the entrance into the General Agreement on Tariffs and Trade (GATT) in 1986, and eventually culminated with the signing of the North American Free Trade Agreement (NAFTA) with the US and Canada in 1992. The process of trade liberalisation eliminated those commercial barriers which had been crucial for the domestic development of Mexican industries and represented a second blow to the statist approach which had marked for decades the country’s economic development model. In addition, NAFTA, and different legal reforms undertaken between 1989 and 1993, opened the country to foreign private investments which were now free, with the exception of the oil industry, to enter sectors of the economy from which they had been previously banned (Cárdenas Sánchez 2010b: 221-225).

The social consequences of Mexico’s economic transition from ISI to a neoliberal model were dramatic. According to World Bank data, the percentage of those living below the poverty line jumped from 17 per cent in 1980 to 23 per cent in 1989. The Gini coefficient moved from 0.51 in 1984
to 0.55 in 1989 (Weiss 1996: 76). To understand the lack of a cohesive and effective opposition to the reforms, it is crucial to take into consideration the way in which the new Mexican technocratic elite was able to 
\textit{resignify} the transition from ISI to neoliberalism. In the first place, the transition from \textit{statism}, a model associated with Third World failures, towards a new economic paradigm which seemed to embody the success of the North, was an important factor in selling the reforms. According to some scholars, embracing this new pattern for Mexico meant rejecting its Latin American history in order to embrace its Northern geographical location (Alain Rouquié 2013: 306-314 cited in Meyer 2017). Entering NAFTA and pursuing a new economic path inspired by the tenets of Washington Consensus implied, for the Mexican elite, entering the club of the successful North and leaving behind the fiasco of the South.

Under Salinas, the political elite “did not seek to displace” the pursuit of modernity which represented a legacy of the 1910 Revolution “but rather to reinterpret it on their own terms” (Centeno 1997: 41). As Salinas himself argued in a 1990 article: “the State..., has to change in order to maintain its capacity to defend our sovereignty and, on a domestic level, be a promoter of justice and lead a society marked by contrasting interests towards its fundamental objectives.” According to Salinas, the state reform he proposed entailed a return to the original spirit of the 1917 Constitution, concluding a process of state-building which aimed at constructing a new state where the objectives of social justice and democracy were achieved jointly by the state and the society (Salinas de Gortari 1990).

The new paradigm, defined as “social liberalism”, envisioned an ambitious reassessment of the relation between state and society. One of the the main features of this new ideological project was Salinas’ flagship antipoverty programme: the \textit{Programa Nacional de Solidaridad}, or PRONASOL. PRONASOL, presented as “a Mexican solution to Mexican problems” was based on a new conceptualisation of the relation between the state and the society which, through autonomy and self-help, empowered the latter \textit{vis-à-vis} the former (Aitken 1996: 26). In order to defeat the poverty which structurally affected Mexican society and which had been further exacerbated by the fiscal consolidation began in 1982, through PRONASOL the state had to provide citizens living in poverty with access to health, educational and housing services, while also providing the
opportunities to initiate individual business activities. However, the task of assessing needs and articulating proposals was assigned to the so-called Comités de Solidariedad, public committees composed of citizens. In doing so, PRONASOL aspired to reverse what was defined as the populist and crony relationship which had marked the interaction between the state and society under the ISI model.

This transition from top-down, state-led modernisation, focussed on big schemes of development, to ‘thinking small’, community-based projects has been, as described by Immerwahr (2015), a phenomenon typical of the 1990s. However, as Immerwahr has underlined, community projects, with their reliance on the small picture, not only may divert attention from structural problems affecting development, but they can also disappointingly contribute to generating forms of local oppression. Indeed, in spite of its theorisation and its alleged empowerment of the individual vis-à-vis the state, PRONASOL became a neo-populist programme. The projects and the funding for local communities which should have been used to fight poverty were in fact used to build strong clientelistic relations. Rather than transforming the relation between state and society and defeating poverty, PRONASOL helped PRI to maintain a strong base of power among the poor (Craske 1996: 82-86). The transition towards a new modernity which entailed less state, more individual empowerment and private initiative, did not fulfil its promises. While private investments, privatisations and trade liberalisations have produced a dramatic concentration of wealth, they have not been able to eliminate poverty. Moreover, the social components of the programme, such as PRONASOL, rather than mitigating the impact of the economic reforms have contributed to the creation of a dysfunctional, crony democracy (Esquivel 2015). The present situation tells us that the time has probably come for Mexico to look back at its history while leaving aside, for the moment, its geography.

6. Conclusions

The case of two seemingly different and distant economies, Soviet Tajikistan and Mexico, helps bring into focus why industrialisation was such an attractive policy in the middle of the century, and also some of
the reasons that it failed. Ideas about the economic limitations of agricultural labour, concerns about demographic change, and decreasing terms of trade for primary goods were at the centre of ideas that were developed in the 1920s in the USSR, influenced development economists in the West, and became influential again in the Soviet Union after the death of Stalin.

These industrialisation programs began to stall around the same time (late 1960s for Mexico, 1970s for Tajikistan). For Mexico the problem was one of moving from the first stage of industrialisation to the second stage based on the autonomous production of capital. Mexico still had to import technology but was short of the currency to do so. In Soviet Central Asia the problem was somewhat different: for a complicated set of reasons, the population seemed unwilling to move into industrial production, undermining the economic rationale of investing in the region. More broadly, however, both countries had reached the limits of growth on the basis of the Lewis model. The Soviet Union proved incapable of successfully substituting capital for labour, a trend particularly pronounced in the Central Asian republics (Easterly/Fischer 1994: 19-23).

At the core of neoliberal critique, for Collier, is the insistence on disaggregating the entities understood as “government” and “public”. The latter, for neoliberal thinkers, had to be understood as a collection of individuals and groups with differing needs and interests (Collier 2009: 23). In both the Mexican and the Soviet case we witness a paradigm shift, as economists begin to question the value of state-led industrialisation and to emphasise instead a retreat of the state and a shift towards individual entrepreneurship. This shift is broadly understood as ‘neoliberalism’, although such a term was never used in the Soviet case. The choice of these new approaches, however, was not an attempt to abandon economic and social modernisation, but rather to continue it in a new way. This meant abandoning statism and creating the conditions for private initiative to carry on the modernisation of the country. Most importantly, however, we see that there are limits to understanding neoliberalism as a transnational intellectual movement. The influence of the Chicago school may have been important for Mexican economists, but it had little influence on Soviet thought in the 1970s and early 1980s; the paradigm shift occurred as economists and planners dealt with the daily problems of industrialisation and social welfare as conceived in previous decades. A fuller accounting for the spread
of neoliberal models around the world, therefore, needs to pay attention to these internal transformations.

In the case of Tajikistan it is hard to assess the real consequences of this choice because of the collapse of the Soviet Union and the Civil War (1992-1997) that followed. In the Mexican case, however, as we have seen from the article, the new neoliberal path towards economic modernisation produced severe consequences in terms of worsening social conditions, wealth concentration and inequality.

1 In what follows, we refer to “Central Asia” when discussing trends that held for the region as a whole and to the republic concerned when discussing a specific case.
2 Note, however, that Easterly and Fischer explicitly point to the comparability of the Soviet Union to other, non-socialist countries, and that “the Soviet experience can be read as a particularly extreme dramatization of the long term consequences of extensive growth” (Easterley/Fischer 1994: 24).
3 Russian State Archive of Social and Political History, Fond 17, opis 89, document 649.
5 Gorbachev Foundation Archive, Document 14912.
6 Archive of the Communist Party of Tajikistan, Fond 3 opis 360 delo 324, 185.
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