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## **Mexico: A Case Of Distorted Development By David Barkin**

*by Steven Ranieri*

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[Reproduced below are excerpts from the introduction to Barkin's book, *DISTORTED DEVELOPMENT: Mexico in the World Economy* (Boulder, Colorado: Westview Press, 1990). The author, professor of economics at the Universidad Autonoma Metropolitana's Xochimilco campus and Centro de Ecodesarrollo research director, is a North American economist who has been working in Mexico for decades. Recipient of Mexico's National Prize in Political Economy, Barkin has authored more than a dozen books and several dozen articles on problems of development in Mexico and the rest of Latin America.] While thinking about the shape of things to come, I imagined a Mexican leader's nightmare: What if the foreign creditors were magically to write off Mexico's external obligations? Why a nightmare? Without this external rationale, how could the Mexican government continue to impose the draconian austerity program that has exacted such enormous sacrifices from its people without mass uprisings? What better political scenario could be contrived to justify the thorough restructuring of the Mexican economy presently underway? For more than a decade Mexico's economy has literally been turned inside out. Traditional strategies have been discarded in favor of new remedies: An open economy with specialization based on comparative advantage is now considered superior to a system that produces for the internal market. Modern technology and international consumption patterns must replace traditional methods and cultures. Dynamic entrepreneurs will break down barriers to economic progress, and people must adapt to the demands of the new productive environment or keep out of its path. urban, industrial country, I am persuaded that effectiveness of the official efforts to transform the country will largely depend, in the ultimate analysis, on the impact such efforts have on rural Mexico. Urban Mexico is incapable of providing productive employment for all of the coming generations of job seekers and certainly cannot handle the pent-up demands of the forgotten cohorts of the past decade. Although only one-third of the population still lives in rural areas, many more still have deep roots there. The rural areas have not only enormous reserves of productive capacity, but also the capability of inducing a sustained process of economic growth. The new model of outward-looking economic development implanted during the past decade represents a significant shift in priorities. It is based on promoting exports and restructuring domestic industry to achieve international competitiveness. The economic program depends for its success on the continued dynamism of the economies of the advanced industrial countries and on a massive inflow of foreign investment to stimulate export production. But the fundamental underlying assumption of the new development model is the same as that of the old model: The benefits will trickle down to the masses, by employment creation and the spread (linkage) effects of industrialization, through a multiplier that leads to more production. In this new world, resources are no longer supposed to be diverted to protect inefficient domestic industries or small-scale rural producers: If they cannot compete, then they must find some new way to survive. I question the wisdom of the current approach... Mexico is sufficiently big and well endowed with natural resources to be able to continue to pursue its present export program while also embarking on a program that would create large numbers of new jobs and forge an internal market in which the vast majority of Mexicans could participate... Mexico's integration into the international market is systematically closing off opportunities, excluding people from participating in the new economy, and polarizing society offering opportunities for enrichment (licit or not) to

a privileged few. Not only does the current system exclude the vast majority from participating in the new economic structures, it also deprives them of the ability to survive by continuing with their traditional activities. The Reorganization of the Mexican Economy Mexico's transformation is the history of the country's progressive integration into the world economy. In the process people were wrenched from their local communities and regional cultures into a new national polity and were increasingly subjugated to the designs of an international market. The productive reorganization of Mexico is the focus of this book. Because the reorganization occurred much earlier and more thoroughly in agriculture than anywhere else, I start my analysis with the profound changes occurring in that sector. But the Mexican government, like its counterparts in most of the rest of the world, is convinced that the country's future lies in industrial reorientation to meet the demands of the international economy, even though for years political and social philosophy in Mexico argued just the reverse: Mexico could best develop by responding to the needs of its people as they became more fully integrated into a thriving domestic market; but the local market never achieved this dynamism and development was never able to forge an integrated national labor market that offered suitable employment opportunities for all. This reorganization is not going unopposed. But the nature of the opposition is harder to discern in Mexico than elsewhere. The profound struggle for survival of urban and rural workers severely limits their ability to develop a viable political alternative. Furthermore, the ever-present threat of military force is a persuasive damper on dissent. In spite of this, the hotly contested 1988 presidential elections and the numerous regional sequels offer testimony to the breadth and depth of the pent-up resentment against the existing system. Unfortunately, the organized opposition offers no real alternative to the official reorganization; it seems likely that the gradual opening of the existing political system will continue in response to this opposition and to the profound contradictions of past developments. However, it appears unlikely that this democratization will seriously jeopardize the present hegemony of the ruling party, the Partido Revolucionario Institucional, or the economic strategy the PRI champions. Mexico's Relationship with the United States Other structures in Mexican society sharply curb the need for and possibility of violent dissent. Perhaps the two most important features limiting popular discontent originate in the unique set of bilateral relations the country maintains with the United States. On the one hand, millions of Mexicans depend on their jobs in the north for a substantial part of their income, the sustenance of their families, and even their ability to work in Mexico. The second element, less widely commented upon, is the support of the US government for the Mexican government's decision to abandon its support for small-scale dryland agriculture. Other elements in this bilateral relationship also influence the changing shape of the Mexican economy. Foreign investment is virtually flooding into the country in response to the new outward orientation of the Mexican authorities and their "clarification" of Mexican investment laws, which now permit full foreign ownership of plants in most relevant industries. Tourism, too, is expanding in response to greater investment by international firms and eased restrictions about the repatriation of profits. Finally, in spite of increased prosecution in the war against drug trafficking, the sustained vitality of the US demand for drugs offers a continuing temptation to poverty-afflicted farmers who see marijuana cultivation as an easy way to counteract the discriminatory policies of the Mexican government against basic food production. pundits, we would make a great stride forward by recognizing that at least part of the solution must come from allowing the majority of people not actually incorporated into the modern world to eke out a living on their own terms rather than subjugating them to a system that finds even their oppression too expensive.

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