Mexico: A Backward or A Developing Nation?

Eduardo Pérez Haro*


Iván Stephens/Cuartoscuro.com

Mexico has not been able to create jobs at a rate even similar to the growth of the work force.

For Enrique de la Madrid Cordero

Introduction

Because Mexico has the world's fourteenth largest economy, it is part of the G-20. However, it is also prisoner of the tentacles of backwardness because 60 percent of its workers are in the informal sector (see Table 1), almost 50 percent of its population lives in poverty, and one-fifth of its inhabitants live in rural areas. Its possibility of becoming a developing nation is complicated by three conditions: accumulated structural insufficiencies; high centralization and control by the big economic elites; and the crisis of the developed countries, among them, the United States, on which our economy depends.

However, climbing out of backwardness and moving toward being a developed nation is no fantasy. In the history of mercantile-capitalist society, we have witnessed successive displacements of the hegemonic centers (Italy, Portugal, Spain, Holland, England, the United States, and even Japan and Germany); displacements and reestablishments, emergences and preponderancies. It is a history of movements motivated by the relationship between technological-productive (techno-productive) changes and forms of social, legal, and cultural organization in some countries *vis-à-vis* others (relative competitiveness).

This allows us to conclude that being inside a world system of exchange, today particularly linked together by electronic communications and multi-modal transportation, to a large degree, countries develop as a result of their internal conditions being placed in global competition, as well as the

*Professor of economic analysis and research at the UNAM School of Economics, eph_analisis@yahoo.com.mx.

Table 1

Employment in the Formal and Informal Sectors by Kind of Employer (third quarter 2012)

Kind of Employer	Employed Population				
	Total	Formal	%	Informal	%
Total	48 732 252	19 461 229	39.94	29 271 023	60.06
Informal Sector	14 221 779	0	0.00	14 221 779	100.00
Employment Rate in the Informal Sector (TOSI), traditional measurement that the National Information and Geography Institute (INEGI) has presented since 2005, based on the National Survey on Occupation and Employment (ENOE)					
Paid Domestic Service	2 202 107	64 185	2.91	2 137 922	97.09
Companies, Government, and Institutions	25 570 482	18 816 934	73.59	6 753 548	26.41
Agriculture and Animal Husbandry	6 737 884	580 110	8.61	6 157 774	91.39
General or amplified rate called the Informal Work Rate (TIL) INEGI-ILO. Broad concept of informality that includes not only employment in un-registered economic units, known as the "informal sector," but also encompasses work done or not in economic units typical of the informal sector, which incorporates agricultural activities and paid domestic service as well as employees who participate in fully formal economic units' processes, but for whom those units do not recognize a work relationship and the obligations that this brings with it.					

Source: Developed by the author using information on the informal sector in Instituto Nacional de Estadística y Geografía (INEGI), "Boletín de prensa no. 449/12," December 11, 2012 (Aguascalientes, Mexico). For more information, see "Measuring Informality: a New Statistical Manual on the Informal Sector and Informal Employment," http://www.ilo.org/stat/Publications/WCMS_182300/lang--en/index.htm.

international cooperation systems and political-institutional alliances that give them greater protection. Consequently, Mexico will have to review its weaknesses and act solidly where opportunity presents itself, clearly observing the parameters of international competition. To do this, it will have to decide, in context, what, how, how much, and for whom it should produce. This implies changes in the pattern of development, the structural bases of which can be found in energy, infrastructure, technology, education, the organization of production, financing sources, links of the markets, and the institutional framework.

For Mexico, this means it must redefine the end and the means of the what and the how, using its current objective situation as a starting point: that is, the fact that it is lagging behind in the world's techno-productive and geo-economic restructuring, threatened by the systemic recession.

> Barely into the second half of the 1960s, Mexico's wheels of progress began to spin in the muck, and no one knew how to get out or, rather, they did not want to. The former protagonists of structural change became conservatives.

Where Is Mexico Coming From And Where Is It now?

As I already mentioned, our country is trapped in the tentacles of backwardness; it is not a developing nation. Over the last 50 years, average growth has been 2 percent a year. This has been insufficient to overcome the socio-economic deficiencies that existed at the beginning of the current stage (1982), plus those that have accumulated until today as a result of this poor performance. At the same time, with this pace of economic growth, Mexico has not kept up with the average growth of countries that at that time had similar conditions and are now in the forefront of the markets, vying for regional hegemony. Among these we can mention the prodigious emerging countries like the Asian Tigers or the so-called BRICS (Brazil, Russia, India, China, and South Africa).

The paradoxical side of this is that Mexico was just emerging from a stage of sustained growth (from 1935 to 1965) averaging over 6.0 percent, when, suddenly, from 1966 on, it began to just spin its wheels, like the tires of a car stuck in mud that turn and turn but do not move forward. What happened in those countries that, starting with similar conditions, are now emerging countries, practically exemplary, and are a counterweight to the growth dynamic of the developed countries in crisis? Let's explain it by analyzing what happened in Mexico. What formula was applied in the growth stage and why did it stop being useful? What replaced it and what is recommendable for the near future?

With its pace of economic growth, Mexico has not kept up with the average growth of countries that had similar conditions and are now in the forefront of the markets.

Mexico's Sustained Economic Growth Model (1935-1965) And Why It Failed

Mexico took advantage both of internal and external conditions to organize the forces of production and adapted to both international and domestic market needs. The state distributed land and developed hydro-agricultural, warehousing, and communications infrastructure to make agriculture a factor in supporting industrialization. Later, it protected the economy through tariffs and adopted a model of manufacturing import substitution; it facilitated productive investments, created a banking system to foster production, and ensured both sufficient energy production (oil and electricity) and food supply to the work force at accessible prices.

In addition, it corporately organized workers and peasants, facilitating agreements and compromises in line with the industrialization project. It also took on the enormous task of basic and higher education to satisfy industry and related services' demand for technicians and professionals.

Parallel to this internal reordering effort, it reacted to external demand that increased enormously due to World War II. The need for food and raw materials by the main powers involved in the conflict spiked, so the demand for sugar, tobacco, grains, cotton, henequen fibers, energy, metals, etc., shot up at the same time that their ability to satisfy that demand diminished. Mexico was able to produce and sell in accordance with existing historic standards, which at the time were through industrialization.

Structural change was in its first phase, since the country's productive structure went from being above all agricultural to being predominantly industrial, and from being a rural society to one that was preeminently urban. Nevertheless, in that process, Mexico engendered a first generation of men who forged very powerful families that developed under the umbrella both of the private and the governmental sector. These families' fortunes grew and they enjoyed privileges derived from public power. This allowed them to dominate towns and territories and also made them resistant to change. And that ended by tangling up the growth model.

Industrialization, on the other hand, demanded moving away from the import substitution of manufactured goods (television sets, refrigerators, washing machines, etc.) to the production of capital goods (machinery and equipment). But before that could happen, Mexico ran up against the fact that the developed countries, having emerged from the ravages of war and reconstruction efforts, began to satisfy their own food requirements —except for tropical products— and a large part of their raw materials were replaced with synthetic fibers. The change in external demand strangled the entry of hard currency, and therefore the capacity to import machinery and equipment, even replacement parts. This meant Mexico stopped selling agricultural products and started buying them at the same time that its industry aged and became obsolete.

The End of an Era

The success story was a thing of the past. Barely into the second half of the 1960s, Mexico's wheels of progress began to spin in the muck, and no one knew how to get out — or rather, they did not want to, because, after three or four decades of success, the country's leaders had turned into a power elite and did not dare introduce political or economic or institutional change because they feared the risks. The former protagonists of structural change became conservatives.

The government clung to the same road, resorting to indebtedness, and, before the end of the 1970s, the possibilities for contracting debt rose enormously because of the discovery of large oil deposits. However, expectations swiftly vanished after international oil prices fell in the early 1980s.

Development Strategy Change And the Causes of Meager Results (1982-2012)

Mexico was in debt and without a industry capable of fulfilling its needs as the world restructured on the basis of technology that demanded the liberalization of borders to make way for new forms of organizing production and the markets. The socialist world was disappearing, and the new wave of economic growth in the capitalist world became overwhelming.

The Mexican state aligned with the new liberal tendencies, and we entered the 1980s, first with a plan for savings and paying the public debt. Then, we moved toward re-formatting the government apparatus, which opted to not intervene directly in the economy and to eliminate trade barriers. Nevertheless, within this scheme of things, Mexico did not achieve the sustained growth it sought; much less did it lessen its imbalances and social, regional, and productive inequalities.[1]

That is, Mexico incorporated itself —but only its most promising economic sectors— into the world trend of economic neoliberalization. Its masters were heir to the powers created in the glowing previous period I mentioned. These people did not have a hard time of it, nor have they been affected by the crises. Quite to the contrary, they have been the spoiled beneficiaries of the market, both domestic (telecommunications, construction, etc.) and foreign (electronic parts, auto, cement, glass, winter fruits and vegetables, etc.) (see Table 2). What is more, their growth rates skyrocketed.

Thus, some Mexicans and their industries integrated themselves into the new world economy, amassing great fortunes and forging a relatively solid macro-economy to provide coverage to their specific companies. This placed the country among the emerging nations. However, that is not the national reality. And the most serious part of it is not the extreme indicators of inequality and poverty, or the size of the fortunes —the richest man in the world is Mexican— but the fragility caused by not having laid the national structural techno-productive groundwork for the medium and long terms.

So, what is the recommendable formula for growth and bringing down inequalities in Mexico? There is a clear basis on which countries must seek their perspective and to resituate, and that is making a priority of economic growth with formal employment and democratization with freedom and respect for human rights and the environment. This is the profile that the grassroots communities who make their wishes known demand, based on the information revolution of the current digital era; and that in turn is the basis for the new techno-productive capacity that defines today's prospects for humanity.[2] This presupposes that these grassroots communities and their vanguards, together with those in the forefront of the entrepreneurial productive sector and informed middle layers, must construct an organized ideology, creating a relationship of forces among the population that will make it possible for national states to reduce the perverse play of speculative finance capital that replaced productive capital, returning it to its function as an auxiliary to the productive sector. It is this productive sector that must create new products, make them more affordable, and accumulate on the basis of amplified reproduction in new enterprises.

Mexico incorporated itself
—but only its most promising economic sectors—
into the world trend of economic neoliberalization.
Its masters were heir to the powers created
in the glowing previous period.

With this perspective, Mexico must take advantage of the areas for opportunity that present themselves in increased food and raw material prices. These are rising for different reasons than during World War II, but the effect in the market and earnings are analogous, making the sector a co-participant in financing the modernization of industry and services, as part of the knowledge economy.[3]

In particular, the depression in the developed economies imposes forms of diversification toward the large emerging nations, but without losing sight of the fact that that is where the competition is and that much will still have to be done with the United States despite its crisis. Given the circumstances, the domestic market will be the place to emphasize; but, right now, the foundations must be laid by focusing on education. This implies assuming access to information as an obligatory condition and a human right in the strictest sense.

Infrastructure and technology must be linked to the development of small and medium-sized firms in order to integrate chains of value with a multiplying effect for productive capacity and employment. This must take into consideration a wide spectrum of goods and services and deal with the international parameters of competition. It must be done in the framework of an open economy that shields strategic areas and the development of new productive areas like mining, fishing, energy, forest resources, environmental and agricultural/food services, telecommunications, transportation, the medical industry, etc., which continue to be sluggish. The state must be politically and socially strong, and monopolies must be dismantled in a very careful strategy to form capital with jobs and democracy.

Territorially, the implementation of these policies is based on reordering and the search for new balances among the country's different regions, where human and natural resources are under-utilized. All of this must come together in a national effort to develop by stages. These stages must include the consolidation of structural factors (energy, infrastructure, technology, education, productive organization, financing sources, links to markets, and the institutional framework) in a new way of producing (creation of new products with high domestic and external demand) and a new form of productivity (relative competitiveness).

In conclusion, we cannot buy into the idea that we are a developing country just because we are one of the world's 20 largest economies. Objectively, in Mexico, there are no techno-productive, socio-economic, or socio-institutional bases similar to those of the emerging nations that over the last 30 years have climbed aboard the train of world re-structuring.

To put ourselves on the road to development, we will need not only macro-economic stability, but also production-earnings bases in accordance with current demands. Undoubtedly we are talking about processes that will take time and be gradual, but they will take no longer than the time we have lost, aggravated by eroding our capabilities when "we allow the Devil to do what he will." Based on these coordinates, a new development strategy for the Mexican state must be built, particularly specifying new criteria for economic and political policy that will have their first full opportunity in 2014. VM

TABLE 2

MEXICO'S TRADE BALANCE (JANUARY-NOVEMBER 2012)

Item	Millions of Dollars	%
Total Exports	340 743.00	100
• **Oil-related**	49 200.10	14.44
• **Non-oil-related**	291 542.90	85.56
– Agriculture and Animal Husbandry	9 985.50	2.93
– Extractive Industry	4 540.80	1.33
Automotive	81 333.80	23.87
Non-automotive	195 682.80	57.43
Total Imports	341 543.70	100
• **Oil-related**	38 282.00	11.21
– Consumer Goods	17 516.40	5.13
– Intermediate Goods	20 765.60	6.08
• **Non-oil-related**	303 261.70	88.79
– Consumer Goods	32 585.90	9.54
– Intermediate Goods	235 513.40	68.96
– Capital Goods	35 162.40	10.30
Trade Balance	-800.7	-0.23

Source: Developed by the author using information from November, 2012, in Instituto Nacional de Estadística y Geografía (INEGI), "Boletín de prensa no. 458/12," December 27, 2012 (Aguascalientes, Mexico).

In Mexico, no techno-productive, socio-economic, or socio-institutional bases exist similar to those of the emerging nations that over the last 30 years have climbed aboard the train of world re-structuring.

NOTES

[1] Marina Trejo Ramírez, "Economía mexicana y política económica (1982-2006)", master's thesis (Mexico City: School of Economics, UNAM, 2012).

[2] Manuel Coello Castillo, "Una mirada en el tiempo: rompimiento y continuidad en el desarrollo capitalista," *El Cotidiano* no. 177 (Mexico City), Universidad Autónoma Metropolitana, January-February 2013.

[3] Eduardo Pérez Haro, "Glosando a Enrique Peña Nieto sobre el campo mexicano," *Economía y democracia* no. 28 (Mexico City), Centro de Estudios sobre Economía, Finanzas y Desarrollo Agropecuario, March-April 2011, pp. 40-49.