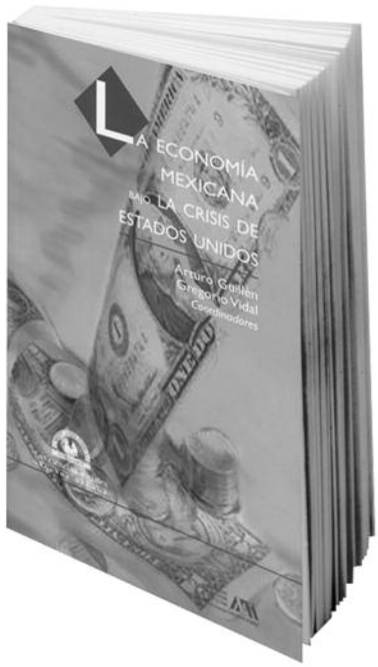
Reviews



La economía mexicana bajo la crisis de Estados Unidos
(The Mexican Economy under the Weight Of the United States Crisis)
Arturo Guillén and Gregorio Vidal, comps.
UAM-Iztapalapa Campus-Miguel Angel Porrúa
Mexico City, 2003, 332 pp.

The first official indications of a possible recession in the United States were made public between June and September 1999. A change in monetary policy increased short-term interest rates to prevent overheating and avoid the threat of inflation.

Seemingly, the fundamental reason was linked to the so-called "new economy", which experienced a noticeable surge between December 1999 and January 2000. The threat of Microsoft as the operating systems monopoly produced one of the most complex legal cases that the business world had ever experienced. The trial was a warning for all the players in the technological market at a time when technological goods were flooding the market and daring mergers of communications companies were taking place, watched, but not necessarily fought, by government regulators.

Certainly, for the first time, economists accepted that productivity figures could be mistaken since they had not noted the impact of software as an investment and not an expenditure. The Department of Commerce's Office of Economic Analysis reported that between 1995 and 1998, the U.S. economy's productivity was 2.6 percent, not 1.9 percent; this put the growth of the gross domestic product at 4.2 percent instead of 3.8 percent.

In early 1999, the average annual productivity rate was reported at levels not seen in 10 years: over 3.5 percent. Increases in manufacturing productivity could even be pointed to, as well as uninterrupted economic growth for several months. It was also recognized that migrant workers skilled in computer technology had high priority since a critical deficit in this kind of labor was foreseen for 2002 given a possible non-skilled full-employment economy.

Internationally, the beginning of the century meant that the era of free trade agreements and the "dollarization" of backward economies were antidotes that would trigger spill-overs of development in economies like those of Latin America.

But one moment. Have things changed so much, to the point of blaming the U.S. recession for Mexico's economic situation?

The answer is no. The new economy that was blamed for the crisis (not the slowdown or recession) was not at the time the exclusive cause of the problems plaguing the economy of the United States, Mexico or their relations. Actually, the orthodox idea of what a recession consists of is still being challenged by the economic change going on through the adjustments in the economic processes worldwide. The lethal effect of the sum of recessive events in 2000 has not (yet) unleashed a breakdown of financial relations between the two countries or on a world level. Thus, while the U.S. economy is experiencing an upturn, the Mexican economy is suffering from structural competitive weakness.

This book is a product of the discussions in the Political Economy Seminar of the Autonomous Metropolitan University Economics Department, Iztapalapa campus. It is part of this debate which needs to be much more deeply analyzed.

The book includes eight articles and their respective commentaries. This is undoubtedly a plus for the book's value added, but it is insufficient to explain the broad spectrum of issues involved in Mexico's and the United States' economic crises.

The introduction written by the compilers should be taken as the central article that gives the book its name, since it offers a broad discussion of the question of the recession in Mexico and the United States in 2001 and 2002 with very detailed data. It makes it clear that the impact of September 11, 2001 is yet another justification for the international changes that the U.S. economy needs to maintain its economic hegemony. If employment does not recover in periods of well-being, it is because the economy demands a more select kind of job. In addition, the Bush administration has supposed that a tax cut is the best medicine against the recession.

The book's compilers warn of the danger of killing the goose that laid the golden egg: "Devaluing the dollar with such low interest rates" as a policy to compete with the developed world, as the context of the deflation that the United States is exporting, paradoxically putting at risk the future of the centrality of the dollar, "a fundamental aspect of its hegemony" (p. 14).

One thing is very clear in the book: the evils of the recession in Mexico should not only be attributed to the zigzags in the U.S. economy, but rather to structural problems of Mexico's economic institutions. This seems to be the case in some of the articles: insufficient effective demand and indebtedness in Tijerina's article; the problem of credit as analyzed by Enrique Pino, who compares Korea's and Mexico's financial systems, taking as reference point the crises of 1994 and 1995 in a period he calls "pre-globalization" (p. 255); the results of the external private sector's financial strategies in Arturo Guillén's article; the undervaluation of the peso put forward by Julio Goicochea; the weak environmental policies reviewed by Eliézer Tijerina. The articles by Víctor M. Soria and Delia Montero point to the weaknesses rather than the strengths of free trade and investment in North America, while José Valenzuela hits the nail on the head by explaining over-accumulation as one of the fundamental causes of the United States' boom, crisis and recession.

Several authors blame Mexico's crisis and recession on neoliberal policies inspired in the Washington Consensus, considered the root of underdevelopment.

However, we long for new proposals. As Arturo Guillén says:

> Advancing toward these changes will not be easy, nor will they be fostered by finance capital or the docile, corrupt bureaucracies of our countries. Rather, it will be a long struggle to resist carried out not only by parties and political organizations identified with change, but mainly by the victims of neoliberal globalization who are beginning to organize on their own (p. 67).

Perhaps we have to wait for another book from this talented group of economists that can unravel the mystery of how to overcome the phantom of the U.S. crisis without feeling affected.

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