

acter of immigration; indeed, the *transnacionalización* of recent Mexican immigrant experience and its implications promises to be the next frontier of immigration studies.

If *Crossings* is any indication—and I am sure it is—Mexican immigration will persist well into the next century. Its long-term consequences for both countries will broaden as the Latino population of the United States grows and matures, and Mexico comes to terms with emigration's multi-faceted effects on sending communities. ■■

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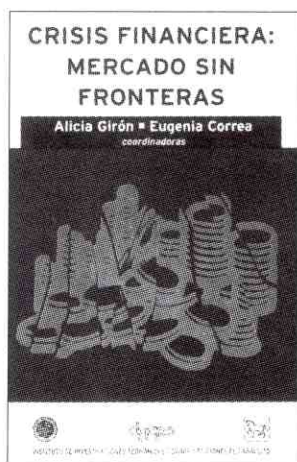
### **Crisis financiera: mercado sin fronteras**

(Financial Crisis. A Market without Borders)

Alicia Girón and Eugenia Correa, compilers

Ediciones El Caballito

Mexico City, 1998, 404 pp.



Once we recognize the decay of the post-war financial order, and take into account all the current signs in the economy, we can discern the major trends and changes in international financial markets. This includes problems derived from today's world situation and the relative inability of monetary policies to resolve them due to their inefficiency and the

scant supervision they receive, as well as the difficulties encountered by institutions like the International Monetary Fund and each country's lack of monitoring systems and public policies. This means weakness in the face of the need to appropriately channel enormous financial flows and the growing necessity of facing financial contingencies and emergencies caused by the decline and adjustments in capital flows.

In *Crisis financiera*, Alicia Girón and Eugenia Correa contend that, given progressive, constant financial instability and fragility, the limitations of international financial bodies and U.S. financial authorities have generated responses that have not led to a stable expansion of financing. On the contrary, these institutions and officials insist that the world should pay the consequences of the banking crises with many years of low economic growth and a decline in social welfare standards.

Among the major tendencies at play are the expansion of different inter-bank financial operations, as well as an increase in extra-bank intermediation. This generates greater market valuation and liquidity, a growing presence of various types of non-banking financial intermediaries, as well as deregulation processes in the markets and an increase in the limits and difficulties in control by financial authorities of each country. This is imposed by the very innovation of the financial system, since financial markets operate 24 hours a day, which has contributed to rapid changes in payment systems as a mechanism to diminish systematic risk levels. For traditional banking activity, this has implied the recognition of the inability of local banks to restore insolvent bank creditors' payment capacity through debt restructuring and financing. It has also led to the rise of foreign financial intermediaries that have slowly been imposing their own cost and margin structure on banking system operations. This raises the possibility of losing control over the payment system on a national level, which would underscore the emergency situation prevailing in very weak national financial systems.

The authors argue that one sign of instability is that innovations in and the growing development of financial derivative markets have resulted in major losses to several countries and bankruptcies of credit institutions that tend to carry out these types of transactions without the appropriate information.

In Latin America, financial instability and weak and erratic economic growth are factors in the transformation of international capital markets, and, in particular, in the increasing importance of the U.S. economy in the region. Therefore, capital

flows that have entered the region in recent years, especially at the beginning of the 1990s, are part of a profound transformation, which includes the privatization of state-run companies, market liberalization and deregulation, flexible labor relations and the trade opening, among others.

In addition, Girón and Correa contend that intense competition among financial intermediaries in the formation of high-yield assets in the most diverse currencies—plus bank failures and the process of mergers and large acquisitions—is leading to greater centralization in large financial conglomerates. This, however, does not necessarily mean an improvement in their competitive position that would make for stable and efficient financial intermediation. At present, companies are products that are directly sold in the markets for corporate control; they do not respect geographical borders.

Asian countries like Japan, South Korea, Malaysia, Thailand, Singapore, the Philippines, Taiwan and Hong Kong, which sought greater consolidation and centralization of banks, have gone through several bank crises, with greater or lesser degrees of severity.

This book explores the nature and evolution of the international financial crisis in the current worldwide recessive panorama. It also considers the problem of foreign indebtedness, emphasizing the modifications in international capital markets and domestic financing policies, especially in developing countries, when syndicated bank loans are transformed into financing through shares. This has clear consequences, such as extending financial fragility, vulnerability, structural instability and increasing the magnitude of the crisis, which makes economic recovery difficult.

In the second part of the book, the authors discuss trends in financial innovation and globalization as key components of the transformation and evolution of the international financial system and the momentum of technological change, particularly the development of communications and the electronics industry. Regardless of increased competition among financial institutions, they face problems such as maintaining profitability and capitalization levels, which pressure intermediaries to maintain low data processing and transaction costs, and on the other hand, to link these tendencies to development in the different countries.

The third section of the book deals with over-indebtedness and the banking crises. The authors explain that during deflationary periods, the disparity between real interest rates and real

rates of economic growth is a permanent feature in the industrialized economies. This has been the case since the 1980s, when the different countries' monetary policies were guided by the need to combat inflation. Reference is also made to the way liquidity and its different hazards such as credit risks, the exchange rate, interest rates, etc., are handled, which are central features for appropriately managing banking institutions. The authors point out that in economies like Mexico's, in the 1990s the combination of financial deregulation and commercial liberalization has been creating conditions for over-indebtedness which companies, consumers, the government and Mexican banks are now confronting.

In the book's fourth section, dealing with the central bank and public policies, the authors highlight the problem of genuine autonomy for the central bank—which is the ultimate lender—and the characteristics of the Mexican financial system's deregulation process. Also discussed here are the effects of financial liberalization on Mexico's public debt and the specifics of its monetary policies at different stages of the process. Key measures adopted at this point included the elimination of the minimum deposit commercial banks were required to make with the Banco de Mexico (known as *encaje legal*), the liberalization of interest rates and the deregulation of foreign investment in the Mexican stock market. In addition, the authors consider the scope and limitations of Mexico's export perspectives.

The fifth chapter of the book makes a proposal, "Toward a definitive solution to the foreign debt problem," which acknowledges the incompatibility between debt payment and national development in Latin America (sustained growth of the gross domestic product, stability in price levels, defense of the national currency, fair distribution of income, and industrialization and the construction of basic productive infrastructure). This follows 14 years of recessive adjustment policies and renegotiations, which meant a net loss of 250 billion dollars for the region in debt servicing. The authors emphasize the joint responsibility of governments and the main creditor countries for this situation.

Questions related to regional and social development are also examined. One example is the role of remittances from overseas by emigrants as a source of regional financing, resources that have served to finance different social development projects that eventually could become mechanisms for floating produc-