Economic Development and Social Security in Mexico, 1945-1985
A Time-Series Analysis*

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ABSTRACT

Debate persists about the relationship between economic development and the development of the welfare state in Third World countries. The expansion of social security in Mexico in the context of debt crisis presents a historical puzzle that challenges many theoretical expectations. In light of this puzzle, this study re-evaluates and compares the determinants of economic development and social security coverage through a time-series analysis of post-revolutionary Mexico. The analysis generates three important findings. First, the determinants of economic development and social security coverage differ considerably. Second, these differences suggest that the dependent development perspective may adequately account for the dynamics of economic development but does not adequately theorize the development of social security. Rather, a political struggle model which emphasizes the role of social protest as an impetus to welfare reform receives support in the Mexican case. Both strikes and opposition party politics have a positive effect on social security coverage, even in the context of economic constraints. Finally, this study indicates that the dynamics of economic development and social security politics vary significantly across time. The need for historically specific studies of development is further suggested by these findings.

Introduction

As seen through the theoretical lens of most development scholars, recent decades in Mexican history present a number of unexpected paradoxes. The paradox begins with the onset of Mexico's debt crisis. In 1982, Mexico claimed bankruptcy and suspended payments on its $62 billion debt to the U.S. (Canak, 1989). The decision triggered a historic shift in the business of

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international lending as banks turned to the International Monetary Fund to implement a strategy for dealing with delinquent debtors. Guided by monetarist principles, the IMF has routinely recommended a policy of "structural adjustment" which requires debtor countries to liberalize their economies and implement a set of austerity measures that control wages and cut welfare spending. In the Mexican case, the direct intervention of the IMF has largely accomplished its intended purpose as indicated by the increase in debt service from 39% in 1982 to 63% by 1985 (Wilkie, 1990).

Despite the burden of debt service, Mexico's Social Security Institute has continued a historic effort to extend health care services to "marginalized" rural populations through the Solidaridad Social program. Initiated in 1975, this program expanded from a small-scale venture to incorporate more than 18 million Mexicans by 1985. By targeting rural groups, this program addresses one of the most enduring problems in Third World countries.

The expansion of this program challenges many predictions about the consequences of debt crisis. More broadly, recent events challenge development scholars to refine widely-accepted generalizations about the relationship between economic development, welfare states and quality of life. To clarify this link, this study provides a time-series analysis which carefully compares economic development and social security coverage in Mexico from 1945 to 1985. Time-series offers several advantages over cross-national research designs which have dominated quantitative development research. In this case, time-series regression techniques are used to explore the possibility that the dynamics of economic growth and the politics of social security differ in the context of dependent development and debt crisis.¹

Theoretical Perspectives on Dependency, Economic Growth and the Welfare State

For two decades, studies of Third World development have been dominated by dependency theory. Classical dependency theory claims that international economic arrangements systematically impede both economic development and the development of the welfare state. Economic "underdevelopment" is traced to an excessive dependence on foreign capital and export-oriented trade. These forms of dependency drain Third World countries of valuable raw materials and capital, tie economic growth to unpredictable world prices, and inhibit the development of locally-based industries (see Rubinson and Holtzman, 1981). The development of the welfare state is similarly stunted, in part because economic growth is considered a necessary precursor to the expansion of social security, public health care and similar programs (see Moon and Dixon, 1985). In addition, foreign investment directly discourages political elites from implementing redistributive welfare programs. Classical dependency theory invokes an "elite dominant" model of politics to explain this outcome. More specifically, Third World states are considered "weak" instruments of foreign capital that systematically reproduce the interests of multina-