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Different Opinions Arise on Whether Mexico Should be Considered Middle-Income Country

by Carlos Navarro

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Finance Secretary Ernesto Cordero unwittingly launched a national conversation on the definition of poverty in Mexico when he told reporters that Mexico could no longer be considered a poor country but rather a middle-income country (MIC). And in making the statement, Cordero—considered one of the front-runners to obtain the nomination for the governing Partido Acción Nacional (PAN) in the 2012 presidential election—painted himself into a political corner. The finance secretary was forced to explain that in no way did he intend to say that poverty does not remain a significant problem in Mexico. As expected, criticisms of Cordero came from opposition parties, union members, and religious leaders, but some members of the PAN also chastised the finance secretary for making the statements.

There was no doubt that Cordero's motives for making the statements were political. In his role as a leading candidate to represent his party in the 2012 election, he was attempting to put the economic policies of the administrations of President Felipe Calderón and ex-President Vicente Fox in the best light possible. "For the first time in decades, the purchasing power of the minimum wage is growing in Mexico," the finance secretary told reporters in a joint press conference with Labor Secretary Javier Lozano.

"The finance secretary seems to be trying to use the argument that the economy has grown during the past 10 years, which is true, as the platform for his candidacy," political columnist Leo Zuckermann wrote in the Mexico City daily newspaper. "This is logical because the PAN is a party that has some support from the emerging middle class. This group has some electoral strength."

Cordero, PAN cite macroeconomic advances

There is no shortage of economic data to put a positive spin on assessments of the Mexican economy, including strong foreign reserves and low inflation. Many analysts credit relatively low consumer prices in part to monetary policies pursued by Banco de Mexico chief governor Agustín Carstens, who has declared his candidacy to fill the vacant post at the International Monetary Fund ([SourceMex, May 25, 2011](#)).

Mexico has managed to keep consumer prices below 5% the past two years, and the Banco de México (central bank) has forecast annual inflation at 3% to 4% in 2011.

Cordero backed his position by citing some short-term economic trends as evidence that Mexico is going in the right direction. This included the recent employment report, which showed that more than 53,000 jobs were created in Mexico during May. "A stable economy, one that generates jobs, is the best vehicle to help families," the finance secretary told reporters. "Many enjoy higher earnings in an environment of stable prices."

Yet, Cordero's enthusiasm was tempered by Labor Secretary Lozano, who in the same news conference suggested that the number of jobs that have been created does not meet the needs of the Mexican economy. Furthermore, he said, many of these new jobs are not high-paying positions.

The most important argument against Cordero and the PAN governments is that its policies have done little to significantly alleviate poverty and reduce the wide gap between the wealthy and the poor.

"What is gained with such low inflation if salaries are dropping?" economist Rolando Cordera of Universidad Nacional Autónoma de México (UNAM) said in a recent interview.

And despite the favorable macroeconomic statistics and the stability of the Mexican economy, the reality is that 54.8 million Mexicans still live in poverty, according to recent statistics from the World Bank. This represents about 48% of the Mexican population, according to the 2010 census by the government's statistics agency (Instituto Nacional de Estadística y Geografía, INEGI). The poverty figures have actually increased during the past decade. In 1999, the Mexican government reported that 52 million people in Mexico lived in poverty ([SourceMex, May 12, 1999](#)).

The World Bank argues that a better measure is the percentage of the Mexican population that lives in poverty. This percentage has declined from a peak of 50% in 2002.

Zuckermann put a different spin on the recent poverty data. "If my math doesn't fail me, this means that there are 62 million Mexicans who are not in a situation of poverty. In other words, they are in the middle class. At 55%, they are the majority of the population," said the columnist.

Zuckermann said there is some justification for Cordero's comments, based on the 2010 census. He pointed out that 93% of households in Mexico have a television set, 82% a refrigerator, 66% a washing machine, 65% a cell phone, 43% a fixed telephone line, 29% a computer, and 21% access to the Internet. "It is a reality," said the columnist. "We are a middle-class country."

Food poverty remains a huge concern

Still, recent poverty measures from the government showed mixed results. A report published by the Consejo Nacional de Evaluación de la Política de Desarrollo Social (CONEVAL) in early May showed some improvement between 2000 and 2010 in some basic categories, including access to quality housing, health care, and education. But the report, entitled Índice de la Tendencia Laboral de la Pobreza (ITLP), showed a glaring poverty-related problem in one of its categories: earnings were insufficient for a larger percentage of the population to acquire basic foodstuffs.

To be fair, Cordero did not dismiss the fact that poverty remains a problem in Mexico. Following the storm of criticism about his original comments that Mexico is now a middle-income country with a problem of poverty, he said he was merely pointing out a category in which the World Bank has placed Mexico.

"Mexico has a serious problem of poverty, which we are addressing," said Cordero. "With good policies, we are hoping to gradually bring many poor families into the middle class."

But the finance secretary's initial comments did little to dispel the notion that the pro-business PAN is out of touch with the poorest segments of the population. There is also the perception that the center-right party cares more about the urban middle class and not as much about the poor in rural areas.

Luis Gómez Garay, secretary-general for the Unión General Obrera, Campesina y Popular (UGOCP), urged the Secretaría de Hacienda y Crédito Público (SHCP) to set aside its emphasis

on macroeconomic gains and place a higher priority on strengthening the economic positions of rural communities, ejidos, and small towns throughout Mexico. Both the Fox and the Calderón administrations have done little to address rural poverty ([SourceMex, March 3, 2004](#)) and ([Oct. 27, 200](#)).

"Anti-poverty policies should consider the potential that exists in poor rural areas of the country," said Gómez Garay. "They should use our natural riches such as land, water, forests, biodiversity, cultural strengths, and human capacities to promote productivity instead of fostering dependency, marginalization, and exclusion."

Federico Ovalle Vaquera, secretary-general of the Central Independiente de Obreros Agrícolas y Campesinos (CIOAC), offered some telling statistics, pointing out that 60% of the 5 million people who work in the agriculture sector do not even receive the minimum wage, which is about 58 pesos (US\$4.89) daily.

The Catholic bishops conference (Conferencia del Episcopado Mexicano, CEM) also issued a strong rebuke to Cordero for downplaying poverty in Mexico. "We bishops are all witnesses of the deteriorating economic conditions for the families we serve," said CEM member Bishop Mario Espinosa Contreras, who heads the Diocese of Mazatlán in Sinaloa state. "The situation in Mexico is truly difficult, not only because of violence and insecurity but also because of the lingering poverty that in some cases has brought families to face conditions of misery."

Would-be presidential candidates address issue

The debate on poverty is sure to surface again during the presidential campaign, including in the primary elections. One of the first to criticize Cordero was Deputy Josefina Vázquez Mota, who once served as social development secretary under ex-President Fox (2000-2006). Vázquez Mota, who appears to be Cordero's most serious threat for the PAN presidential nomination, said the question of equity should be included in any discussion about poverty. "The greatest challenge of our country is to close the gaps. We still have a divided country with deficiencies as huge as there were centuries ago. There are people who live without water or electricity and suffer for not being able to live in better conditions," said Vázquez Mota.

Other potential presidential candidates also weighed in on the debate. "My assessment of Mexico's economic situation is quite the opposite [of the one presented by Cordero]," México state Gov. Enrique Peña Nieto, who is favored to represent the Partido Revolucionario Institucional (PRI) in the 2012 presidential election, said in an address to directors of the Confederación de Cámaras Industriales (CONCAMIN). "One of our biggest challenges is to fight the poverty present in a huge portion of our national territory."

Mexico City Mayor Marcelo Ebrard, who is seeking to represent the center-left coalition led by the Partido de la Revolución Democrática (PRD), offered his own response to Cordero's comments. He pointed out that, despite the PAN's claims of sustained economic growth, other countries in Latin America, such as Peru and Brazil, have had better GDP growth rates than Mexico in recent years. "We have to explain why we have grown less," said Ebrard.

Ebrard also mentioned the high rate of "food poverty," by which basic foodstuffs are becoming less and less affordable for a large segment of Mexico's population ([SourceMex, Oct. 13, 2010](#)). "We have to think of taking our country in a different direction," said the Mexico City mayor.

Other leaders from the two opposition parties were more blunt in their criticisms of Cordero and his comments about Mexico's economic status. PRD president Jesús Zambrano Grijalva took issue with the finance secretary's statements that the PAN governments are creating jobs. "He is well-aware that 60% of the scarce jobs created in Mexico have been in the informal sector, where workers are not given any benefits," said Zambrano.

The PRD leader also cited statistics from the Organization for Economic Development and Cooperation (OECD), which noted that one in five Mexicans live in extreme poverty. In contrast, he said, the average for OECD member countries is one in 10 citizens living in poverty.

Sen. Fernando Castro Trenti, a PRI floor leader in the upper house, also brought up the problems for Mexican families, especially the deterioration in purchasing power. "Many people who once earned the equivalent of five minimum wages are now earning three minimum wages," said Castro Trenti.

Deputy Francisco Rojas Gutiérrez, the PRI floor leader in the lower house, had similar comments. "The fact that half the population lives with a very low income leaves no doubt that Mexico is not the country we would like it to be. I don't think it was a very appropriate statement. Instead, we should be thinking about how to reduce poverty levels," said Rojas Gutiérrez. [Note: Peso-dollar conversions in this article are based on the Interbank rate in effect on June 8, 2011, reported at 11.83 pesos per US\$1.00].

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