

II

The Economic Context in Mexico

Carlos Salas¹

CHANGES IN THE DEVELOPMENT MODEL

The thorough transformation of Mexico's economy along the past twenty years could have but

leave the common life of Mexican men and women untouched. For a few there are plenty of job opportunities in new as well as traditional fields, while most do have to cope with scarce opportunities and stagnant or deteriorating standards of living. For those among the wide majority, meeting essential basic needs has become an every day uncertainty that must be faced. How this came to be? The economic transition began with the foreign debt crisis in 1982 which led to a radical shift in economic policy. Prior to the debt crash, the previous growth model – one that relied on the domestic market, as conceived ever since the late 1930's when the Mexican state reached stability under President Cardenas's administration project ²– underwent a crisis. The economy had remained closed to the foreign sector and had established high import tariffs and prohibited the entrance of a wide range of commodities. This, however, was not accompanied by an efficient program that would replace the imported inputs on which the national industry depended as it leaped to higher industrial levels. Ultimately, production depended on the availability of foreign exchange with which to purchase the necessary inputs in foreign markets.

Foreign exchange was obtained mainly through trading agricultural goods and outputs from the mining industry (i.e. oil). As agricultural production fell into crisis around the mid sixties (Solís, 1981), the oil boom of the mid seventies temporarily withheld the crisis while, in the meantime, facilitated an acceleration of the foreign debt. When international oil prices dropped, the country had not access to foreign exchange anymore and so the 1982 crisis was triggered

This domestic minded model was gradually dismantled by economic policy makers under the De la Madrid administration. The new growth strategy asked for a different kind of State, which would certainly not play the leading role the economy for almost fifty years. Hence the wave of privatizations and reprivatizations, legal reenactments, and the abandonment of income

¹ Faculty member of the Sociology Department at UAM Iztapalapa

² See the article by Boltvinik and Hernández Laos (1981) for a discussion on the exhaustion of the model of development oriented toward the domestic market, commonly known as the *import substitution model*.

redistribution mechanisms that followed. In addition, the economy opened up to foreign competition, a process marked by Mexico's joining the GATT in 1986 (Calva, 2000).

It proved to be that the lower direct participation of the State in economic activities, lower social expenditure *per capita* (Chávez, 2002) along with the sudden opening up to international trade directly accentuated the natural tendency toward polarization typical of developing countries such as Mexico (Dussel, 1997).

Ever since its inauguration, the Salinas administration pushed forward the new foreign-oriented model at full throttle. The new strategy was advertised as a mechanism that was to allow Mexico to join the selected group of privileged First World countries (Aspe, 1993). The signing of the North American Free Trade Agreement (NAFTA) in 1993 would have certainly crowned all such enthusiasm and make-belief had it not been for the downturns of 1994: the Zapatista rebellion, the assassinations of notable politicians, and, of course, a new peso crisis.

The model has found it difficult to maintain a sustained growth paired with the creation of employment and wage increases for the workers, especially since the 1994 crash. The most recent financial crisis revealed the obstacles faced by a model that privileges foreign markets (i.e. financial currents) and leaves the fate of the whole of the domestic market in the hands of chance. With domestic production at peril, it is not strange that both income distribution and employment – key factors that determine the population access to common welfare and social reproduction – have been kept at bay. Then so, if we accept, from a social perspective, that the efficiency of an economic strategy model must be measured according to the extent in which the common welfare and living standards of the majority improve, then the present, so called, export-led model has failed.

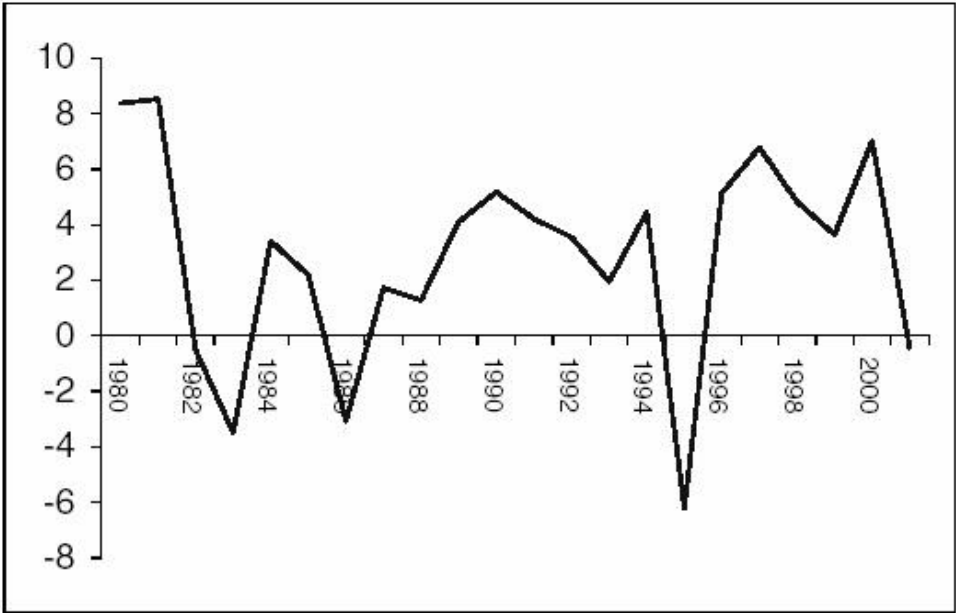
RECENT MACROECONOMIC EVOLUTION WITH SPECIAL REFERENCE TO FOREIGN TRADE AND INVESTMENT

As mentioned, economic policy design shifted in 1982, abandoning all reference to the domestic market and initiating a process of change to an economy closely linked to foreign markets. Along this transition from one social structure of accumulation to another, economic growth has been erratic (Salas, 2000).

The Mexican economy has not managed to recover the sustained growth pace it enjoyed up to the seventies: from 1938 to 1980, the average annual GDP growth rate was 6%; between 1980 and 1988 it dropped to 1.1% per year, whereas from 1988 to 2000 it reached 3.66% per year. In the year 2001, however, the GDP fell around -0.4 per cent. As shown in Graph II.1 the economy went through the aftermath of the 1982 crisis not quite recovering stability until 1988, from when it moved into a traditional economic cycle which, in turn, would have halted in 1994 had it not been for a strong injection of resources from the Mexican government to stimulate the economy before that year's presidential elections.

Moreover, the authorities had chosen a fixed exchange regime as an instrument of inflationary control. The incoming capital flows eventually appreciated the Mexican peso and thus generated serious balance of payment problems that put pressure on the exchange rate. The financial crisis was the result of policies that aimed to convince foreign investors that Mexico was a good place to make business and a particularly good partner for a trade agreement like the North American Free Trade Agreement (NAFTA). The fixed exchange rate regime went well so far as the government commitment to the parity seemed sustainable, never minding the serious problems in the balance of payments that would eventually cry out for an exchange rate adjustment.³ As it happened, as authorities announced that the bandwidth into which the peso oscillated was to be widened, investors turn into a maddening crowd that would hardly be kept in order. In the end, Mexico was bailed out into a scheme where, in order to hope for a modest recovery, it had to sign in for debt. Such is the irony of the export-led growth that was to lead the country out of the mess of foreign debt.

Graph II.1 *GDP Growth Rate: 1980 – 2001*



SOURCE: INEGI, Banco de Información Económica (BIE)

³ See Blecker (1996) for a description of the constraints of the neoliberal model and their relation with the emergence of the 1994 crisis.

The bias toward exports, together with an increase in maquiladora activities,⁴ implied a closer link with the U.S. economy that was not created, but certainly enhanced by NAFTA. The most important consequence of this nearness is that the Mexican economy has become ever more vulnerable to fluctuations in the U.S. economy. The recent Mexican GDP evolution samples this: during 2001, as the U.S. GDP rate slowed to 1.7%, the Mexican GDP dropped -0.4%. This, of course, markedly contrasts with initial forecasts made by the current Fox administration that optimistically placed GDP growth at around 7 per cent. As put by Moseley and Mariña (2001) the economy's average profit rate managed to recover from a crisis in 1986 without ever setting into an upward trend or even reaching the levels observed in the seventies. Up to now there is no sign that a cycle of continuous growth is about to begin.

Additionally, the GDP's erratic behavior has meant an unstable growth of *per capita* production: though a very gross measure of the average wealth distribution, its extremely unsatisfactory performance during the past ten years, depicted in table II.1, manifests clearly that income distribution that has not improved in recent years.

Graph II.2. Profit Rate in Mexico between 1970 and 1999 (1970=100)



SOURCE: The author's own estimates based on Mariña and Moseley, 2001

⁴ It must not be ignored that the maquiladora activities have flourished with the use of the U.S. Customs Tariff Code (rule HTS 9802) through which U.S. companies can send U.S. manufactured inputs to other countries and then reintroduce these finished or semifinished products by only paying a customs tariff on the value added in the other country.

One can get a closer idea of income distribution in Mexico by regarding Table II.2 which shows the functional distribution of income according to the National Accounts System, i.e., the proportion of the total amount of wages in the GDP. As you can see, wages reached a peak in 1994 from where they began to decrease up to 1998, from where they have slowly recovered (it was only 0.7% between 1999 and 2000) not yet grasping its 1994 level. This means that corporate profits have grown in recent years, which further confirms the stagnation in wage recovery and income distribution as profits are highly concentrated in a small number of companies or business groups, most of which are linked to exports or financial services.

Table II.1. *GDP per Capita Growth Rate*
1991 – 2001

Year	Annual Rate
1991	1.88
1992	1.21
1993	-0.39
1994	2.14
1995	-8.55
1996	2.50
1997	5.11
1998	3.20
1999	2.06
2000	5.53
2001	-1.80

SOURCE: The author's own estimates based on INEGI data.

Table II.2. *Proportion of Wages within the GDP (%)*

1988	29.8
1989	29.5
1990	29.5
1991	30.9
1992	32.9
1993	34.7
1994	35.3
1995	31.1
1996	28.9
1997	29.6
1998	30.6
1999	31.2
2000	31.3

SOURCE: INEGI, Sistema de Cuentas Nacionales, several years.

Official figures reveal an uncommon three-fold increase in real total exports (table II.3) and a quadrupling of real maquiladora exports throughout the nineties. This data, nevertheless, overestimate the importance of international trade, particularly since 1992.

The reason is that the overwhelming size of exports is based on a mere accounting trick: they consider maquiladora exports' value as if it were real exports i.e., transactions with another country that therefore imply an income for Mexico whereas they are really not so. When work is done in the maquila, such as assembling jeans, for example, most of the inputs do not come from Mexico. These inputs enter Mexico without being subject to tariffs; neither does the maquiladora company pay the headquarters for the inputs. The assembled output that is sent back to the United States contains a certain valued added in Mexico. This, however, does not mean the maquiladora company is selling or delivering their headquarters merchandise which begets an income. Both monetary transactions therefore only exist in writing. The only money that stays in Mexico is the aggregated value composed of wages-salaries, benefits and minimum infrastructure expenses made in Mexico.

Table II.3. Foreign Trade Transactions
(Thousand Constant Dollars, 1994 base year)

<i>Period</i>	<i>Total</i>	<i>Maquiladoras</i>	<i>Maquila/total</i>
1991	46448.5	17228.1	37.1%
1992	90539.7	35320.3	39.0%
1993	53214.7	22412.6	42.1%
1994	60882.2	26269.2	43.1%
1995	77349.5	30246.0	39.1%
1996	90676.6	34873.0	38.5%
1997	101968.3	41704.4	40.9%
1998	106794.4	48263.3	45.2%
1999	121327.5	56801.2	46.8%
2000	143255.6	68391.9	47.7%
2001	132670.6	64302.8	48.5%

SOURCE: Estimates based on INEGI BIE and the US Department of Commerce.

Thus, once the maquiladora figures are deducted from the total exports, the magnitude of exports receipts is downsized 48%. In fact, actual exports are constituted by a restricted number of products. The auto industry, for example, accounts for 31% of exports. What happens is that intrafirm trade has become an important part of such non-traditional exports. If we take into account the imports that are needed to make these products, the trade balance results in deficit, that is, trade balance without the maquiladora has been increasing. This allows for the possibility of yet another balance of payment crisis or an exchange rate shock just as that of 1994-1995 (Blecker, 1996).

When 82% of Mexican manufacturing exports are directed towards the U.S., it is no surprise then that Maquiladora production is almost exclusively oriented to the same market. This concentrated dependence may partly explain the mentioned drop of Mexican GDP during the year

2001, even when manufactured exports are confined to just a short array of companies with limited direct rapport with the Mexican economy, as evidenced by the fact that 72% of the imported intermediate goods (i.e. imported inputs) are linked to export activities (Banco de México, 2001: chapter 3).

Foreign Direct Investment (FDI) has not increased substantially, not even since the 1994 enactment of NAFTA (Salas, 2001). The exceptional leap recorded during the year 2001 (24 billion dollars) was due to an investment recorded in the financial services sector for a total amount of 14 billion dollars (Citigroup purchased the main Mexican bank). The only investment with a strong growth trend was the import of fixed asset made by the maquiladoras. Taken as a whole, foreign investment has hardly contributed to increase employment since a significant part of this investment has been used to purchase existent companies, as in the case of banks and the large chains of supermarkets that proliferate throughout Mexico.

Table II.4. *Gross Domestic Product: Regional Dynamics and Structure*

Region	GDP Growth Rate (Annual Mean)		GDP Regional Participation	
	1980-1988	1988-1998	1980	1998
	1.6	3.4	100.0	100.0
Northwest	3.4	3.6	7.0	8.5
Northeast	2.4	3.5	8.7	9.7
North	3.5	3.6	6.6	8.7
Central North	1.9	4.5	5.8	7.0
East	3.3	3.1	9.4	10.0
Center	3.2	4.1	7.1	8.5
Gulf	-1.2	1.3	9.6	5.6
Peninsular	0.7	3.9	4.5	3.9
South Pacific	1.2	3.8	5.8	5.0
Capital Area	0.7	3.2	35.6	33.2

SOURCE: The Mexican National Accounts System / NAC (Sistema de Cuentas Nacionales / SNC), several years.

NOTE: Current price data were used to estimate the growth rates corresponding to the NAC (baseline 1980) for the period from 1980 to 1988. For the period from 1988 to 1998, the 1988 data were adjusted to the structure of the 1993 base year of the NAC, INEGI, 1999.

Let us now examine the behavior of the different regions in Mexico in the period from 1980 to 1998. The regional classification we use here is similar but not altogether identical to that of the ministry of urban development and ecology (Secretaría de Desarrollo Urbano y Ecología / SEDUE) because we separated the Capital Region from the Central Region. According to SEDUE regions are integrated by a number of states such as follows: North West: Baja California Norte, Baja California Sur, Sinaloa and Sonora; North: Chihuahua, Coahuila and Durango; North East: Nuevo León and Tamaulipas; North Center: Aguascalientes, Guanajuato, Querétaro, San Luis Potosí and Zacatecas; West: Colima, Jalisco, Michoacán and Nayarit; Central Region: Hidalgo, Morelos, Puebla and Tlaxcala; Central Gulf: Veracruz and Tabasco; South Pacific: Chiapas, Guerrero and

Oaxaca; Peninsular Region: Campeche, Quintana Roo and Yucatán. As we explained we consider an additional Capital Region: the Federal District and the State of Mexico.

Whereas economic activity in the Southern, Gulf and Capital regions remained practically stagnated along the 1980-1988 period, the northern regions grew at a moderate 3% yearly pace (except for the North East region with a rate of only 2.1%). This is but a reflection of an acute process of regional differentiation in which the typically poorer regions, as well as the center of the country and the region of the Gulf stagnate, whereas in the North and East of the country the economy grows slightly. As the economic crisis and the contraction of domestic demand ensue the states with trade links with other countries remain better off than the more fragile and less world integrated regional markets.

This differentiated pattern within the regional economic dynamics extended well after the first phase of the trade liberalization process – once the economy had started to recover after 1988 – and effectively halved Mexico in two radically different types of nation. There is an active half which includes all of the Northern states that managed to keep up a certain growth rate of their own (including even the Northern Central region); the central regions (Center and the Capital Region) which also grew slightly above the national mean during this period; and the Western region even if it grew at a rate slightly lower than the period before. The Gulf, South Pacific and Peninsular regions of the remaining half did salvage part of their activity but they lagged behind in relation to the general dynamic of the country. Considering the almost twenty years (1980-1998), one could say that the erratic and modest growth of the Mexican economy flowed out mainly from the northern and central states, whereas the Capital Region (still a third of the economy), the Gulf and the South lost their relative importance.

Along the past twenty years, the main feature of Mexico's production was its steeping process of tertiarization (López, 1999). Towards the end of the stagnation period (1988), the manufacturing sector had strengthened its presence within the GDP of all regions, except the South Pacific. This was particularly the case of the northern states which, as mentioned, grew more rapidly in the period; it also happened in those states where mining activities were more important. However, past 1988 the manufacturing sector shrunk in relation to the other sectors within all regions. In most cases the contraction was such that the share of manufacturing was lower than in 1980 (as in the North Eastern, Eastern, Central, Peninsular and Capital regions); this resulted not only from the relative recovery of the infrastructure sectors but, above all, from the continuous growth of the tertiary (services) sector.

Trade and services constantly increased their participation in the regional and national GDP during both the recessive and recovery periods (their growth paced up in the last ten years). It was within those states that grew slower between 1980 and 1988 (Gulf, South Pacific and Peninsular regions) where the increase in the proportion of tertiary activities turned out to be more important. It is doubtless that the development of tourist poles in the Peninsular and South Pacific regions

largely explains the explosive increase of their tertiary sector. Both regions doubled their participation in the national GDP in trade, restaurants and hotels between 1980 and 1988.

Thus the period of stagnation (1980-1988) was also marked by a major reshuffle of productive sectors within the regions (see table II.5). As agriculture, mining, construction and financial services dropped severely, manufacturing and trade activities (including restaurants and hotels) tended to increase their share in production in most regions. This was particularly true, in some way, of the North border regions as well as the Center and Gulf regions where manufacturing increased its importance; and, in quite another way, of the Gulf, Peninsular and South Pacific regions where trade, restaurant and hotel activities presence rose within regional production (in a quasi-proportional response to the value decline of mining production due to collapsing oil prices).

Table II.5. *Participation of Manufactured Goods and the Tertiary Sector in the Regional GDP*

Region	Participation of Manufactured Goods				Participation of the Tertiary Sector			
	1980	1988 ^a	1988 ^b	1998	1980	1988 ^a	1988 ^b	1998
Total	22.5	27.2	24.0	21.3	53.2	56.7	60.1	65.4
Northwest	13.4	15.4	14.3	15.9	58.1	59.1	61.7	65.4
Northeast	28.4	35.1	30.3	26.1	56.5	53.1	59.8	64.4
North	20.1	27.8	27.8	27.2	54.7	50.8	53.8	58.5
Central	16.7	28.1	27.2	21.0	55.1	53.8	55.7	61.1
North								
East	21.0	23.6	20.9	18.4	58.9	56.2	58.2	63.4
Center	28.2	31.8	28.8	27.1	48.4	53.1	56.5	58.9
Gula	13.7	21.0	20.9	15.8	34.5	53.6	50.2	60.4
Peninsular	5.6	8.1	7.0	6.1	28.8	61.2	54.1	70.8
South	10.1	10.1	10.8	7.5	43.4	62.7	59.1	67.3
Pacific								
Capital Area	30.1	34.5	27.4	23.9	59.9	59.0	66.4	70.5

SOURCE: INEGI, Sistema de Cuentas Nacionales (SCN), several years.

NOTE a) Corresponding to the 1988 GDP structure with a 1980 base year; b) Corresponding to the 1988 GDP structure with a 1993 base year

During the 1988-1998 years, the Eastern, Gulf and Peninsular regions' share lost ground within the national GDP in favor of the rest of the regions. The Capital Region reduced its participation in all economic activities (except agriculture and mining), the infrastructure sectors (construction and electric power) and financial services showed certain dynamism within the Gulf and Eastern regions.

Along that same period, sectorial restructuring within regions, in spite of being moderate with regard to the previous period and maintaining some of its trends, presented essential differences nevertheless. A general fact of the 1988-1998 years is that within most regions, the infrastructure and service activities gained prominence over agriculture, mining and manufacturing, trade, and restaurant and hotel activities. The two notorious exceptions to this behavior are, first, the North Western region where manufacturing gained importance with regard to the other sectors

in spite of having done so at a slower rate than financial and other services; and, second, the Peninsular where tourism spurred a considerable growth in trade, restaurants and hotels. Among the rest of regions, the participation of the tertiary sector (financial services and personal, community and social services) within the regional GDP grew much more rapidly than any other economic activity. Two infrastructure activities (electricity, gas and water, on the one hand, and transport and communications, on the other) held on to an increasing trend among regional production (at a rate similar to the previous period). During the second period, they were joined by the construction branch which had remained collapsed since 1980 and had by then started a process of relative growth.

The long-term tertiarization process was thus nuanced by an increase in the importance of manufacturing in the north-border states (associated with the sustained drive of the maquiladora industries) and in the Central and Northern Central regions (where the long-term growth of the auto industry and of the textile industry has prevailed since the mid-nineties).

Promises made by the defenders of liberalization have hardly been fulfilled; the model has yet to fully deliver the recovery of sustained growth and a greater productive capacity. One should add the promised increase in the number of stable and well-paid jobs, and the population's standards of living. As the next chapters relate it, the model's achievements in the field of employment, wages and income distribution have nevertheless been scarce⁵.

SOME GENERAL ELEMENTS ON NEOLIBERALISM

Recent economic policy emphasizes the free operation of markets which asks for a reduction in past governmental regulations. Thus the markets become places where the State's direct action must be increasingly reduced in order to allow for the functioning of both international trade flows and the domestic market. This is what is commonly referred to as *neoliberalism*. I have resorted to MacEwan's words in order to explain what we understand by it:

Towards the end of the twentieth century, economic policy prevailing throughout most of the world has granted an increasingly more important role to private decision-making processes that are not subject to any regulations. This policy demands a reduction of the role the government plays in social welfare, the management of economic activity at aggregate and sectoral levels, and international trade regulation. The ideas underlying this policy are not new. They come straight out of classic economic liberalism emerging in the nineteenth century that claimed the "market" as an appropriate guiding instrument with which people should organize economic life. As an incarnation of these old ideas, this ascending economic policy is generally known as "neoliberalism" (MacEwan, 1999, p. 4).

⁵ There is a vast literature on the theme that documents what happened up to the year 2000. See Bensusán and Rendón (2000), Larudee (1998) and Salas (2001), among other authors.

Neoliberalism rests upon neoclassical economic theory which aims to explain the economy as the sum of individual actions of both consumers and producers (Wolff and Resnick, 1987). Trade is assumed to be a commercial exchange between producers and consumers acting independently in search of their own benefit (be it the consumers' utility or the producers' profits). The producer is also assumed to know every single one of the production techniques existing to manufacture goods, whereas consumers are always capable of choosing the set of goods they find more satisfactory. Besides, there are no producer and consumer coalitions so prices are set without their intervention via supply and demand mechanisms. In other words, it is a given that consumers and producers are price takers. A market like this is known as *perfect competition market* (Samuelson and Nordhaus, 1995).

Under these perfect competition conditions, markets are always in balance, i.e. a set of prices where the global supply and demand are equal and where all producers maximize their profits and all consumers obtain the greatest satisfaction possible. The point of balance has an additional highly important property: at those prices, consumers buy a certain amount of goods and producers place a certain amount of goods in the market. Any re-distribution of these amounts (for example, transferring goods between two consumers, maintaining the total production constant) would reduce the utility of the new set of commodities for the consumer and their position would therefore be worse than in a balanced situation. In other words, if an economy is in a situation of balanced competitiveness, it is impossible to improve the utility for the consumer without worsening the situation of another consumer. This balancing property of prices and amounts is called *optimality in Pareto's sense* (Screpanti and Zamagni, 1995). In a balanced situation, each consumer's well-being is the highest possible and any change in his / her consumption pattern would affect another consumer's well-being.

Neoclassical theory claims that a consequence of this quality of balancing the market is that any of the State's re-distribution actions will benefit a group, but will always end by harming another group.

It follows that the State must reduce its intervention in the economy to the most so that it leaves the price signaling system untouched. Any element alien to the markets hinders the way to a general balance. Any institution or coalition, whether of producers or consumers, that affects prices by making them artificially high or low, will also make it difficult or impossible to reach a balance.

These results of neoclassical economic theory are based on a series of assumptions that are not met in the reality of the market. To start with, consumers do not always know enough about the satisfaction they get from consuming a set of commodities, and it is therefore not always actually possible for them to choose an alternative. The producers are also limited in their possibility of being able to choose between different production techniques in order to thus maximize their profits. Besides, producers are rarely price takers. They tend to be price fixers. Under these conditions, the existing markets very rarely reach a balance, and when they do it is for a brief

moment only. In real markets, the imbalance between supply and demand is normal (Screpanti and Zamagni, 1995). Thus there is something of an oxymoron when speaking about “market failures” as markets do not as a matter of fact operate as foreseen by the neoclassical economic.

If neoliberalism’s basic ideas do only exist in the realm of abstraction, as theoretical assumptions, then the model’s efficacy is simply an ideological construct without any roots in empirical experience. Arguments for the neoliberal model as the only possible way, like any religious ideology, are only sustained by an act of faith (Green, 1995). Ultimately they are but mere pragmatic arguments seeking to prepare the ground for the absolute prevalence of private economic activity, reducing the State to its smallest expression with the sole purpose of ensuring property rights and providing the basic infrastructure so that private profit seeking economic activities can function well.

THE NEED TO REVIEW THE ECONOMIC POLICY

The main beneficiaries of the neoliberal order, of course, are not the inhabitants of those countries where policies of this kind have been instrumented. It is rather the large business groups and the political elites who have benefited.

In the face of this troubling situation, it becomes necessary to re-orient the economic policy of the countries subjected to the logic of current economic liberalism. As the studies included in this book point out, the results of the neoliberal model in Mexico leave no space of doubt regarding the urgent need to change the course of economic policy.

But how feasible are these changes really?

The most reiterated objection is that a globalized world has no space for national alternatives. This seems to take for granted the notion of a reality where political alternatives are imposed from the outside through transnational corporations, financial capital flows, the exhortations and pressure from international financial organizations (the World Bank and the International Monetary Fund) and the pressure or ceaseless imposition of the governments of the more developed countries. The European Union itself, however, shows that decisions regarding internal economic policies in each country are not dictated from the outside and are still necessary. The nation-state still plays a central role in the current internationalized economy (Hirst and Thompson, 1996; Moran, 1998 and Perraton, 2001). As with the demise of Keynesian ideas that dominated economic thinking from the postwar until the 1973 oil crisis, the dominance of neoliberal ideas are due more to changes in the correlation of political forces and ideological issues than to a proven superiority over other policy alternatives (MacEwan, 1999).

Another common objection is that neoliberalism is the only possible way to ensure national growth: any other alternative is doomed to failure. This lies on two ideas yet to be demonstrated: that there is a pure neoliberal model that may be applied indistinctly to all countries; and that such model has stimulated economic growth.

There are however as many practical variants of the neoliberal model as countries exist: some have implied authoritarian regimes, whereas others have flourished in countries with formal democracies. The prevalence of market logic also has many levels and ranges within a wide spectrum of possibilities and a wider array of results. Even in countries like Chile, there are regulations regarding the capitals placed on the stock market. In other countries like Argentina, the lack of regulations in many markets, and the fact that they follow the neoliberal recipes rigidly have led to bankruptcy.

While there is evidence that GDP has not grown in countries that have firmly embraced the free market model. Average world-wide growth of the GDP went from 3.3% in the eighties to 2.7% per year during the nineties. The largest growth rates were observed in the Asian East Pacific, 7.9% during the eighties and 7.2% during the nineties.

These figures raise the doubt whether the path of neoliberal policies ensures the population's well-being. On the other hand, it is not clear whether the notion nation-states perform a minor role in the so-called *globalized economy* has proved righteous. The theme is still open to discussion. In any case, the current state of affairs in major countries proves that there is still maneuvering space where to hold decisions regarding the domestic economic policy. That this must be the case for developing countries, for Mexico and labour policies in particular, is the thread that links all the materials in this book.

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