

The Mexican Council of Businessmen: Business Politics, Elites, and Decision-Making in Mexico

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Abstract:

This paper examines how business politics develop and impact public decision-making in Mexico. The main argument is that an understanding of the role of the Mexican Council of Businessmen (CMHN), the country's most powerful business association, is critical for assessing Mexico's transition to democracy and the state capture of public decision-making. The author reviews the theoretical literature on business politics, elites, and decision-making, identifying the primary theories that explain the emergence, stability, and effectiveness of the CMHN. He also presents the history of the CMHN, which is significant as there is a dearth of extant information about the organization: only two scholars have researched the organization in any depth and their work is a decade old. Moreover, he contributes fresh data about the CMHN, including a social network analysis of the interlocking corporate directorates of the organization's members as of 2009. The author makes the case that the CMHN is an elite business association with exclusive, informal access to asymmetric information through its regular, direct contact with the federal executive branch, which, as a consequence of its members' corporate governance relationships and influence over at least 27% of the Mexican economy, allows the organization to partially determine economic policy and public decision-making. Ultimately, the author argues that, if Mexico is to complete its transition to democracy and consolidate the gains of democracy and development, it must insist on greater transparency of the private sector's contact with and influence over the government and public decision-making.

Keywords:

Business politics, social network analysis, Mexico, CMHN, Mexican Council of Businessmen, PODER, business elites, public decision-making, state capture.

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INTRODUCTION

The challenge of consolidating democracy is one and the same as the struggle to define the common good. Ideally, the public, private, and social sectors would achieve this together through a system of checks and balances whereby transparent institutions ensure horizontal accountability and effective governance. In reality, however, opinions vary among societal stakeholders about what is the common good, who should define it, and how best to govern. In the void of consensus, competing sectors and interest groups vie for access to power so as to influence public decision-making and imprint their stamps on the political and economic systems. Over time, certain groups come to hear the echo of their voices in the halls of power while others receive only static feedback.

This is certainly true of the democratic transition in Mexico, where arguably since 1929 the country has traveled along an arc of trial and error to consolidate its political system. Throughout this process elites from different sectors have enjoyed privileged access to power. Business elites, in particular, have played an integral role in constructing the political system, alternately provoking subtle challenges to the state, providing overt legitimation of the government, and engaging in frontal competition with other business, political, and social stakeholders. Since the 1960s a rarefied group of these elites, the powerful and secretive *Consejo Mexicano de Hombres de Negocios* (Mexican Council of Businessmen, or CMHN), has engaged in collective action and evolved to become its members' most powerful advocate for one interpretation of the common good. Given its tremendous influence, however, one must question whether this organization is a force for or against democracy.

In this paper I discuss the impact that business politics has upon public decision-making, particularly in the context of Mexico. I explore the role of business elites and their power and

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influence over the definition of the common good. I also contribute fresh data about the CMHN and present a social network analysis of the interlocking corporate directorates of the organization's members as of 2009. Ultimately, I argue for the importance of understanding the CMHN as a means of assessing both the country's transition to democracy as well as the danger of state capture of public decision-making.

Why focus on business politics? As we will see, this cross-disciplinary field has been widely researched by social scientists. Despite such attention, however, the study of business politics in Mexico lacks depth in some areas, requires more robust theorizing in others, and most certainly is in need of an update to include new developments in the field over the past decade. Mexicanists who follow business politics, elites, and decision-making unanimously concur that the CMHN, made up of the privileged few whose actions or inaction weigh heavier than any private sector organization, is the most influential business association with sway over public decision-making in Mexico. Only two scholars have researched the CMHN in any depth and their work is nearly a decade old. As Mexico wavers between democratic transition and consolidation and its economy struggles to fully modernize, the time is ripe for a new examination of the country's most powerful business association.

Where does business power come from and how does it influence public decision-making?

[Business's] support for a form of government – whether democratic, authoritarian, or intermediate forms – is vital for its stability. At its roots, business's power stems from its capacity to influence the public functions of employment and investment. The decisions of business elites, then, significantly affect economic stability, which, in turn, is central for the health of governments. If they find a particular form of government intolerable, they may exacerbate economic crises in order to bring down a government. In the process, business organizations and other business leaders may join broader coalitions for political change; they may even take part in political mobilization.¹

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This helpful characterization of business politics and the private sector's organized role in the policy process speaks directly to the importance of the CMHN in the Mexican context: in essence, studying organized business improves our understanding of politics. This is my primary goal.

Matilde Luna, Ricardo Tirado, and Francisco Valdés note that the type of business politics in Mexico with “direct access to the highest-level government officials ... reinforced its exclusion from partisan politics. The sector's privileged link with economic policymaking and its secret input into kingmaking concealed business's political role.”ⁱⁱ These authors refer to none other than the Mexican Council of Businessmen. My secondary goal is to reveal the *kingmaker*, expose the privileged links, and through transparency and understanding offer new tools for accountability.

Why should we care about public decision-making? Isn't this the job of elected leaders? Instead of theorizing, it's useful to survey the opinion of Mexicans. When asked whether they believed in their ability to change the political system, one-third of Mexicans report feeling completely “powerless.” A significant part of these respondents are the country's poorest citizens.ⁱⁱⁱ According to another study of elites, civil society, and democracy in Latin America conducted by the United Nations Development Programme, 80% of regional leaders believe that *de facto* economic groups (legitimate and illicit) exercise too much power, which “limits the capacity of governments to respond to the demands of their citizens.”^{iv} What do these studies tell us? In broad strokes, a large swath of citizens feels powerless to affect public decision-making, while public elites feel that large business groups and other forms of private capital control too much power. The balance of power is tilted away from citizens and civil society and towards business elites. The role of the state in accounting for and ameliorating this disparity is hardly in question. What is open to debate is the extent to which business politics determine public decision-making, the latter of which affects rich and poor alike.

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MAIN THEORIES

The literature on business politics, elites, and decision-making spans multiple disciplines of the social sciences. This brief review examines a diversity of theories.^v The objective is to understand the forces that gave rise to the CMHN and that sustain, test, and shape it, as well as to frame the CMHN in a broader discussion about democracy, civil society, collective action, and formal and informal networks. While no single theory describes or predicts the CMHN and its behavior, a multidisciplinary approach adds value to the extant literature. Before examining the relevant theories, an investment in establishing certain concepts proves a valuable exercise.

Fundamental Concepts

The Common Good

The scholars mentioned in this section generally assume that individual actors are rational, at least to the extent that they weigh costs and benefits to maximize advantage. Given the myriad perceptions of “advantage,” though, these same scholars also assume that a rational choice theory based on advantage maximization is not enough. Something else beyond the individual level impels us forward to grapple with politics and economics in a collective way. That *something* is a vision of society, that which is best for the most people: the common good. While I do not attempt to define the common good, I am interested in who defines it and why.

The Political System

Among scholars, there is near unanimous consensus about Mexico’s transition from authoritarianism towards democracy and agreement that the system is still evolving. Roderic Ai Camp best captures the changes in the system today by arguing that it “is democratic, but is in consolidation; is dominated by a declining presidency, with legislative and judicial branches growing in influence; is built on a contradictory political culture that includes liberal and

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authoritarian qualities; is characterized by international economic features embedded in its domestic structures; is affected psychologically and politically by its proximity to the United States; and reflects the growing significance of new actors, including NGOs and state and local governments.”^{vi} General faith in democracy itself, however, cannot be assumed in Mexico. This tension regarding the common good and the correct vision for the country is critical to an analysis of the CMHN’s role in the political process.

The Economic System

Mexico’s legacy of authoritarianism also haunts its economy. Despite the country’s transition from a nationalistic, protectionist, state-controlled economy during the 1940s-60s to an emerging free market economy in 2013, it retains anti-competitive features that prevent it from realizing its full economic potential. Today the Mexican population is 115 million, of which approximately 50 million are active in the Mexican workforce and another 10-15 million work in the United States. Of those working in Mexico, two-thirds work in the informal economy where they neither pay taxes regularly nor receive state benefits. Mexico has hundreds of thousands of small businesses, of which 90% have fewer than five employees. Nevertheless, as of 2009, a handful of wealthy businessmen – 48 to be exact – and their families exercise influence over approximately 27% of GDP.¹ Ultimately, the Mexican economy is still limited by exclusion, informality, inequality, and consolidation. In what follows, I move beyond definitions to discuss specific theories.

Civil Society and Collective Action Theory

Among the scholars mentioned here, there is strong consensus to include business associations as part of civil society, the main argument for which concerns democracy. As a

¹ For complete discussion, please consult the chapter “Social Network Analysis of the CMHN within the Mexican Corporate Network” beginning on page 42.

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collective, businesses may organize to increase market share, influence the regulatory environment, or even shape society in other ways. This latter function – essentially, defining the common good – draws business associations into relationships with other sectors of society, particularly the state, which can have positive consequences for democracy insofar as businesses publicly balance against other interest groups in efforts to shape the common good. The utility of business associations for democracy fails, however, when their actions have the opposite effect, such as politicking beyond the watch of public scrutiny and thereby decreasing accountability.

Collective action theory examines groups on their own terms, including their motivations for aggregation and organizational characteristics. My subject of inquiry, the CMHN, is a business association. Its members chose collective action a half century ago as a strategy to influence public decision-making. The main motivating factor behind business collective action, particularly among encompassing business associations (EBAs) such as the CMHN, is threats. Francisco Durand and Eduardo Silva determine that severe threats to the private sector were the key causal factor in the emergence of these associations, as businesses lost confidence in the government's ability to maintain the status quo.^{vii} The application of collective action theory to business associations helps us understand organizational variation, the individual versus collective differences that motivate action and, in particular, the role that threats play as a causal factor in the associations' creation.

Political Economy Theory

Political economy theory offers several analytical tools for describing and explaining business politics in Latin America. Of the prominent scholars, Ben Ross Schneider has written the most from this perspective, employing two main theories: statist and investment portfolio. Statist theory reintroduces the role of the state, which had not been sufficiently theorized in civil society or collective action theory, and best explains variation across business associations. In

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particular, it elucidates the critical importance of the business-government *quid pro quo*. The investment portfolio theory, on the other hand, returns some agency to businesses and views their associational reaction to state action as one of many potential political investments at their disposal.^{viii}

Democracy Theory

The broad theory of democracy offers helpful analytical tools for understanding business politics. Again, Schneider contributes substantially with two particularly relevant questions for the Mexican context: business support for authoritarianism, and transparency and accountability. What are the structures – versus the ideologies – that determine how the private sector organizes? Schneider posits that business associations' access to political decision-making power explains their support of it. "That is, privileged access simultaneously encourages both collective action and support for the status quo, either democratic or authoritarian."^{ix} In other words, the structure of the business-government relationship is the independent variable that best explains business loyalty to existing regimes.

Regarding business politics and the transparency and accountability of public decision-making, the two main arguments this relationship treat business associations as counterweights to the public sector (as they have the resources and power to contest state power) and as transparency mechanisms (primarily through their role as pundits in the news media). While both functions are conceivable, the proof in practice remains to be seen. Given its elite position atop Mexico's private sector as the country's most influential EBA, how does the CMHN – which publishes no documents, has no website, and reveals nothing to the press after its meetings^x – and its poor record of transparency affect the rest of civil society? According to Schneider, "transparency in interest aggregation and representation by business elites at least offers some opportunities for opposition by nonelites. If, in contrast, elites operate through opaque

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clientelism, nonelites have fewer options for countering business influence.”^{xi} In conclusion, it would seem that – at least in the case of the CMHN – this untransparent business association does not practice what theorists teach.

Power Elite Theory

Power elite theory is critical to an understanding of the social origins of Mexican elites.^{xii} An important facet of the theory is that of elite cohesion, or the supposition that the potential for elite existence and cohesion lies in the amount of interchange between leaders from the private and public sectors. Camp focuses his initial study in this regard on elite origins – such as place of birth – to determine whether there has been, or will be, more elite interconnection. He concludes that elite cohesion and interconnection in Mexico is less than expected and unlikely to increase.^{xiii}

The fulcrum of his research examines the struggle to define and shape the common good in Mexico, as defined by the private sector. The tension that he analyzes in the business-government relationship – at once symbiotic and paradoxical – is that of sovereignty or, put differently, who has the power to control public decision-making. Camp’s theory – essentially that of the contradictory state – ultimately eschews traditional state and elite explanations, including their Marxist variations, in favor of a view of the state (and the president specifically) as autonomous vis-à-vis other groups, particularly the social and private sectors which it manipulates systematically.^{xiv} As such, Camp’s conclusion – much earlier than Schneider’s – strengthens the statist argument for business politics and public decision-making.

Of particular significance, however, is power elite theory’s recognition of the formal and informal networks and thus the myriad ways that elites interact to influence public decision-making. In the next section I examine a new theory with exciting applications for the study of

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business politics in Mexico, one that departs where Camp leaves off in the area of network analysis.

Network Theory of Private Protection

Network analysis aims to identify, relate, and even visualize individual actors within or across institutions, social groups, business sectors, bureaucracies, and so on. Individual actors become part of something bigger than themselves. They are nodes in a network from which, to which, and through which information passes. Moreover, networks are everywhere. Our understanding of them strengthens analysis of decision-making processes and decision makers, social origins and influences, and formal and informal relationships.

Armando Razo, whose network theory of private protection explains elite influence during the presidencies of Porfirio Díaz from 1876-1911, offers new theoretical tools for understanding business politics and the CMHN. Razo sees the social network as a two-way transmission belt: it internalizes the political and economic costs of predation on economic activity in exchange for ensuring private protection for collaborators in predation. Private protection relies on the use of informal networks to enable network participants to retaliate collectively against predation in order to protect their private property rights. Theoretically, at least, economic growth is not necessarily a public good insofar as it selectively benefits a limited, private group vis-à-vis the common good. The encompassing interests are distributed through the social network and what is essentially a selective-benefit-for-legitimation *quid pro quo* is negotiated. In other words, the “network structure of special privileges that the Porfiriato awarded created a critical mass of actors with the incentive to defend the system against predation.”^{xv} Though more research is clearly needed, hypothetically this theory could be applied to an analysis of Mexico since 1911 and thereby include prominent business associations such as the CMHN in the role of private enforcer.

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The interwoven nature of formal and informal networks in Mexico across political and economic lines merits more attention. In the final section of this paper I examine the CMHN through the lens of social network analysis as a means to understand the interlocking nature of Mexico's business elite and to draw initial conclusions about the organization's influence over public decision-making. Ultimately, all of these theories attempt to explain how and why business elites act to influence public decision-making. In the next section I review the history of business politics in Mexico and examine the CMHN in particular.

HISTORY OF BUSINESS POLITICS IN MEXICO

A critical exploration of business politics, elites, and decision-making in Mexico first requires some historical context. The country's transition to democracy began in 1929 with the creation of the *Partido Nacional Revolucionario*, the precursor to the *Partido Revolucionario Institucional* (Institutional Revolutionary Party, or PRI). While the roots of Mexican democracy can be traced to this successful attempt to unite disputing factions following the revolution a decade earlier, by most accounts the task of consolidating democracy remains unfinished today, despite more than seven decades of PRI government control followed by over a decade of rule by the *Partido de Acción Nacional* (Nation Action Party, or PAN). The key to ensuring political stability during this comparatively long period of democratic transition was the legitimacy conferred on the regime by disparate sectors of society through a system of formal and informal incorporation. Among these sectors, the business community provided quiet but unwavering support for the ruling party. While the stabilizing role of the business community is clear, the process of how it exerts its will and expresses favor or disfavor bears further examination. Throughout this paper I pay attention to these questions, including how businesses organize

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collectively to participate in policy-making and public decision-making, which is also known as business politics.

Business politics in Mexico, somewhat differently than in other countries, rarely took the form of partisan politics or formal participation in policy-making. In 1920, following the Mexican Revolution, the country's leaders formally excluded the private sector from public decision-making until the PRI was able to formally incorporate certain industrial sectors into its fold. By default, a formal-informal continuum was created along which the political activity of businesses and businessmen was permitted. According to Luna, Tirado, and Valdés, given the business elite's access to economic policymaking and behind-the-scenes influence, it never had to participate overtly in politics until the late 1980s.^{xvi}

Camp, in an exhaustive study of thousands of Mexican elites throughout the twentieth century, has recorded that business leaders are particularly aware that their ability to operate depends on state permission. Consequently, the formal-informal continuum of business politics is arguably as much internalized or self-imposed as explicitly conditioned by state or party leaders. In his research, Camp found great variation in the attitudes of business leaders about political participation, ranging from those that believe the private sector must play a hands-on role in economic development to those that believe any participation whatsoever is "class suicide."^{xvii} These varied interpretations of the role of the private sector are critical to understanding the subtle and overt, public and private, and formal and informal ways that business and politics have mixed in Mexico.

The political and economic history of Mexico would not be complete without an examination of the transversal camarilla system. Camp characterizes the camarilla, or political clique, as the "cement of the Mexican political system," providing a "human link which joins disparate groups together in a fluid, dynamic pool of political leadership." Three variables make

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the *camarilla* significant: friendship, degree of social inequality (leading to a reliance on personal ties), and personal trust. However, the three sources of *camarillas* are family, education, and career.^{xviii}

Latent in Camp's analysis is the important distinction of public power, which "since colonial days has had more prestige than private power."^{xix} This is reinforced by the public's historically negative image of the private sector. The *camarilla* phenomenon is also pertinent for political-business relationships, as "political behavior mirrors culture in general."^{xx} Camp's clearest example of this is private education, which, as more politicians and business leaders seek private education in Mexico and abroad, is a source of common economic and political ideas.

Since the Mexican Revolution, business politics largely developed in parallel to the political system and, despite the formal corporatism of commercial and industrial business associations into the governing apparatus, private sector elites were limited to informal access to the ruling party. However, through the combination of the *camarilla*, the strategies of withholding savings and investment, and the increasing concentration of corporate power through interlocking directorships and public-private relationships among elites, by the 1960s the conditions were apt for the creation of Mexico's *cúpula de cúpulas*.

HISTORY OF THE MEXICAN COUNCIL OF BUSINESSMEN

López Mateos (1958-64)

The presidency of Adolfo López Mateos was indelibly marked by the creation of the Mexican Council of Businessmen in 1962. Shortly after his election, several events occurred that the private sector viewed with alarm and skepticism, such as the new president's support for the Cuban revolution and the generalized perception of a left-wing tendency towards "socialization."

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Chief among businessmen's concerns was a fear of communism. While these threats had largely dissipated by the time the CMHN was founded two years later, the impression they left on the organization's founders was that Mexico's business elite needed dialogue at the highest level, as well as direct, regular access to the president. As such, the primary motivation for creating the CMHN in September 1962 was political and oriented towards stabilizing the economy and the lead role that business elites should play in its development.^{xxi}

Initially, the CMHN reacted to the aforementioned threats by promoting a positive image among foreign investors, particularly in the United States, of the commitment of the Mexican state and private sector to resolving economic crises. Any concerns that the CMHN had about the direction of the economy were communicated directly to the president in "collaborative and supportive" terms.^{xxii} Reciprocally, López Mateos himself encouraged individual businessmen to join the organization and openly supported its mission.^{xxiii} This posture was one of the first signs of the *quid pro quo* that has defined the CMHN's relationship with the state for fifty years: private access to public decision-making in exchange for business legitimation of the presidency.

Díaz Ordaz (1964-70)

The Díaz Ordaz presidency was notable for the implementation of the access-for-legitimation practice between the CMHN and the state. Starting with then presidential candidate Gustavo Díaz Ordaz in 1963, the CMHN began an essentially unbroken tradition of meeting with the ruling party's major candidates for succession. This practice became known as the *pasarela*, or runway, whereby this elite group of businessmen would hear from and exchange views with the PRI's leading presidential candidates.

The CMHN's access-for-legitimation advantage vis-à-vis other business associations was gained against a generalized backdrop of the private sector abstaining from electoral politics in

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exchange for economic development and investment opportunities.^{xxiv} Beginning in the 1970s, however, the CMHN's unequivocally supportive relationship with the PRI would face its first test.

Echeverría Álvarez (1970-6)

The election of Luis Echeverría Álvarez to the Mexican presidency coincided with a more public, tumultuous phase of business collective action, including the CMHN shedding its role as “public relations agency” in favor of direct intervention in policy debates.^{xxv} The new president's plans to expand state participation in the economy were immediately perceived as threatening by the private sector and had three significant consequences. First, businesses aligned with foreign firms against the parastatal sector. Second, they also aligned against government policy in other ways, just when the state needed legitimation following the Tlatelolco massacre.² And third, businesses' collective action was strengthened, as many of Echeverría actions and policies backfired vis-à-vis the private sector.^{xxvi} From the perspective of the CMHN, the Echeverría presidency at once marked a fraying of the patron-client relationship that bore the access-for-legitimation concept, as well as of the shared interests between political and economic elites.

Business Coordinating Council

From 1973 until 1976, the state-business relationship became increasingly turbulent. Sensing a radicalization of Echeverría's ideology, anxious to gain influence over the president's replacement, and desiring a neoliberal economic model to strengthen free enterprise, the CMHN – together with four corporatist business associations and the employer association Coparmex – formed the *Consejo Coordinador Empresarial* (Business Coordinating Council, or CCE) in 1975 as the “political arm of the private sector.”^{xxvii} Unlike the informal access-for-legitimation relationship of the CMHN, the CCE is the primary formal interlocutor with the government and

² In October of 1968, soldiers ordered by Díaz Ordaz and then Secretary of the Interior, Echeverría Álvarez, massacred hundreds of young protestors in the Tlatelolco neighborhood of Mexico City. This incident occurred two weeks before the inauguration of the 1968 Olympics, a time when Mexico would figure prominently on the world stage.

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the business elite's main representative with associations from the industrial, commerce, services, financial, and agriculture sectors.^{xxviii}

The close relationship between the CMHN and the CCE cannot be overstated. Since Echeverría's presidency the CMHN had sought an opportunity to go public without compromising its discrete profile and the elite position of its members.^{xxix} Consequently, the CMHN and its members gave generously to the CCE since its outset, investing millions of dollars annually since the 1970s to build the personnel and technical capabilities of the organization. By the late 1970s this investment began to pay dividends for the CMHN and Mexico's business elite.

López Portillo (1976-82)

By all accounts the CMHN was pleased that an economics minister and promoter of "modernization" – the Secretary of Public Finance, José López Portillo – was "elected" president of Mexico (1976-82). In 1979, and for the first time since its inception, the CMHN formally communicated its intention to the president to address matters of domestic policy.^{xxx} This led the organization to reform its by-laws, which until that point had been limited to supporting economic issues and public relations abroad.^{xxxi} The CMHN's change in strategy was consistent with the new government-business relationship following the creation of the CCE in 1975.

Bank nationalization

One month before the end of his term in 1982, López Portillo did the unthinkable – he nationalized Mexico's banks. This single act was effectively a game changer in the private sector's tacit support for the system.^{xxxii} From this point forth, the CMHN "lost all foresight and possibility of calculating 'decision-making,'" which represented the loss of rationality and its worst fear realized."^{xxxiii} This event is remarkable considering that, just two days before announcing the decision, López Portillo met with the CMHN but never mentioned the impending nationalization. Moreover, this event marked an additional, more active level of involvement in public affairs for

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the CMHN beyond its private relationship with the presidency, which would nevertheless remain the organization's most effective platform for decades: It marked the first time that the CMHN actively exercised collective action with other business groups.

De la Madrid Hurtado (1982-8)

Recently elected President Miguel de la Madrid met with the CMHN for the first time in August 1982, three months before the bank privatization.^{xxxiv} By all accounts, the CMHN approved of the policy positions he presented during the *pasarela*. However, even before taking office, de la Madrid was already the source of significant criticism from the private sector, particularly from the CCE that demanded the government cancel the nationalization. De la Madrid did not oblige and, instead, signed the nationalization into law and reinforced the state's role in other sectors of the economy.^{xxxv} However, within months the new administration sought and received the private sector's participation in sectoral discussions to jumpstart the economy, which provided an opportunity for the CMHN and the CCE to reestablish their distinct relationships with the government and regain decision-making influence. These economic discussions marked a new chapter in Mexico's political economy, away from the revolutionary-era, nationalistic, social rhetoric and state participation that had characterized the nation for over half a century and towards the neoliberal development model of the International Monetary Fund (IMF). De la Madrid would go on to meet eleven times with the CMHN, more than any other president according to CMHN records.^{xxxvi} Slowly but surely the wounds began to heal in the business-government relationship, allowing for improved social stability. Ultimately, de la Madrid responded to the private sector's concerns, reprivatizing the airlines and certain financial institutions and opening the economy to private investment.^{xxxvii}

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Salinas de Gortari (1988-94)

The *pasarela*, though an informal practice initiated decades earlier, became a formality in 1987 when President de la Madrid privately requested that the CMHN meet with all of the precandidates for succession. His intention, ostensibly, was to lend some democratic legitimacy – albeit conducted by a handful of elites – to the PRI’s changing of the guard. The president sought to continue the economic reforms that had begun and needed the CMHN’s help to legitimize the process. Ultimately, Carlos Salinas de Gortari (1988-94) was both de la Madrid’s and the CMHN’s favorite candidate.

Upon being elected, Salinas immediately sought close ties with the CMHN and collaborated with the Council on a wide range of issues, including reforming laws in order to facilitate business. In exchange for access to the presidency, the CMHN fulfilled its half of the bargain by promoting Salinas’s image abroad, bankrolling the private sector’s participation in and support of Mexico’s negotiations for NAFTA, and otherwise legitimating the presidency.^{xxxviii} Ultimately, Salinas’s technocratic view of the political economy fit well with the CMHN’s increasing preference for a mix of protectionism and neoliberalism. In the end, Salinas’s policies widened economic inequality, further concentrated wealth in the hands of the CMHN and other business elites, and ultimately set up Mexico for the Pesos Crisis in 1995.

Privatization

The signature facet of the Salinas presidency insofar as its effect on CMHN members and their business groups was the privatization of state companies and industries. Privatization was the centerpiece of economic restructuring policies and the vehicle for business consolidation and wealth concentration. Though de la Madrid began the sale of state-owned companies, Salinas took his role as salesman-in-chief to new levels, selling off all but a few of the most productive parastatal companies.^{xxxix} An apt characterization of this moment in history, according to Álvaro

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Vargas Llosa, is that the norm became to hand over state-owned enterprises to government cronies under monopoly conditions, which exacerbated a system characterized by elite control over public decision-making.^{xi} The Salinas project strengthened the oligarchic structure, mainly in the hands of CMHN members, and increased poverty in Mexico.^{xii}

North American Free Trade Agreement

In terms of economic reform, no project was greater than the North American Free Trade Agreement (NAFTA) between Mexico, Canada, and the United States, which took effect in 1994. Prior to NAFTA negotiations, the CCE formed the *Coordinadora de Organizaciones Empresariales de Comercio Exterior* (Business Organization Coordinating Committee for Foreign Trade, or COECE) in June 1990, which received government approval, and was financed mainly by the CMHN. Its objective was to present a common front in order to obtain optimum results from the NAFTA negotiations. In terms of business politics, the COECE represented a moment of national private sector unity.^{xiii} However, it structurally favored large business groups and exporters, which led to discontent from local and regional companies and small and medium-sized businesses.^{xiii}

Writing about the NAFTA negotiations, Strom Thacker concludes that the successful adoption, implementation, and sustainability of a free trade policy depends upon two conditions: 1) a policy needs a political sponsor, and 2) it requires the mobilization of a coalition of political support in order to be successfully implemented and sustained.^{xiv} Within this framework, NAFTA had its political sponsor in Salinas and strong political and economic support from the CCE-created, CMHN-funded COECE. Moreover, the man named as Private Sector Coordinator for the Negotiation of the Free Trade Agreement was Juan Gallardo Thurlow, a CMHN member and controlling owner of business group Grupo Geupec, affiliated with PepsiCo.^{xv}

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Zedillo Ponce de León (1994-2000)

Ernesto Zedillo was the first president in thirty years who did not participate in the CMHN-PRI *pasarela*. This decision was made at Salinas's request in order to avoid further anti-regime public opinion following the assassination of popular PRI presidential candidate Luis Donaldo Colosio in March 1994.^{xlvi} However, one month after his designation as the candidate to succeed Salinas de Gortari, the CMHN met with Zedillo at his request to provide a list of pro business pronouncements that he should make once in office.^{xlvii} In terms of the business elite, arguably the most significant development of his presidency was the CMHN's role not only as a legitimator of presidential authority but also of Mexico's economic viability. Beginning in 1995 and continuing until today, the CMHN publicly announces its annual investment commitment in the country, typically representing 10-15% of total private investment.^{xlviii}

Peso Crisis and Fobaproa

By February 1995, facing skyrocketing interest rates and panicked foreign investors, Mexican finance minister Guillermo Ortíz Martínez, followed by President Zedillo himself, met with the CMHN to temper concerns and encourage further export growth on the heels of the country's recently devaluated currency. The long-term effect of this phenomenon for Mexico's private sector elite was to boost international competitiveness through strategic alliances with U.S. firms and national influence vis-à-vis weaker domestic companies. The CMHN's message to Zedillo was to continue Salinas's economic policies while moving onto other reforms. It furthermore pressed for government control of inflation and exchange rate stabilization.

Adding insult to injury, the high interest rates and subsequent currency devaluation also caused a liquidity problem for the national banking system, which in 1995 required the *Fondo Bancario de Protección al Ahorro* (Banking Fund for the Protection of Savings, or Fobaproa) to bail out Mexico's banks. This move effectively destroyed Mexican ownership of the private

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banking system, affecting the interests of several CMHN members and allowing foreign banks a significant toehold in the financial system.

The ramifications of the Peso Crisis and the bank bailout were costly not only for the economy but also for Mexico's political system. The crisis hastened the end of the PRI monopoly insofar as causing a loss of voter confidence before the midterm elections of 1997, which resulted in the PRI losing its majority in the Chamber of Deputies for the first time in nearly seventy years.

Fox Quesada (2000-6)

Following the PRI's loss of the presidency in 2000, President-elect Vicente Fox Quesada of the PAN party had an opportunity to discontinue the access-for-legitimation relationship between business elites and the state. However, such expectations were partially dashed just three weeks after his election when Fox – himself a former business executive – met with the CMHN during a luncheon hosted by Banamex president Roberto Hernández, a former university classmate.^{xlix} Fox's presidency did mark a break from the past, indeed towards arguably the most pro-business administration in Mexican history.

Though informal elite networking continued between the private and public sectors during the Fox administration, the access-for-legitimation bargain suffered conspicuously. By 2001 the initially cordial relationship between the new administration and the CMHN had weakened, when CMHN members began to lose confidence in the president's ability to pass structural reforms. Finally, in February 2004, the CMHN and the CCE together declined to participate in a new national political accord proposed by the administration. Consequentially, the CMHN discontinued its annual declarations of economic investment from 2001 until 2008, though the monthly meetings with Fox continued, albeit uncomfortably.¹

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Calderón Hinojosa (2006-12)

Like Fox, President Felipe Calderón belonged to the PAN and appointed prominent individuals from the private sector to positions of influence within his administration. Notably, Calderón continued the tradition of meeting with the CMHN and reinitiated the practice of hosting the CMHN's annual announcement of private investment.^{li} The Calderón administration favored a strong executive and, unlike the Fox presidency, relied less on societal corporatism. Instead, it sought to foster pluralism whereby the entrenched or *de facto* political powers of past administrations were unable to gain a toehold. Consequently, the participation of encompassing business associations, particularly the CCE, was encouraged. Coinciding with the end of the PRI's dominance over presidential politics, the CMHN lost its automatic access to the executive branch. Therefore, throughout the 2000s the organization became more vocal in the Mexican media.^{lii}

THE MEXICAN COUNCIL OF BUSINESSMEN IN PRACTICE

The Mexican Council of Businessmen, forged out of the country's post-revolutionary business elite and formed through its dynamic relationship with the PRI political party and the government, is a unique case study in business politics. With a secretive internal culture, informal relationships with public decision-makers at the highest level, and virtual veto power within Mexico's only encompassing business association, the CMHN bears close scrutiny as a quasi-civil society organization representing the elite of the private sector. In this section I discuss the contemporary manifestation and operations of the CMHN. Specifically, I examine its reason for existence and ideology, its "eliteness" and differentiation from other business associations, its critical access-for-legitimation relationship with the government, its legal and internal structures, membership requirements and members, and influences and alliances.

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Raison D'être

According to co-founder Juan Sánchez Navarro, the CMHN was designed “to promote abroad the true image of Mexico at a moment when there was a lot of doubt about its economic and political orientation. The message that we wanted to give is that Mexico was beyond the crisis, that this was an incidental fact, and that we would recover, which fortunately happened. Without any formality or closeness with the confederations or *cámaras*, rather as a group of friends, we met and created an economic fund to launch a publicity campaign in the United States.”^{liii} Sánchez Navarro, who wrote the organization’s original by-laws, listed its stated activities as follows:

The study and knowledge of the evolution and development of the Mexican economy and of the essential factors that determine its behavior; the proposal of possible solutions to the essential problems that exist in the economic and social life of Mexico, whose solution facilitates the country’s progress; and the opportune receipt of useful and necessary reports about the economy and administration that members of the Council or any other source can provide whenever convenient.^{liv}

Though these reasons are straightforward enough, the role of the state was also determinative.

Convened initially in 1957 by President López Mateos in order to respond to a *LIFE* magazine article that claimed Mexico “produced only bicycles and balloons” and to promote foreign investment in the country, the organization is believed to have called itself the *Asociación de Relaciones Públicas a favor de México* (Public Relations Association in favor of Mexico).^{lv, lvi}

Approximately five years later, the organization recruited six more members and renamed itself the *Consejo de Relaciones Públicas de la Iniciativa Privada Pro-México* (Pro-Mexico Private Sector Public Relations Initiative). However, it would quickly change its name to the *Consejo Mexicano de Relaciones Públicas* (Mexican Public Relations Council) before finally deciding on the current *Consejo Mexicano de Hombres de Negocios*.^{lvii} A small group of twelve businessmen, led by Bruno Pagliai (owner of Tubos de Acero de México, together with former president Alemán Valdés), comprised the Council’s founding fathers.^{lviii}

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The original objective of the CMHN, according to Alicia Ortíz Rivera, was “to be an active promoter of and support for the activities of the Mexican government before the eyes of the international financial community...”^{lix} However, an important – if not more salient – reason behind its creation was the urgency to establish a direct, influential channel of communication with the president to address perceived threats against the private sector, including the state’s increasing participation in the national economy. According to Schneider, who interviewed several founding members of the CMHN, “it appears possible that some members joined because they thought they were creating an independent association to oppose leftist governments while others joined because they thought they had to do the government's bidding.”^{lx}

Ideology

If an ideology can be ascribed to the CMHN, it most certainly originated during the strident anti-communist era of the late 1950s. After President López Mateos expressed his support for the Cuban Revolution, the business elite began receiving concerned inquiries from United States investors about the “ghosts of communism” and the viability of the Mexican economy.^{lxi} With support from ex-President Miguel Alemán Valdés, the predecessor organization – followed by the CMHN – took action precisely to combat this negative perception and promote foreign direct investment. Additionally, the CMHN reached out to the president and cabinet ministers to encourage limitations on state participation in the economy, especially fiscal policy.^{lxii}

It is noteworthy that, from the early 1960s until the mid-1990s, the “issues of democracy or the balance of powers were absent from the government-business dialogue, and in neither case did consultation with or participation from other political or social actors take place about matters of general interest.”^{lxiii} In other words, the CMHN was careful to limit its concerns and advocacy to domestic economic policy without commenting on internal politics or international

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affairs unrelated to the political economy. As such, it tacitly accepted presidentialism and the authority of the PRI government. Indicative of this absolutist position was the CMHN's unequivocal support for Díaz Ordaz and his violent repression of student protesters in Tlatelolco in 1968. It viewed the president as a staunch promoter of stable economic development and not as the anti-democratic, repressive force perceived by large swaths of society.^{lxiv}

In addition to its anti-communist, free market positions, the CMHN's beliefs are more complex, particularly vis-à-vis the state. "In terms of ideology, [it] advances a belief structure taken from the outmoded concepts and structures of orthodox international liberalism, reinforced with Mexican religious culture. It opposes the supposed socializing tendency of the Mexican government and aims at creating an ideological base favorable to the interests of private capital. This ideological construct explains business's frequent use of Catholic social doctrine and its close ties to the upper levels of the church hierarchy."^{lxv} Moreover, as evidence of the CMHN's support for the liberal economic model, Ricardo Carrillo Arronte cites three foci of activity: "the creation of pro-business educational institutions at all levels to produce highly qualified technocrats," the dissemination of "ideological propaganda" through groups like the *Unión Social de Empresarios Mexicanos*, and the "exploitation of mass media to influence public opinion and cultural consumption patterns in ways that will favor the business community."^{lxvi}

Elite Status and Wealth

The Mexican Council of Businessmen – "the single most important organization of the private sector," comprising the wealthiest and many of the most influential men in the country (the organization has never had a female member) – is undisputedly the pinnacle of elite business associations.^{lxvii} Its members are a rarefied group of the major owners of private capital. Collectively and individually they have direct access to the highest levels of government, including the president. The organization exercises enormous influence over entire economic

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sectors and other business associations, including the CCE. In sum, no other private sector actor enjoys the same privileged access to public decision-making as the CMHN – the elite of elites.

Several variables indicate the elite character of an individual or group, starting with its wealth. In 1989, the 37 members of the CMHN, comprising 70 business groups across the industrial, commercial, financial, and service sectors, accounted for 22% of Mexico's gross domestic product (GDP), 60% of the shares traded on the BMV, and 73% of its listed companies' net earnings.^{lxviii} By 1995, 40 CMHN members, many of them billionaires, had increased their control of the national economy to 27% of GDP.^{lxix} Three years later, just ten capitalists controlled 15% of GDP.^{lxx} In 1998, the data on the concentration of large holding companies in Mexico – virtually all of which were controlled by members of the CMHN – showed that “six of the largest 98 firms accounted for 40 percent of total assets, and 50 percent of sales were concentrated in only 10 of these firms.”^{lxxi} For approximately another decade these sorts of calculations were not recorded (or I was unable to locate them), until August 2011 when the civil society organization Project on Organizing, Development, Education, and Research (PODER)[®] produced a report titled “An Analysis of the Mexican Council of Businessmen (CMHN) within the Mexican Corporate Network 2009 (RCM2009),” in which it documented that, as of December 31, 2009, the corporate governance control of Mexico's publicly traded corporations by 48 CMHN members and their immediate family members – as measured in market capitalization – equaled 27.01% of GDP.^{lxxii}

Notably, two of Mexico's richest men – Carlos Slim Helú and Ricardo Salinas Pliego – were not included in PODER's original figures. Salinas Pliego has never been a member of the organization. And Slim Helú, who withdrew his membership from the CMHN in the early 2000s (reportedly following disagreements about whether to support reforms to increase the

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competitiveness of Mexico's largely monopolistic sectors), was similarly excluded from PODER's calculus.^{lxxiii}

Power and Influence

Another indicator of elite status, albeit more difficult to quantify than wealth, is power or the ability to influence change. In the absence of statistically significant empirical evidence regarding the CMHN, anecdotal and theoretical observations help us comprehend the power and influence of the organization. During the Salinas administration, when previously state-owned companies were auctioned off at favorable prices, scholars' impressions were that the CMHN was uniquely positioned to profit from these sales.^{lxxiv} It had privileged access to asymmetric information about privatizations, public tenders, and national economic decisions, solidifying the organization as "the single most important conduit for communications between government and business."^{lxxv} In exchange for its economic privileges, the CMHN legitimated the PRI's anti-democratic, centralized, presidentialist system in the eyes of foreign investors and the public in general.^{lxxvi} This access-for-legitimation relationship, which I discuss subsequently, personifies the CMHN's power and influence. Theoretically, according to Ortíz, among elites the CMHN can be considered a superelite actor.

By the way it formed itself and its limited membership, [the CMHN] acquired the characteristics of a very closed elite that...could be considered (according to Lasswell) a 'strategic economic elite' because a major social significance can be attributed to it. This fact would place it in the sphere of the governing class, to which Raymond Aron situates between the elite and the political class, and which 'includes those privileged people that, without exercising political functions, have influence over those that govern and those that obey, whether through moral authority or economic or financial power.'^{lxxvii}

By these criteria, the CMHN has both the moral authority (access-for-legitimation) and the economic power (withholding its investment) – not to mention a major social significance as the preeminent Mexican business association – to qualify as a superelite actor capable of wielding

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“influence over those that govern.”^{lxxviii} While undoubtedly influential, the CMHN conducts the vast majority of its activities in secret, behind closed doors.

Secrecy

Throughout its fifty-year history, the CMHN has largely remained behind the scenes and outside the public eye. The CMHN, legally incorporated as a civil society association, “consists of a president, ad hoc working groups, and a part-time secretary-treasurer but has no other officers or staff, no office space, no publications, and a small budget.”^{lxxix} Moreover, it does not have a website, never meets in public, and rarely allows photographs to be taken of its activities. Numerous transparency requests submitted to the Mexican government to obtain the full list of CMHN members, agendas of its meetings with government officials, and photos of these occasions have only returned partial results, limited to incomplete lists and images. According to José López Portillo, “if meetings with the business elite become too transparent, the masses will believe something that is false, or what should be false, that [the state] favors the rich. This is why it is important to use certain discretion so that communication can happen, the businessmen’s arguments can be heard, and the corresponding balanced decision made.”^{lxxx} Secrecy is yet another indicator of the rarefied nature of the CMHN.

Deficiencies

According to Camp’s interviews with members and observers of the organization, the elite character of the CMHN carries with it essentially three main deficiencies that circumscribe its radius of action, limit its influence, and generate suspicion of its activities among the Mexican populace. First, large business groups dominate the CMHN. Medium and small companies, sectoral associations, privately held companies that do not trade on the BMV, and junior players in monopolized industries are not represented by the CMHN, which creates resentment within the private sector. Second, the actual owners of capital control the CMHN, instead of a mix of

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owners and administrators. Unlike other business associations where company executives and proxies for ownership can represent a corporation's will at collective bodies, the CMHN expressly prohibits this, thereby reinforcing the elite nature of the organization and preventing skilled professional managers from participating in decision-making. And third, the CMHN and its regular access to the executive branch is as much a platform for individual action as it is for collective action.^{lxxxix} Therefore, there is little confidence that these business elites have the best interests at heart of the private sector as a whole. Despite the organization's unique position in society, the price of access often implies that the CMHN must clip its wings to be effective.

Quid Pro Quo – Access-for-Legitimation

Since its inception, the CMHN has pursued one strategy above all others, independently of the economic conditions or political limitations of the day: obtaining informal access to decision-making and information at the executive level in exchange for publicly legitimating and supporting the government and, in particular, the sitting president. The core activity of the CMHN is discussed at a regular lunch meeting consisting of 30-50 business elites and a handful of public officials, most often from the executive branch. The meeting is usually held at the home of a Council member, ensuring an informal ambiance.^{lxxxix} At this simple yet effective meeting, the CMHN is able to conduct business with the highest levels of government in the strictest of privacy. In the words of Sánchez Navarro, "the importance that the presidents gave [to the CMHN] was the reason why many became interested in participating. Many businessmen wanted to join it in order to have contact with the president and ministers (of the cabinet). ... [The advantage for] the president was that he heard what he wouldn't hear otherwise, which is also true for the ministers. It was a position totally different, it was a Council where businessmen actively participated but did not want anyone to know (publicly)."^{lxxxiii}

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The commodity exchanged during the lunches is none other than information. However, access to decision-making at the executive level comes at a price. “[The CMHN’s] close relationship with the presidency is both its greatest strength and weakness.”^{lxxxiv} In exchange for receiving informal access, the CMHN offers public legitimation of the president and his government. This access, both individual and collective, serves the state’s interests by legitimating the presidential system specifically, as well as the PRI historically. In the words of former president López Portillo: “[The CMHN] fills the void of high representation of the rich social class, which could not be assimilated [into the PRI’s corporatist structure] due to differences of thought, but had to be heard in order to make public decisions.”^{lxxxv}

Legal and Internal Structures

The CMHN is organized as an *asociación civil* (non-profit civil society organization), though its manner of conduct is considerably more informal than its legal structure implies. Since its creation, the CMHN received tax-exempt status from the Mexican government and thus its members’ donations have never been taxed.^{lxxxvi} In terms of decision-making, the CMHN regularly rotates its presidency and conducts much of its work through ad-hoc committee structures outside of its monthly meetings.^{lxxxvii} It reportedly emphasizes decision by consensus and avoids taking votes whenever possible. According to Schneider, “The informal procedure has been to let all members discuss an issue and voice opinions. Then if the president detected something close to consensus, he closed the discussion by stating the consensus and actions following from it. This norm of consensus building limits the range of actions the CMHN can take but no doubt helps dampen the centripetal forces that have undermined encompassing associations elsewhere.”^{lxxxviii} It is believed that, since 1971, the CMHN has kept a basic record of the organization’s votes and decisions.

In the late 1970s, the CMHN revised its by-laws and established seven core activities:

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1) Analyze problems of national and international importance and discuss these with the highest levels of government; 2) Listen to the members of the organization and analyze their opinions about these problems; 3) Act as an interlocutor with the highest levels of government, including the presentation of proposals and recommendations, about how these problems affect the private sector; 4) Participate in and support, including economically, other national business organizations; 5) Influence but maintain good relations with other business organizations; 6) Present abroad a positive, though realistic, image of Mexico and its problems; and 7) Maintain relations with other likeminded associations and organizations.^{lxxxix}

CMHN Membership

In 1971, the CMHN established its second formal by-laws, which included the following selection criteria for membership: 1) Mexican; 2) own or represent at least one, or many, businesses; and 3) be a prominent member of the business community at the national level. However, nowhere did it specify how “prominence” would be defined. In practice, the members of the CMHN must individually or collectively determine whether candidates meet these criteria upon nomination, which by definition is a subjective process. Then, by secret vote, a unanimous decision must be reached to ratify candidates for acceptance.^{xc}

Addressing an argument posited by numerous scholars that the majority of large capitalist families in Mexico are *nouveau riche* who made their fortunes after World War II, Camp found that, “on the contrary, their fathers and grandfathers were the magnates of their era, who passed along economic and institutional resources to their children. ... A large group of Mexican businessmen have their familial and economic origins in the Porfiriato.”^{xcii} As of 1989, 44% of CMHN members were part of Mexico’s most distinguished capitalist families and 25% of these were represented in the CMHN.^{xciii} While the industries its members represent have changed over time, these families have maintained their wealth and influence.

The CMHN statutorily determines its number of members. Unless by a statutory increase, the only way for members to join is when another member resigns or passes away. According to the most recent public data, the membership cap is reportedly 48 members.^{xciii}

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Influences

A discussion of the CMHN is incomplete without mention of two elite business organizations that influenced the Council throughout the years: the Business Roundtable in the United States and Grupo Columbus in Latin America. As Camp, Schneider, Ortíz, Marcela Briz Garizurieta, and others have documented, the CMHN stands alone in Mexico as the only *cúpula de cúpulas* among business associations and the private sector overall. While the CCE is unique as the only encompassing business association in the country, given the CMHN's economic control and political veto within the CCE, the relationship between the two organizations is dependent and thus the CMHN distinguishes itself as the domineering player.

Business Roundtable

The Business Roundtable was founded in 1972 as a policy vehicle of the power elite in the United States.^{xciv} Its objectives were to advocate at the federal level for favorable monetary policy, deregulation of the private sector and the financial markets, an end to the welfare state, and curbs on the power of trade unions.^{xcv} Compared to other conservative business associations, such as the Chamber of Commerce and the American Enterprise Institute, the Business Roundtable was considered moderate. Its primary activity was to sponsor public policy research, which likeminded legislators and politicians could adopt to favor business's priorities. Today, the Roundtable continues to represent the top managers – but not directly the owners, unlike the CMHN – of capital in the United States.

Regarding the relationships between the elites in Mexico and the United States, both the CMHN and the Roundtable regularly advocate together for legislation of mutual interest. For example, on September 20, 2012, both organizations and the Canadian Council of Chief Executives (CCCE) issued a joint statement to promote North American competitiveness as well

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as trade and energy issues.^{xcvi} Within the countries of North America, the partnership between the CMHN and the Business Roundtable is strategic and ongoing.

Grupo Columbus

In 1986, the Grupo Columbus was formed at the regional level to represent the business interests of Latin America. Its representatives consist of three businessmen from the “big countries” (Mexico, Brazil, Chile, and Argentina), two from the “medium” countries, and one from each of the “small” countries in Central and South America. Similar to the CMHN, its members have high-level access to all of the presidents in the region, including in the United States. Furthermore, its Mexican representatives tend to also be members of the CMHN. Ideologically, the group is also similar to the CMHN in that it aims to “stop ‘deviations’” from the group’s preferred model of free trade economic development.^{xcvii} Unlike the Business Roundtable, which maintains a website and a regular presence in the media, Grupo Columbus is perhaps even more secretive than the CMHN as little else is known about this elite organization.

Having discussed the history of business politics in Mexico, including that of the CMHN, I turn again to theory in order to understand the behavior and practices of this woefully under examined yet extraordinarily influential organization.

THE MEXICAN COUNCIL OF BUSINESSMEN THEORETICALLY

Aside from historical data, circumstantial evidence, limited firsthand accounts, and the scholarship of a handful of persistent academics, the only other resource *currently available* to social scientists that explains the CMHN is theory. Unfortunately, empirical evidence about the CMHN is missing from the extant literature with one significant exception: the corporate interlock and social network analysis of the Project on Organizing, Development, Education, and Research (PODER)[®], which I turn to shortly.

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While no single theory captures the CMHN – much less predicts its behavior – certain elements of the organization can be separated and examined under a theoretical lens. In this section I gather these elements and the theories that best explain them and, in the next section, apply a particular theory – social network analysis – that contributes new data to our understanding of Mexico’s economic power elite, the CMHN.

CMHN and Collective Action

There are several justifications for the application of collective action theory to the CMHN. Practically, Mexico is unique in the world of business politics. The CMHN is the only “well-structured, long-standing association exclusively for big business” among large Latin American countries. Similarly, the CCE is the only “economy-wide peak association” among large countries in the region. Moreover, the CCE, with significant support from the CMHN, created the COECE in 1990, making Mexico “one of the few major countries where well-organized business associations participated in negotiating a major trade agreement.” Furthermore, Mexico has the only large, ideological employer association in the region, Coparmex. Overall, the country has “consistently invested millions of dollars and countless hours” in its voluntary business associations, which comparatively is a huge investment in private sector collective action.^{xcviii} In other words, there is significant observational evidence of collective action by the CMHN.

Beyond this, how does collective action theory help us understand the organizational variation among business associations in Mexico? Luna applied a theoretical mixture of collective action, state action, and an examination of political differences within business associations to conclude that their future capacities for collective action – particularly of the CCE – would be determined by how marginalized portions of the private sector are reintegrated into the association, or how the gap between the strongest and smallest members is reduced.^{xcix} Similarly, Luna and Tirado studied the continuities and changes in the formal collective action

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strategies of business leaders and their associations and determined that business associations must change to allow for broader representation, as well as to create flexible organizations capable of advocating for long-term demands.^c

These conclusions, applied to the CMHN, lead to two potential consequences. One, without reintegrating individuals (Slim Helú, Salinas Pliego) and groups (company executives, sectoral associations) excluded from the organization, thereby reducing economic inequities within the Mexican private sector, the collective action potential of the CMHN is necessarily limited. In this regard, the variation among organizations is less strategic (all seek a degree of access in return for a form of legitimation) as it is relative (the CMHN purposely differentiates itself from the rest of the private sector). Two, without integrating these excluded actors, the CMHN's options for amplifying its collective action potential are limited to its access-for-legitimation relationship with the state. As we have seen, however, this relationship has been inconsistent since 1962, with the CMHN at times being subordinate to the state. As such, the state benefits from the variation among business associations insofar as their atomization reduces widespread collective action.

Another important justification lies in the CMHN's motivation for collective action, particularly concerning existential threats. As covered in previous sections, there are essentially two scenarios in which the CMHN acts: One, when the organization perceives a threat (such as the bank nationalization), it alternates between engaging and legitimating the government to arrive at a solution or – on limited occasions – threatens to freeze or withdraw investment in Mexico. Two, when the CMHN senses an opportunity to grow the national economy in a way that favors private initiative and promotes free trade (such as the NAFTA negotiations), it proactively inserts itself or its proxies, usually the CCE, into public policy discussions. Interestingly, the prior motivation (threats) is usually followed by private action (dialogue behind closed doors), while

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the latter (economic opportunities) is addressed through a public response (policymaking). While the CMHN is clearly motivated to act, rarely does it do so in concert, much less as equals, with other business associations in Mexico.

Across several justifications, it is clear that collective action theory explains the CMHN quite well in the Mexican context. However, Schneider cautions that, without accounting for the role of the state, this theory alone is insufficient.^{ci}

CMHN, State Action, and Access

Political economy theory complements our understanding of collective action and the CMHN. The variation in business organization across countries can be explained as “states organized or disorganized business” and, “when it organizes, the private sector is essentially a reactor to government actions.”^{cii} In other words, individual state actors are an important independent variable for understanding the incentives for business collective action. Within the context of the CMHN, Schneider succinctly explains the link between these theories.

The backdrop for [big business in Mexico investing heavily in noncorporatist encompassing associations] is the consistent exclusion of businessmen from positions of power in the government. And the timing of greater exclusion after the 1960s corresponds with the rise in investment by big business in encompassing associations. However, exclusion by itself did not trigger the formation of these associations. The state prompted the initial creation of CMHN and CCE, but in each case initial collective action was the unintended consequence of a perceived threat by the state.^{ciii}

Within political economy, the statist theory of access-for-legitimation (the business-government *quid pro quo*), combined with the investment portfolio theory, carry the most descriptive weight.

In addition to the government encouraging the organization’s creation, consulting with it about potential presidential choices, and entrusting it with privatized enterprises at rock-bottom prices, two activities in particular – the CMHN’s private monthly luncheon with the executive branch (access) in exchange for its public investment commitments and support of national economic policy (legitimation) – epitomize the role of the state in organizing and conditioning

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Mexico's business elites. According to Schneider, "privileged access simultaneously encourages both collective action and support for the status quo, either democratic or authoritarian. ... In this sense, my research supports the argument that business is less likely to oppose governments, democratic or authoritarian, in which it feels well represented."^{civ}

Empirical Problems with the CMHN

As mentioned previously, to a large degree empirical evidence about the CMHN is absent from the extant literature. There are several reasons for this gap in our understanding of the organization, such as: 1) Its "discreet but not secret" nature limits information, which is largely unobtainable through public record requests; for example, it has no website, office, or other tangible aspects; 2) It did not formalize its by-laws until 1971, thus increasing the reliance on secondhand sources about the early years; 3) Limited firsthand accounts; those that have spoken (Sánchez Navarro) are routinely cited, thus contributing to severe selection bias; and 4) Difficulty in measuring its influence over the government.

Naturally, any new firsthand information, empirical evidence, or distinct qualitative or quantitative analyses taking into account fresh data breathe new life into the limited body of research about the CMHN.

CORPORATE INTERLOCK

Mexico S.A.

The Mexican journalist Carlos Fernández-Vega was among the first to document the interlocking corporate directorates of the then 37 members of the CMHN in 1989. At the time, he deduced that 46 out of the 70 main business groups in Mexico had two or more CMHN members on their boards of directors. In his words, "Like in the game 'tit for tat,' the powerful businessmen and the business groups that they control or represent – each time more and more

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concentrated – pull the ‘winner takes all’ ticket. The [realization] of the project *México S.A.* is more plausible with each passing day.”^{cv} Fernández-Vega’s term, *México S.A.*, finds its origin in the Mexican business denomination *sociedad anónima*, or essentially the equivalent of a limited liability company in the United States, whereby business partners control an enterprise through their respective shares of capital while shielding themselves from liability for any business deal gone sideways. The journalist’s wry usage suggests that Mexico has become akin to a limited liability company where the rich and powerful are free to gain from their “shares” of the country’s assets while avoiding culpability for its losses. The system of “shares” that he attributes to Mexico and, by extension to the CMHN, is none other than corporate interlock.^{cvi}

In the academic literature on interlocking corporate directorships, the work of Mexican academic Alejandra Salas-Porras stands out for its rigor and relevance. Her most recent article, “The transnational class in Mexico: new and old mechanisms structuring corporate networks (1981-2010),” reminds us that the study of corporate interlock began at the turn of the 18th and 19th centuries in response to economic concentration and the emergence of monopolies, which displayed financial and organizational linkages between large industrial corporations and banking institutions.^{cvi} Consequently, the corporate decision-making process expanded beyond the board of directors of any one company and became the domain of a complex network of interlocking directorships. As such, corporate interlock came to signify a social relationship linking members of the business elite, which by definition are those directors who have a more active and influential position with the national corporate network based on the number and quality of board seats that they occupy. Naturally, each director represents different interests, whether those of shareholders, management, or other economic, political, and social concerns external to the company. While all directors receive information about the company on whose board they sit, only those directors with multiple directorships are able to transmit this

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information through their interlock with other members of the network. Salas-Porrás notes that this definition of business elites underscores their capacity to interact with the most central components of the national business network so as to access productive and financial and social capital. In this way, corporate boards of directors become mechanisms to articulate economic and political interests, as well as spaces to conduct strategic planning and achieve social cohesion.

As discussed earlier, several theories can be applied to understand business politics, the business elite, and corporate interlock. In her paper, Salas-Porrás highlights several theories, two of which – organizational sociology and corporate governance – bear further mention. Resource dependency theory, associated with organizational sociology, holds that interlocking corporate directorships are the result of business efforts to reduce market uncertainty by increasing resource dependency among companies. Logically, the survival of a company depends upon it obtaining the resources necessary to carry out its activities. However, as no company controls all of these resources, it must associate with other companies to do so. In this regard, corporate interlock enables companies that possess information and resources to control those without. Specifically, three advantages accrue from corporate interlock: information exchange, decision-making overlap, and the elimination of resource uncertainty.^{cviii}

Another titan of the literature on corporate interlock who has also studied the phenomenon in Latin America is Mark Mizruchi, who views interlock as a mechanism of corporate control whereby firms are able to monitor one another from the boardroom.^{cix} Mizruchi's research has shown that corporations with more external directors (whose main affiliation is to an institution, such as a bank, or an organization outside the company) are the most effective. The reason for this is that, since board decisions are based on majority votes, external or independent directors tend to monitor company management more effectively than

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internal directors (typically executives or others whose main affiliation is to the company at hand). In Latin America, where the majority of corporate directors are internal or dependent upon the company that they are bound to govern, corporations do not realize the benefits of such efficacy. Additionally, Mizruchi points out that the size of corporate boards can impact negatively on the decision-making process. Bigger boards tend to suffer from inefficient and ineffective decision-making. Therefore, the companies in Latin America that limit their number of board members to strategic internal and external directors are more likely to access critical resources.

While Salas-Porras and Mizruchi provide definitional frameworks for understanding corporate interlock, Camp offers a closer analysis of this phenomenon based on nearly three decades of power elite research in Mexico. Camp argues that the importance of corporate interlock research is to show the “exchange between leading capitalists ... In the private sector, the most influential organizations are not company bureaucracies [business associations] but corporate boards and the Mexican Council of Businessmen.”^{cx} Beyond theory, Camp’s empirical research on Mexican elites stands alone and reinforces the notion of *México S.A.* His Mexican Business Biography Project (MBBP), a subset of the Mexican Political Biography Project, has documented hundreds of elites over several decades. In 1989, writing for perhaps the first time about corporate interlock in Mexico, Camp stated:

[The MBBP] shows that the members of boards of directors [of the 50 most important companies in Mexico] are more tightly linked to the main business families than the members of boards of directors in general. Among the businessmen that are members of the boards of the 50 main companies and banks, 74% were sons of successful businessmen and 26% grandsons of successful ones. Only one-fifth were direct descendants of businessmen, meanwhile in less important companies this proportion was double. In other words, only 10% of prominent businessmen who occupy the directorate positions of the main companies do *not* belong to the second, third, or fourth generations of family businesses.^{cx}

This early insight into the confinement of Mexican corporate directorships to a limited group of individuals with prominent family ties was novel.

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Similar to the resource dependency theory highlighted by Salas-Porras, Camp wrote in 1989 about the ingrained, family nature of Mexico's private sector elite and their particular determination to avoid investment risk and finance their activities away from the public eye. As such, corporate interlock serves to eliminate resource uncertainty by meeting capital requirements through known businesspeople versus uncertain financial markets. In addition to Salas-Porras and Camp, other observers of Mexican business elites have commented on the expediency of eliminating resource uncertainty as an underlying reason behind Mexico's tightly locked corporations. Barbara Hogenboom states that "The stock market is only a limited source of finance to Mexican economic groups. In Mexico, about 70% of the ownership of companies is with their bosses, and only 30% is in the stock market. One explanation might be that due to the higher risks of investing in Mexico, Mexican companies have to sell their capital at lower prices."^{cxii} Whether by economic necessity, desire for corporate control, or both, we can appreciate that the Mexican business elite is an old hand at corporate interlock.

Before presenting the latest data on the CMHN and interlocking corporate directorships, I discuss the limitations of this analysis as an indication of influence within networks. The main limitation of social network analysis as applied to corporate boards of directors is that of causality; it cannot be proven without corroborating evidence of decisions being made that are directly and exclusively influenced by another actor within the network. While the degree of an actor's potential influence can be measured, as well as his or her importance as a node within the overall network, without corroborating evidence it is impossible to know what information or resources were exchanged, if any, that may have actually influenced another actor within the network to make a particular decision. In the case of the CMHN, unless we know the specific content of a conversation, or resource exchange between business network members, or government or political figures outside the network, and these secondary actors confirm that

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they made a decision based exclusively on this information or resource, the best we can do is approximate a network using data that points to a correlation and support such research with theory. As Mizruchi cautions, quantitative methodologies to analyze information flows among directors and boards are arguably valuable for their descriptive capabilities, but causality is very difficult to prove and predictability even less certain. He notes that the inherent complexity of board structures, which include both internal and external directors, thwarts apple-to-apple comparisons using social network analysis. Factors such as confidentiality, loyalty, and lack of board experience further complicate such analyses.^{cxiii}

A secondary limitation of studying corporate interlock is that intragroup influence is difficult to explain. Camp, who has examined thousands of Mexican elites across all sectors, acknowledges that, while there is considerable interlock and overlap among private sector elites, virtually no overlap exists between sectors.^{cxiv} Since causality is statistically unobtainable in the aggregate, attempts at describing the influence of business elites over public decision-making outside the private sector are limited to correlations and theory.

Social Network Analysis of the CMHN within the Mexican Corporate Network

In the void of research about the CMHN and business elites in Mexico, a recent study offers fresh data about the country's interlocking corporate directorships. In August 2011, the Project on Organizing, Development, Education, and Research (PODER)[®], a regional non-profit civil society organization, produced a report titled "An Analysis of the Mexican Council of Businessmen (CMHN) within the Mexican Corporate Network 2009 (RCM2009)," in which it applies social network analysis to all publicly traded companies and their boards of directors in Mexico in order to ascertain the directors' degree of participation within the Mexican corporate network ("RCM2009," according to its Spanish acronym) and the betweenness centrality of the CMHN members who sit on corporate boards in Mexico.^{cxv,cxvi,cxvii}

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PODER's methodology begins where Camp, Razo, and Schneider, having signaled the way, leave off. As Razo reminds us, "...a network-analytic approach, guided by theory, can shed light on research questions with a relational content such as business-state relations, crony capitalism, patronage and clientelism, corruption, and the role of social networks in development."^{cxviii} PODER examined one formal network – the CMHN – within a confined dataset, the RCM2009. First, it compiled a dataset consisting of the 135 companies registered on the Mexican Stock Exchange as of the end of 2009, as well as all 1,132 of the "regular directors" of these corporations' boards. Second, it used the network analysis software tool Pajek to apply two algorithms – Fruchterman Reingold and Kamada Kawai – to the RCM2009 so as to visualize the network's vertices (similar to nodes), separate out the disconnected portions, and glean its networked components.^{cxix} The resulting two-mode network – actors (individual directors) and events (boards of directors) – reveals the concentration of 630 directorships linking together 107 companies, or approximately 80% of the BMV. The overall network (RCM2009) has 1,267 vertices – 1,132 directors plus 135 companies – totaling 1,535 lines of affiliation. Third, PODER measured the degree of participation of the members of the formal CMHN network within the RCM2009 using four variations of the Council's list, as follows: 1) 2008 membership (31 members), 2) 2008 membership plus first-degree family ties (62 members), 3) 1997 plus 2008 memberships (48 members, excluding duplicates), and 4) 1997 plus 2008 memberships plus first-degree family ties (90 members, excluding duplicates). Fourth, it measured the betweenness centrality of all RCM2009 directors, including CMHN members, to determine the importance and influence of each node (or individual director) on the entire network. Finally, PODER calculated the market capitalization of each company within the RCM2009 that has a CMHN member on its board of directors and reported these amounts as percentages of 2009 GDP in order to hypothesize the correlation between the CMHN, corporate governance control over the private

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sector, and the national economy. What PODER's methodology does not contemplate, however, is analysis of informal social networks between CMHN members and business elites, as well as formal and informal networks between the CMHN and public decision-makers from other sectors.

The results of PODER's unique study are illuminating and likely contain the seeds of subsequent research for years to come in the areas of corporate governance and financial policy, wealth concentration and economic policy, and state capture and governance. The majority of the conclusions reaffirm the degree of importance of the CMHN members as key economic players and as "generators of connections within the corporate network."^{cxx}

One frame of PODER's analysis is to examine the RCM2009 and therein the CMHN through the lens of corporate governance. Please see *Figure 1.1*, for the social network image of the CMHN within the RCM2009. The overall network, composed of 135 publicly traded companies and 1,132 "regular directors," consists of 228 multiple directors or individuals sitting on two or more boards of directors. These multiple directors account for approximately 20% of the total number of directors in the RCM2009 and over 40% of available directorships. As for the corporate directors who are also CMHN members, while these are only 26 men accounting for 0.2296% of the total RCM2009 directors, they comprise a relatively large portion – 5.1465% – of total directorships and 8.3333% of multiple directorships. Evidently their importance in the overall network is significant. According to PODER's study, "...it is possible to compare the average number of directorships per person (1.356) in the RCM2009 with the average number of directorships per [member of the CMHN as of 2008, or CMHN2008] (3.038). From these figures, we deduce that the CMHN2008 members are the most important in the RCM2009 because they have the greatest number of connections."^{cxxi} Moreover, using the degree of access of the CMHN members (2008 membership list only) within the RCM2009, approximately one-third (31.11%)

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of the companies listed on the BMV contain a CMHN member or are directly influenced by one. When the CMHN sphere of influence is increased to include the 2008 membership list plus the first-degree kinship ties of these men (totaling 57 of the RCM2009 directors), its indicators of importance to the overall network increase, as follows: 12.7192% of multiple directorships and 37.77% inclusion of CMHN members among BMV-listed companies.^{cxxii} Furthermore, still using the concept of degree of access, when the analysis is complemented using the 1997 plus 2008 memberships (48 members, excluding duplicates) as well as the 1997 plus 2008 memberships plus first-degree family ties (90 members, excluding duplicates), the importance of the CMHN within the overall RCM2009 grows even further: 10.9649% of all multiple directorships and 40% inclusion, and 15.7894% of all multiple directorships and 47.4074% inclusion, respectively.

Whereas the degree of participation indicates the amount of direct access of CMHN members to the overall network, the indicator of betweenness centrality measures the value of these members as intermediaries within the RCM2009. According to PODER, “[the analysis of betweenness centrality] posits that a person is more central if more information flows through him or her to other members of the network.”^{cxxiii} In this regard, the analysis revealed that multiple directors are more influential than the average director (0.3623 compared to 0.0015) and that companies with interlocking directorships are similarly more influential than those without (0.0192 compared to 0.0161). As for the CMHN, RCM2009 directors who are also Council members (across all four variations of the membership list) are more influential than those who are not. In order to illustrate these findings, PODER ranked the betweenness centrality of the top 10 companies across all variations of the CMHN membership list and compared these to the top 10 of the RCM2009 overall. The results are not surprising. As PODER states, “It is noteworthy that the CMHN2008 list includes 60% of the most prominent companies in the RCM2009, while the CMHN2008+1997 and CMHN2008+First-degree Family Ties lists each

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include 70% of these companies, and the CMHN2008+1997+First-degree Family Ties list accounts for 80% of the most important companies that trade on the BMV.”^{cxxiv} Of particular significance, PODER applied the same analysis of betweenness centrality to the top 10 directors across all variations of the CMHN and found that the CMHN2008 and CMHN2008+First-degree Family Ties lists match up at a rate of 30% with the most important directors in the RCM2009, while the CMHN2008+1997 and CMHN2008+1997+First-degree Family Ties lists match up at a rate of 40%. In the latter two categories, the CMHN members with the greatest betweenness centrality and thus influence via corporate interlock are Fernando Benjamín Ruiz Sahagún, Valentín Díez Morodo, Claudio X. González Laporte, and Bernardo Quintana Isaac.^{cxxv}

The second and arguably most startling frame of analysis that PODER used was to determine the influence of the CMHN through its individual members’ corporate governance relationships relative to GDP. Upon calculating the market capitalization of each company within the RCM2009 that had at least one CMHN member on its board of directors as of December 31, 2009, PODER reached the following conclusions:

This allows [PODER] to confirm that the CMHN2008 exercised direct influence (not control) over 15.95% of GDP in 2009, while the CMHN2008+1997 exercised direct influence over 19.75% of GDP. Meanwhile, the CMHN2008 exercised indirect influence (through first-degree kinship ties) over 23.17% of GDP in 2009, while the CMHN2008+1997 exercised indirect influence over 27.01%.^{cxxvi}

These figures, consistent with the degree of participation and betweenness centrality findings throughout PODER’s study, indicate that the CMHN, through its members’ corporate directorships and interlock, influence directly or indirectly between 20-27% of Mexican GDP.^{cxxvii} Additionally, according to the study, “[PODER] can confirm that 80 out of a total of 1,132 corporate directors have a direct influence over 47.4074% of companies that publicly trade on the Mexican Stock Exchange.”^{cxxviii} Please see *Figure 1.2*, for a social network image of the wealthiest investors in the Mexican stock market.

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To put these numbers in context, according to ECLAC's Social Panorama of Latin America report, the distribution of income in Latin American countries is the most unequal in the world. The income share of the poorest 40% of the population is less than 15% of total income, while the wealthiest ten percent accounts for 33% of the total. And the earnings of the wealthiest 20% of the population average 19 times more than those of the poorest quintile.^{cxxxix} Within Latin America, Mexico ranks as the second most unequal country among the member states of the Organization for Economic Cooperation and Development (OECD). According to the OECD, "the bottom 10% of [income] distribution in Mexico receives around 1.3% of total disposable income, while the wealthiest 10% receives close to 36%."^{cxxx}

Beyond presenting fresh data and social network analysis, PODER's contribution to the research about corporate interlock in Mexico and the role of the CMHN raises important questions about business politics, corporate governance, wealth concentration, and state capture and signals new areas of exploration for further study. In its own words, PODER concludes that,

[By] attributing importance to the direct and indirect presence of the CMHN in the RCM2009, we can evaluate the viability of the Council's leadership as an organ of business politics that generates collective action within the private sector. When approximately 47.4074% of the Mexican Stock Exchange is concentrated in such few hands, this alignment of interests is quite possible. Moreover, when such a small group has the capacity to influence 27.01% of national GDP, it is safe to speculate...that the CMHN enjoys the power to dialogue with the political sector and influence the public policy decision-making process, particularly regarding economic matters.^{cxxxi}

CONCLUSION

The study of the CMHN is akin to observing a black box. Without the possibility of prying off the lid and peering within, we must remark on its external characteristics, note its shape and form, and learn from a tiny group of researchers fortunate enough to have glimpsed inside. By examining information about elites and their organizations, one not only contributes to a greater understanding about these phenomena but also to a practice of horizontal accountability

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whereby civil society actors shine a spotlight on the black box and suggest pathways for greater transparency and accountability. Though I believe there is a public interest in corporate transparency, there is undoubtedly less debate that – as soon as business activity comes into contact with the public sector – any semblance of public decision-making affects the common good and should thus fall into the public domain.

At the outset of this paper I stated that I was interested in how business politics develop and the influence of business elites in public decision-making. Using historical data and an amalgam of theories from political economy and sociology, I embarked on a tour de force of the private sector in Mexico, spanning the development of the CMHN from 1962 until its present influence over the equivalent of at least 27% of the national economy. Parting from the theoretical shores of collective action and statist theories discussed by Ben Ross Schneider, which jointly offer a convincing argument of the access-for-legitimation quid pro quo that has sustained the CMHN to date and ensured it undisputable access to and influence over public decision-making, as well as the informal networking observations of Roderic Ai Camp and Armando Razo's work on the selective credible commitments that the government offers a rarefied business elite in exchange for regime legitimation, I present the unique application of social network analysis by the civil society organization PODER to the members of the CMHN and their corporate governance relationships.

The case I have made is that the CMHN is an altogether elite business association with exclusive, informal access to asymmetric information through its regular, direct contact with the presidency, which allows the organization to influence economic policy and public decision-making. While this phenomenon is certainly extraordinary, perhaps the reader is unconvinced and asks "so what?" As mentioned in my introduction, studies show that Mexican civil society feels powerless to affect public decision-making while public elites feel that the business elite has

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too much power. Clearly, the consensus is that the balance of power and influence over decision-making favors these elites. Therefore, if Mexico is to complete its transition to democracy and consolidate the gains of democracy and development, it must reclaim the common good and insist on greater transparency of the private sector's contact with and influence over the government and public decision-making. We all have the right to know.

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