THE U.S. FINANCIAL TSUNAMI AND ITS IMPACT ON MEXICAN EMIGRATION

RODOLFO GARCÍA ZAMORA*

1. FROM THE U.S. FINANCIAL CRISIS TO THE GLOBAL FINANCIAL CRISIS

The week of September 15, 2008, the global financial industry suffered a heart attack. It died on September 18 but was brought back to life by U.S. Treasury Secretary Paulson with a high voltage electric shock in the form of a 700 billion dollar bailout. The origin of this crisis is to be found back in the 1970s. Until then, monetary and fiscal policies had followed the orthodox capitalist tenets of the 19th century, which demanded balanced government budgets, a healthy currency backed by gold, and balanced international trade. The abandonment of these three principles during the past four decades is one of the direct causes of the capitalist crisis that threatens us today.

The abandonment of balanced trade was a natural consequence of rejecting the other two principles. Excessive government spending overstimulated the U.S. economy and encouraged excess importing. Freed from the dictums of gold, the country was able to finance colossal commercial deficits with paper dollars and Treasury bonds in dollar denomination. In 2006, the U.S. current account deficit shot to almost 800 billion annual dollars –about 2 million dollars per minute. This deficit and the credit used to finance it destabilized the global economy by creating untenable unbalances that are now reverting.[1]

Having abandoned the fundamental principles of capitalism, any conceivable type of financial madness became a lucrative opportunity for Wall Street. Since the dollar was no longer backed by gold, the Federal Reserve lost control over credit origination. The boundary between money and credit became blurry and eventually disappeared altogether. The Fannie Mae and Freddie Mac liabilities increased to 5 trillion dollars and, as their debt expanded, they acquired or

* Doctoral Program in Development Studies. UAZ. www.estudiosdeldesarrollo.net

1 *Orígenes de la crisis*, Economist Intelligence Unit. *La Jornada*, December 2, 2008.

guaranteed over half of the national mortgages and raised the cost of housing in the process. Bankers fractioned, repackaged and resold a vast range of debt instruments (now known as toxic debt) and paid credit rating companies to obtain AAA rates. Credit derivatives were created and proliferated; according to the most recent survey, they surpass 600 trillion dollars in theoretical value, about 100 billion dollars per person on the planet.

For the past 20 years, Alan Greenspan supervised the explosion of this debt; his presidency –possibly the worst in the Federal Reserve's history– maintained low interest rates, discouraged regulation, and encouraged innovation in the financial sector. It also celebrated the quick expansion of derivatives as a medium for improving stability in the sector and distributing risks among those who were most capable of facing them. On a macroeconomic level, his style might be characterized as the management of economic bubbles, which remained popular during his long tenure. But, for posterity, Greenspan will be remembered as the major player in the creation of this crisis. Regulatory entities oftentimes facilitated these excesses. The financial industry became deregulated, the Glass-Stegall Act was repealed, and enormous fortunes were made. The derivatives market grew given the lack of regulatory supervision; mortgage brokers generated billions of dollars in subprime mortgages lacking practically any kind of supervision, and the banks evaded capital adequacy requirements by hiding their assets.[2]

According to José A. Estévez[3] in his article «La autorregulación en los mercados financieros», the causes for the present financial market crisis are varied and complex. In first place is financial deregulation, which has led to the creation of new financial assets such as structured bonds backed by subprime mortgages. Secondly, we have capital market liberalization and the free circulation of assets. In third place, we have the existence of fiscal paradises in which investment banks created entities that could issue toxic bonds and, fourthly, the inefficacy of control mechanisms such as central banks and, in particular, rating agencies. According to Estévez, the current crisis is in some ways similar to the classic stamped seal swindle. It is as if we were sold a closed envelope that purportedly contains 500 euros and, in order to guarantee this, it carries the stamped seal of a trustworthy entity. This envelope, ostensibly full of cash, is one of those structured products that are so complex that the buyers are not quite sure about what it is they are acquiring. The entities that provide the trustworthy stamp are the rating agencies. And once some people began opening their envelopes to discover that, in reality, they contained only some cash and paper cuttings, the

[2] *Idem*.
[3] *Revista Mientras Tanto*, No. 62, Barcelona, October 2008.

problems came one after another. Everyone wanted to get rid of their stamped envelopes but could not find anyone willing to buy –at least not until former president Bush put his 700 billion USD check on the table.

The 2008 crash took place during a year of three distinct but interrelated crises. An oil crisis was already underway and prices reached almost 150 USD per barrel; a food crisis led to riots and export controls as the prices of wheat and corn tripled. The subsequent explosion of the housing bubble and the subprime mortgage market began a financial crisis that announced itself with a sudden fall in the value of assets that questioned the solvency of major banking institutions. In turn, this led to a liquidity crisis, since inter-bank loans almost disappeared and this led to credit restrictions as fearful banks reduced the amount of traditionally trustworthy loans to the service and manufacturing industries.

The news of Lehman Brothers' bankruptcy in September led to panic. The fall in the price of assets and a drop in consumption turned this de-acceleration into a recession that first hit the industrialized economies of the G-7 nations and then expanded to the rest of the globe. By early October, the world was headed toward a catastrophic crash of the banking system. The British government took decisive steps by announcing it would back its banks with unlimited credit and prepared to nationalize them. The U.S. and German governments offered similar backing with the support of G-7 revenue ministers during a Washington meeting that took place from October 11 to 12. The world narrowly escaped the then imminent catastrophe; a global banking cataclysm is now unlikely, but the fact remains that it almost happened.

The consequences of the September-October global financial crisis have wider implications. There is absolute agreement: according to the heads of most important financial institutions, who met at the World Knowledge Forum in Seoul,[5] the worst global financial crisis since the Great Depression forces us to rethink the structure of international financial markets and demands increased cooperation among the major regulatory mechanisms. In Beijing, the leaders of 43 European and Asian countries argued in favor of a complete reform of the global financial system and asked that the International Monetary Fund (IMF) provide assistance to those countries most affected by the crisis.[6] The international recessive impact of the crisis was already evident during the second week of November, as evidenced by the statements made by the Organization for Economic Co-operation and Development (OECD) in Paris on November 13: developed economies were already in

[4] «La vida despúes del crash», Economist Intelligence Unit, *La Jornada*, December 16, 2008.
[5] *Repensar los mercados globales.* Economist Intelligence Unit, December 9, 2008.
[6] *South China Morning Post*, October 25, 2008.

a recession and might also contract the following year.[7] These statements were ratified by the IMF in Frankfurt on December 10, when deputy managing director John Lipsky announced that the crisis was becoming a veritable depression and affecting both developed countries and emerging economies; the risks of an economic slowdown were beginning to show in Japan and the United States, while the gaps in production increased. He warned that developed economies had to prepare for a harsh recession which could last longer than in previous situations and possibly justify increased public investment in projects that typically last longer but would entail substantial long-term benefits.[8] As far as employment is concerned, José Ángel Gurría, the OECD's Secretary General, has estimated the crisis will leave some 20 million people unemployed –that is, more than 10% of the global population in 2010.[9]

León Bendesky's December assessment of the crisis' global consequences, «El gran vuelco»,[10] details how the U.S. financial crisis has thrown the money and capital markets, as well as those of production, employment and consumption, into disarray. It has massively expanded government debt and led to unprecedented intervention in the private industry. According to him, the financial system that existed nine months ago is no longer recognizable in terms of its institutional structure; conventional credit instruments have disappeared and loan flow has ceased to operate for practical purposes. All of this is happening in spite the massive amounts of money being injected into the economy by the Treasury and the Federal Reserve. Bendesky also points out that monetary policy will have reached its limit once the interest rates of the government's short term debt securities reach zero. Savers have taken refuge in this type of debt despite negative post-inflation real returns and do so because of the guarantee provided by the federal government. On the other, the risk of deflation (that is, a fall in prices that would worsen the recession) is still present. Housing pries have not yet to corrected and the product is still subject to contraction. The very fragile state of the three major automotive companies only worsens things and spreads across a long chain of subsidiary activities within and outside the United States.

Proposals have placed increasing attention on fiscal policies stimulating aggregate demand via public spending in a number of areas, especially in the physical and energetic national infrastructure, as proposed by president Obama. And yet, these policies are problematic and the source of much debate. There is

[7] *La Jornada*, November 14, 2008.
[8] *La Jornada*, December 11, 2008.
[9] *La Jornada*, December 16, 2008.
[10] *La Jornada*, December 15, 2008.

no clear economic theory that contemplates this kind of intervention or its effectiveness as a fast exit from economic depression. Keynes and Roosevelt's New Deal policies are often cited, but the context of 1930s was dissimilar in more ways than one. For starters, we have the increased depth and expansion of global economic relations. And, of course, the 1930s crisis was overcome only after the war economy transformed back into a civil one in 1945. The fact that public spending is now being touted as the infallible antidote against recession after being discarded for 30 years points to the fact that this is, indeed, a necessary stimulus. What is more, it is almost the only available one in the current conditions. Still, it cannot have an automatic effect on market functioning and correction. The assignment of this type of spending and the ways in which it is transmitted to the several channels of the economy happens in complex ways that run into many obstacles and bottlenecks. Success, in short is not assured.

In terms of financial expansion, Bendesky points out that there is no way of foreseeing what kind of impact it will have on economic activities, nor how long it will take to fulfill its assigned goal. To this one must add the huge public debt and the depreciation of family assets, especially in terms of housing and high levels of debt. Debts must be paid sometime. Inflation offers a way of reducing the brunt of the debt, but this is not possible in the present context. This is, in fact, one of the current political and public policy dilemmas and part of the difficult negotiations that must be undertaken to avoid serious ruptures in an already considerably weakened social environment.

Bendesky also states that the consequences of this crisis have exposed the theoretical and ideological notions, along with the concomitant governing practices that prevailed for three decades, to scrutiny. These concepts are now crumbling and it is paradoxically interesting that such an event would take place during the Bush administration, which explicitly and provocatively defended unfettered liberalism. This period was rife with financial frauds such as those of Enron, Halliburton and, more recently, Madoff, whose damage amounted to 54 billion USD at the end of 2008. Reality has shown that intrinsic market adjustment capabilities can no longer be sustained –and neither can automatic state intervention. The situation has, however, not yet reached an inescapable dead end. The tools needed to overcome it will not be found in the offices of professors or the stagnant hallways of political power: a functional social agreement will be fundamental. And in order for this to happen, basic material conditions and successful leaderships that can channel social pressure are required. Resistance on the part of all involved groups is to be expected in such a closely woven power structure.

We are facing a period of contradictions and much friction that will not be resolved within the strictly defined scheme of national interests.[11]

2. ECONOMIC IMPACT ON MEXICO

As the U.S. financial crisis was starting, the Mexican revenue ministry (Secretaría de Hacienda y Crédito Público, SHCP) and the presidency underestimated the impact it could have on the national economy, which was ostensibly «armored» against negative impacts and could only suffer consequences similar to those of a «slight cold.» But the magnitude of the crisis forced the authorities to acknowledge the nation's economic vulnerability and, on October 8, president Calderón announced the creation of the Program to Promote Growth and Employment (Programa para Impulsar el Crecimiento y el Empleo), which was designed to «mitigate the negative impacts of international financial turbulence on the Mexican economy.» This plan contemplates an increase in public spending, especially in terms of infrastructure; modifications to budget regulations in order to speed up official investment; the building of a new oil refinery financed with 12 billion pesos collected by the Stabilization Fund of Petróleos Mexicanos (Pemex), the state-owned Mexican oil company; an additional support program focused on small and medium-sized businesses (SMBs), and measures to deregulate and eliminate taxes on imports in order to increase the «national productive apparatus' competitiveness.» This program shows that the current administration is aware of the serious challenges faced by the nation –a significant (if small) departure from the iron-clad neoliberal stubbornness that has characterized the past few years. And yet, it is a belated and insufficient plan: the proposed measures, in addition to more significant others, should have been instituted at least during the last presidential change. This failure means that the global crisis has pounced on a weak, dependent, and stagnant economy distorted by erroneous political decisions and, in some cases, lack of decisions. The proposed internal economic stimulus does not make up for the chronic lack of incentives that has characterized consecutive Mexican neoliberal governments.[12]

Guillermo Ortiz, head of the Bank of Mexico in Washington, stated on October 12 that the international financial crisis has already caused «a lot of damage to the Mexican economy.» The peso's devaluation «came from where we least expected [it], we are in a financial tsunami that affects everyone».[13] The SHCP announced in late September that the recessive impact of the crisis would

[11] *Idem*.
[12] *La Jornada*, October 10, 2008.
[13] *La Jornada*, October 13, 2008.

result in a mere 350 to 400 thousand new jobs in 2008.[14] According to Bendesky,[15] once the crisis' negative impact on Mexico has been acknowledged, the workings of the Mexican economy should be perforce reviewed. The worst case scenario would be that, once this long and difficult period was over, things continued on the same path as before. This has to do with the structure of the financial system, commercial relations, market concentration, wealth and income, and current norms of inequality. Now is when we need to establish protective measures against the crisis and, at the same time, come up with a transformation strategy that is linked to productive investment, fiscal management, demographic and labor dynamics, defined patterns of productivity, international competitiveness, and regional development. Mexico has a substantial lag, both internally and externally. In order to surmount these obstacles it must overcome the government's torpor, the lassitude of entrepreneurial bodies, and the restricted participation of social organizations.

The consequences of the international crisis surpass the financial sphere and the World Bank has warned that the global economic recession will affect the poorest sectors of Mexican society, which are at an increased risk of unemployment.[16] According to Julio Boltvinik, the current crisis could drive 10 million Mexicans into poverty over the next year. Boltvinik adds this number to the already 6.5 million poor affected by the increases in food prices since 2006: by 2009, some 64.5 million Mexicans will be suffering from «asset poverty», the term used by Mexico's Development Ministry (Secretaría de Desarrollo Social, Sedesol) to define those who cannot cover «those needs that allow human beings to live in a dignified manner.» Mexico's previous experience shows that, during the 1994-1995 and 1982-1984 crises, poverty increased between 10 and 12 percentage points.[17] The National Council for the Evaluation of Social Policy (Consejo Nacional de Evaluación de las Políticas Sociales) has informed the Senate that poverty will increase during this and the following year, both because of the increase in food prices and the global financial crisis. They have also pointed out that inequality remains quite high «and has not substantially improved in 14 years, period during which income concentration decreased only by two points among 10% of the richest sector in the country, which held 41.6% of the national wealth in 1992 and 39.3% in 2006».[18]

This data contrasts with information provided by the Bank of Mexico in early December: Mexican

[14] *La Jornada*, October 27, 2008.
[15] *La Jornada*, October 20, 2008.
[16] *El Universal*, October 23, 2008.
[17] *Idem*.
[18] *La Jornada*, December 5, 2008.

entrepreneurs took advantage of stable exchange rates and moved over 19 billion USD out of the country in the space of nine months, either to deposit them in overseas bank accounts or buy foreign businesses.[19] This is confirmed by data supplied by Banco Bilbao Vizcaya Argentaria Bancomer: external investors withdrew some 22,190 billion USD, in addition to the 18,277 billion USD employed by the Bank of Mexico to deal with the pressure of devaluation.[20] By early December everyone agreed that the national economy's performance in 2009 would be below previous expectations. It was the end of optimism. The year 2009 will probably be one of the worst in the past decade, with a stagnant DGP, little in the way of new jobs, a level of inflation not seen since December 2001, and the plummeting of the trust index.

A survey carried out by the Bank of Mexico in 2008 showed that private sector analysts foresee a drop of 0.1% in the DGP during the first semester of 2009 and an overall yearly increase of only 0.38%, less than any year in recent history (2002 had a 0.08% rate). They also anticipate that, by the end of 2009, inflation will be 4.4% (exactly as in December 2001); this means that the central bank will not be able to achieve its goal within the next seven years. The Bank of Mexico's goal of attaining 3.0% by the end of 2010 seems to be fading away, especially if we take into account that, according to analysts, the average annual inflation rate between 2009 and 2012 will be 3.97%, and 3.49% between 2013 and 2016. The number of formal jobs created in 2009 will be around 161,000 –barely 16.1% of what the population requires, and only slightly above the 122,852 jobs created between October 2007 and 2008.[21]

According to Alejandro Nadal,[22] the crisis has led to two distinct discussion forums in Mexico. The first focuses on the effects of the international economic and financial collapse, the second on the ways in which the crisis must be faced. The government maintains that it has already put forth an action plan, but critics argue it is still caught in denial and passivity. Contextualizing the situation becomes necessary: the current global crisis will not be like the other recessions that have characterized the past 30 years of the U.S. economy. It might last for 20 months, possibly longer. And the United States could sink into an even longer process of stagnation. But why will this recession last for so long¿ Because this time we have to deal with several, interconnected vicious cycles, and economic policy will need more time to break through them. Also, the crisis has expanded

[19] *La Jornada*, December 3, 2008.
[20] *La Jornada*, December 18, 2008.
[21] *El Financiero*, December 2, 2008.
[22] *La Jornada*, December 24, 2008.

geographically and recovery will be more difficult without ongoing international coordination.

Things being as they are, what are the prospects for the Mexican economy¿ According to Nadal, the first consequence will be growth reduction. The government's corrected DGP growth goal for 2009 is 2.5%, but more frequent estimates have reached negative numbers (between zero and –0.5%). The DGP could suffer a –1.5% reduction. The impact on the job market will be devastating. The monthly open unemployment rate for November is 4.47% of the EAP, the highest since January 1997 –which puts us back at the cusp of the 1994-95 crisis. For an economy that, according to data provided by the National Institute of Statistics and Geography (Instituto Nacional de Estadística y Geografía, INEGI), already has 12 million people working in the informal economy, the loss of formal employment is, indeed, very bad news. Real income will continue to fall, and this does not provide any comfort. Unemployment will aggravate overdue loans and the situation of many debtors exploited by unsympathetic greedy banks. Much has been said of the SHCP's risk cover operations to protect against the threat of a fall in oil prices. While this is a good idea, it will not stop the drop in tax revenue due to economic contraction. A new series of unwelcome fiscal adjustments might still take place in 2009. And things are not looking much better for the external sector given the reduction in exports and remittances. The manufacturing industry will be hard hit in three crucial spots: auto parts, electronics, and textiles/clothing. If external imbalances do not get worse it will be because the Mexican economy will be deep in a recession.

The above data clearly reveal an economy in urgent need of attention. During October the government issued an anti-crisis plan that is best categorized as a bad joke. There is no mention of monetary policy and the fiscal «stimulus» is a mere restructuring of Pemex's investment plan. The government, in fact, does not seem to have a plan to actually tackle the crisis and, instead, continues taking measures that will deepen and lengthen the negative effects of the economic collapse. The price of credit has not fallen and neither has sales tax, nor do we have a fiscal program that could give the job market a massive boost.

Given all of the above, is it possible to have an anti-crisis plan with such a model¿ The answer is no. The economic model in question is basically the same as the one that led to the 1995 crisis and only benefits financial capital. This is why the Bank of Mexico is refusing to reduce interest rates: they are ready to put businesses and jobs on the line because their priority is to achieve exchange stability and «competitive» profitability for financial capital. Under the rules of this neoliberal model one cannot have an anti-cyclic monetary policy. The real economy can bust for all they care.

This leads us to a second question: why is a stimulus package required to face this crisis? So we can go back to where we started? If that is the answer, then this is bad news. The Mexican economy has been in a semi-stagnant phase for the past 25 years. Between 1983 and 2008, the DGP has only grown at an average of 2.4% each year. During this time, Mexico has continually suffered crises due to imbalances in the external account and the deplorable state of public finance. It suffers from colossal lag in education, health, housing, science, technology, and environmental management. A whole generation has been sacrificed to an economic model that simply does not work. Even the viability of the nation is currently in doubt. According to Nadal, we need much more than a simple «anti-crisis package»: a deep, strategic transformation and the concomitant restructuring of economic policy instruments, both at the macro and specific sector levels. The way things are going, the country is headed nowhere (except, perhaps, the abyss).

On January 7 president Calderón introduced the National Agreement in Favor of Family Economics and Employment (Acuerdo Nacional en favor de la Economía Familiar y el Empleo), which, according to him, aims to «overcome the effects of the adverse economic situation more quickly.» It consists of five crucial pillars: support for the job market, the family economy, and SMBs, investment in infrastructure, and efficient public spending. These are in turn comprised of 25 points that include the freezing of gas prices throughout the whole year; a 10% reduction in the cost of LP-gas; a reduction in the price of electricity; the channeling of additional resources to Pemex and the states (17 billion and 14 billion respectively) to be used in investment and infrastructure development, and the implementation of measures that can ensure a «more transparent, more efficient» use of public spending that provides «increased opportunities.»

This plan shows that the government has some understanding of the current problem and that constitutes a welcome change from the indolence and close-mindedness it had previously displayed: on January 6, Calderón used Merrill Lynch data to argue that Mexico was under less financial risk than countries like Japan, the United Kingdom and the United States in a continued attempt to minimize, in the face of public opinion, the effects of the international economic crisis. The plan also contemplates measures such as employment promotion through investment in infrastructure, which, to an extent, represents a break from the iron-clad neoliberalism displayed by the last four administrations (including Calderón's) and acknowledges the importance of government intervention in the public sector of the economy.

In spite of all that, Calderón's anti-crisis program arrives too late; some of the proposed measures (and others that have not been included) should have been implemented a long

time ago. This is the case, for example, with the freezing of gas prices, which would have made a lot more sense if it had been implemented early last year –before the 33 increases applied in the past 12 months.
In the current circumstances, the government has essentially fixed an offensively high price that bears no relation to international oil prices. Today, gas costs more than it did six months ago, when oil was three times more expensive than it is now, and this has essentially resulted in a new sales tax fixed at the SHCP's own discretion. The price of gas and other fuels not included in the program (e. g., diesel, the rising costs of which have led to protests such as the fishermen's strike) should, in fact, be reduced.

Another questionable measure is the reduction in the price of electricity, which is clearly intended to benefit large industrial consumers rather than small-and medium-sized users, who are always the worst hit by economic crises and who should, therefore, receive the most stimuli. The rest of the plan includes actions such as the satisfactory management of public spending, which should be the rule at all times and not just during a crisis. But it fails to mention measures directed at decreasing current expenditure, excessive salaries and the sinecures high-ranking civil servants gift themselves –a considerable squandering of public resources. In short, Calderón's plan comes too late and cannot effectively counteract the effects of the international crisis; after all, by the time the crisis came around, Mexico already had a weak and dependent economy and a society sunk in social inequality and delays, all of which were, in one way or another, condoned by the government.[23]

According to Bendesky,[24] the government's January 7 plan does not constitute the national agreement it purportedly is. No one else in the social sphere has taken on any sort of commitment to face the crisis. State governments have remained passive, the private sector only asked for modifications in the flat rate business tax, while unions and other social organizations have maintained a marginal position. The plan also evidences an institutional weakness that needs to be corrected quickly. One of the mayor players in economic policy, the Bank of Mexico, has done little more than witness these announcements. It is one thing for the central bank to have autonomy and quite another for it to remain marginal during in the construction of public issues and their political expression. This dysfunctional behavior is unsustainable in the middle of a crisis where monetary policy and fiscal issues are closely bound.

The government's plan shows a very limited vision of the recession's magnitude and the effect it has already had. It is essential that the government takes concerted action

[23] *La Jornada*, January 8, 2009.
[24] *La Jornada*, January 12, 2009.

and that its measures have some kind of impact on the economy in the following months. These cannot be expected to play decisive roles and success will depend on how well the proposed five pillars are followed. This will not work in a political vacuum and, as the crisis deepens and lengthens, the availability of resources will diminish and there will be increasing pressure to distribute them among the different social groups. This will take place in accordance with reigning inequalities and will also depend on the strength of each group's demands.

The SHCP foresees a growth rate of zero for 2009. This would be the best case scenario and is, in fact, unlikely. The U.S. economy continues to spiral downward it the productive and employment spheres; the financial sector is still highly disorganized and this is evidenced by the lack of credit, the decrease in interest rates and the price of shares, and a number of assets. Estimates place Mexico's growth below 2% for 2009, and the impact will be much greater than the government foresees. Internal consumption and investment will not be able to sustain the markets, job creation will be minimal (assuming there is any), and the debts incurred by large businesses and families will have an effect on the use of scarce resources. In the face of more realistic expectations and a pronounced dip in production, the recent plan will soon lose any power it might have been assigned within the frame of public policy. Bendesky thinks that the government is not prepared for this kind of scenario and has maintained an ideological and practical approach to the economy that no longer fits the current circumstances or the collapse of the previous mode of accumulation. This is why they are taking some contradictory actions, such as supporting production and continuing to eliminate import duties when it no longer makes sense. The lack of congruent public policy is serious enough in itself, and only more so in the current circumstances. This is exacerbated by the incompetence displayed by public servants in key areas of economic management. The government acts as if the problem it is facing only depended on current factors at this particular juncture, and that, once overcome, these will lead us back to our original situation. This is both false and undesirable.

From Bendesky's point of view, a new opportunity to restructure the Mexican economy has been lost, even in the face of its chronically slow and long-term growth, its decreased productive and competitive capabilities, its remarkable social inequalities, and the weaknesses behind its purported fiscal and financial strength. Once again, the chance to undertake a revision of the economy's growth and development has been avoided and the State has missed an opportunity to wrest some political strength from other de facto powers in Mexican society. This will be very costly for the government, but even more so for the country as a whole. A global revaluation of capitalist modes of operation will be unavoidable. In fact, the process has already started with the crisis management measures implemented in many countries, especially the United States. This will be followed by a new approach to the internal regulatory conditions of markets (including, of course, the labor market). According to Bendesky, the lack of vision and initiative displayed by the government, as well as the few but very powerful private Mexican entrepreneurs, the nation's political parties and the unions speaks volumes about the country's strong political and institutional restrictions.

The impact of the U.S. crisis on the low growth of the Mexican economy became more evident after the second week of January 2009. After the head of the Bank of Mexico, Guillermo Ortiz, stated that the SHCP's estimates of zero growth in 2009 were optimistic, the nation's major financial groups started reducing their growth estimates and pointed to an expected 0.2% to 0.7% DGP contraction. The head of the SHCP, Agustín Carsten, stated on January 8 that the economy would not grow in 2009 and the government's DGP growth estimate fell from 1.8% to zero. On January 9, Ortiz attended the Economic Perspectives 2009 (Perspectivas Económicas 2009) meeting organized by the Autonomous Technological Institute of Mexico and said that the state of economic activities is worrisome and that the Bank of Mexico expected negative growth this year. Banamex, a Citigroup subsidiary, modified its previous estimates and settled on a 0.2% growth decrease: «This reduction of the government's DGP growth estimate was to be expected given the deterioration [of the crisis] in the United States and, consequently, that of Mexico's growth expectations in these past few months.» Grupo Financiero Santander pointed out that the effects of the declining U.S. economy will have an even greater impact in Mexico, especially considering the ongoing problems in the automotive industry: «we acknowledge that the external impacts are greater than predicted [and have therefore] reduced our 2009 DGP estimates to a contraction of 0.7%, instead of our previous moderate growth estimate of 0.6%».[25]

Said negative impacts can already be seen in a diminished DGP growth in early January and unemployment rates, which offer particularly telling data. According to the Mexican Institute of Social Security (Instituto Mexicano del Seguro Social, IMSS), between October and December of last year, some 413,000 permanent and temporary jobs were lost in the country's urban area, the worst drop in formal employment during the past three administrations. The data clearly show that, in spite of the optimism displayed by federal representatives during 2008 and the ongoing refusal to acknowledge the

[25] *Idem*.

severity of the present situation, the consequences of the U.S. crisis have been materializing in Mexico for months and in one of the worst ways possible: the loss of thousands of jobs and the concomitant anguish and uncertainty for working families. As a sample of the consequences of the financial chaos, it must be pointed out that the Mexican manufacturing industry, a sector that is highly dependent on U.S. economic cycles, had an 11.3% drop in production, which led to the layoff of 8.22% of the workforce.

Judging from federal estimates (which, in the best case scenario, contemplate an economic growth of zero during 2009), we can only assume that the sequels of this global crisis have yet to materialize in full force and that the following months will be very difficult: the labor market will suffer its hardest hit in years, unemployment will increase even more, and the informal sector will expand. We must also take into account the return of Mexicans currently working in the United States as a result of decreasing job opportunities and increased persecution of undocumented migrants in that country. This will lead to a significant decrease in USD remittances (which, today, constitute Mexico's second major source of income) as well as to an increase in the ranks of the unemployed.[26]

Halfway through January, Bendesky[27] pointed out the increasing effects of the global crisis on the Mexican economy: the manufacturing sector showed a significant reduction in production and exports suffered a significant fall, all of which adversely affected the job market; a general weakening of internal demand reinforced the recessive conditions. The government's proposed fiscal measures, including the National Agreement in Favor of Family Economics and Employment, are insufficient and should be accompanied by other forms of public intervention. Bendesky also charted the weakening of the peso and the increase in interest rates and prices during the past few months, both of which fly in the face of the purported financial stability advertised by the government in spite of a lack of productive growth. Today, because of credit contraction and its increased cost for both businesses and consumers, financial conditions have worsened. Overdue loans have multiplied and so will difficulties for debtors. The negative impacts of the crisis will increase this year and public policy should actively seek to contain them.

As far as monetary policy is concerned, Bendesky points out that one of the instruments with which the Bank of Mexico can affect interests rates (that is, the cost of credit) is to fix a short-term goal (one day) for inter-bank rates. This is one of the conditions that dominate all monetary transactions and which can be regulated by the central bank. The

[26] *Idem*.
[27] *La Jornada*, January 17, 2009.

rate had reached 8.25% but was reduced to 7.75% on January 16, showing that the monetary authorities are willing to maintain a general reduction in rates. That means lowering the cost of credit among banks and, by doing so, ease restrictions on the loan market. The basis of this strategy is to free resources and expand the amount of money in order to ease the contraction effects of a fall in aggregate demand, particularly investment and consumption spending. According to the January 16 announcement, the purpose of lowering the rates is to create an effect opposite to the current one. In many nations, including the United States, the European Union, and Japan, central banks are reducing interest rates in an attempt to stop the reduction in demand and halt the recession. This is taking place in a context where prices are already falling due to a contraction in spending and where some analysts foresee a potential deflation. In these circumstances, the monetary policies cease to have any effect.

According to Bendesky, the Bank of Mexico supports the lowering of interest rates based on the expectation that inflation will decrease in the next few months due to decreasing demand. That is, it seeks to ease the crisis and stimulate credit growth. This strategy is linked to exchange rates. Firstly, savers might prefer to sell pesos and buy dollars. This would put pressure on international reserves or depreciate the value of the peso in relation to the dollar, with a resultant inflationary effect that would counteract the lowering of interest rates. They seem to be betting on the fact that switching to dollars is currently quite expensive because investment returns in USD are very low and, in some cases and once the price increase is taken out, even negative. Even so, there is still a demand for dollars, as the currency is backed by the U.S. government.

Bendesky's opinion is that this measure can only work is the financial structure (especially the banking sector) responds by increasing credit and lowering its cost. But this cannot happen because 80% of the loan portfolio is concentrated in foreign banks that are currently facing serious problems in their countries of origin and to which Mexican banks subject their operations in the local markets. The central bank's strategy is based on a series of suppositions about the general behavior of the economy, the effects of the U.S. crisis in Mexico, the route taken by inflation, decisions made by banks, and, importantly, the trust of investors and consumers. In a slowed down economy plagued by job loss, cheaper credit might not have any effect on the crisis.

According to Francisco Suárez Dávila,[28] the banks have once again become one of the country's major political issues and mistakes on the part of either the banks or the

[28] *El Universal*, January 15, 2009.

government could well magnify problems. The financial system is one of the several Achilles' heels of our mediocre growth. The limitations are evident for the only large country whose banking system is predominantly foreign and responds to the short-term interests of its owners rather than national development. A global crisis affecting economic matrices only exacerbates these contradictions. In order to support this system, Mexico needs to produce more utilities and the exchange system must be subjected to additional pressure. Authorities have acted weakly and condoned this sort of abuse, but we do not need any more laws: what we need is regulation, supervision, implementation of policy and clear State goals.

1. The crisis has exposed the manifold errors in our «new banking model», a copy of foreign systems. The idea was to bank the nation by providing consumers with usurious credit. The result was a «company store» (*tienda de raya*) system with rising overdue loans. Supposedly, the creation of many small banks would lead to greater competition and lower margins, but that did not happen. Vulnerable institutions with no core deposit base were created and ran into problems given their excessive risk concentration.

2. The large banks are, fortunately, well capitalized and solid. They are safe given their mediocre credit levels, but they are also acting in a pro-cyclic fashion, negatively affecting the current conditions by hardening credit requirements. This is why the government is funding development banks.

3. Some of the elements in this model need to be rethought. The government's policies should lead the banks to act in counter-cyclical fashion, limit consumer credit, and open it up for the industry, agriculture, and regional development. Interest rates cannot be fixed by decree, they must maintain a reasonable relation to the cost of time deposits; large banks must forcibly quote on the Mexican Stock Market to improve supervision and a gradual «Mexicanization» process should be undertaken while limiting the amount of amateurish institutions.

In short and according to Suárez Dávila, the banks should work as a tool of national development and the idea that a bank should serve national interests must be brought back. Each institution should inform both their council and the national authorities about the explicit ways in which they contribute to national development and Mexico's economic recovery. This is the kind of responsibility that should be demanded of those handling Mexican citizen's savings.

On January 23, the head of the SHCP, Agustín Carstens, informed that the government was assigning 400 billion pesos to the economic rescue: 200 billion for the two anti-crisis plans already implemented by the government (and amount that, according to Carstens, equals 1.8% of the DGP), and an additional 200 billion in funds and securities issued through development banks. Also according to Carstens, «this would not have been possible 20 years ago and that simply highlights the strength acquired by the country during these past years.» But the current situation has not only evidenced the greedy and destructive nature of the reigning economic model on a global scale, it has also exposed the inability of the orthodox neoliberal Mexican authorities to manage the financial fate of the country: when the current crisis was beginning to show its effects around the world, the government could not or would not articulate a discourse that was at least minimally suited to the situation and displayed its lack of realism by initially refusing to acknowledge the crisis and later failing to recognize its magnitude and severity. It was only after numerous reality checks and a global move toward preventive intervention in the public sector that Mexico's federal administration was prodded into action. And yet, said action was belated and erratic: the implementation of insufficient measures that cannot overcome the effects of others that seriously damage the economy of millions of Mexicans (e.g., increases in the price of gas and diesel) while maintaining the kind of inertia that has characterized previous administrations, which have sought to rescue large businesses and financial capital rather than the common citizen. Until now, none of the government's plans contemplate any kind of rural rescue, an incredibly important sphere in the context of the food crisis; there are also no signs of a fiscal policy that will provide states with resources without assailing small taxpayers. Neither political nor economic players seem to have any interest in ending the unfair policy of wage restraint, and no advances have been made in the recovery of the welfare system or the creation of employment. In short, nothing has been done to correct the deep-seated problems that have left Mexico so vulnerable to the sort of global events taking place now. These problems arise from the implementation of a model that has increased poverty, marginalization, and inequality while fostering the Mexican economy's dependency on the U.S. economy, the purported benefits of which have now been evidently called into question. This is clearly exemplified by the 2008 negative trade balance, which, according to INEGI, amounts to 16,838 billion USD –over 50% more than in 2007 and the worst deficit since 1995. Clearly, the government's rescue plans will do little to help the general population unless a new approach to the national economy is adopted.[29]

Rogelio Ramírez de la O[30] states that the Mexican strategy of growing if the United States grows and standing back and waiting for it to do so if it fails is simply no longer viable.

[29] *La Jornada*, January 24, 2009.

[30] Rogelio Ramírez de la O, «¿Hacia un cambio de modelo económico en México?», *Le Monde Diplomatique*, Mexico, No. 5, January, 2009.

First of all, the relief valve provided by the annual emigration of half a million workers will not be there. Secondly, Mexico is already deep in the midst of a social crisis due to unemployment and the middle class' overdue loans, not to mention growing insecurity and violence. Mexican banks are facing a problem of overdue credit card loans that officially amounts to 9.9% of the portfolio, but the president of Banamex has pointed out that the correct amount for the six largest banks in the country is 16.2%. Mortgage indebtedness has also grown and the government is preparing to use an external credit of 2,800 billion USD in housing aid as part of the 90 billion pesos fund created to support Mexican businesses. Retirement funds will suffer substantial losses and this will lead to more distrust and less consumption. It is quite possible that social opposition to the privatization of pensions will increase.

Ramírez de la O thinks that the only option open to Calderón's government is to acknowledge the problem in all its gravity. It would have to immediately suspend any policies consistent with the previous economic model and globalization, which in any case has not yielded positive results for Mexico or has even had negative consequences. It would have to examine whether these policies make any sense in the current global context and how they could positively affect employment and production. If these conditions cannot be met then the policies should be changed. The worst possible case scenario involves the preservation of adverse policies for mere ideological reasons. For example, it has been a great mistake to reduce the tariffs on products that were still protected given that this was hardly an immediate priority and is likely to damage many industries that cannot compete because of high costs, particularly in the energy sector. Ramírez does not think there will be enough resources to provide financial support to all businesses in need, middle class families struggling with credit card debt, or the unemployed. Although there are some social programs in place for the poorest families and these will probably continue, the middle class will be left unprotected. The drop in quality of life will be enormous, especially in large cities overrun by crime and insecurity, urbanization, citizen rights abuses, and excessive bureaucratization of institutional services. The government's resources are finite and could run out soon after the first business rescues take place and extant social programs are continued. At the same time, it is obvious that all sectors will undergo losses: the federal and state governments, big businesses, and savers. There is a pressing need for a project that attempts to distribute sector losses in an equal manner while prioritizing economic activity and employment creation.

In order to achieve this, it is essential that the government reduce costly and low-impact spending, which could amount to 10% of its 300 billion USD budget, and channel these resources to genuinely urgent projects. It must simultaneously work on a debt plan that preserves prioritized spending and, preferably, public investment projects. Yet none of this will be possible if the government does not discard its ideology, dogmas, and prejudices. In doing so, it should renew its Cabinet and working teams because those who still believe in the old paradigm will be incapable of adapting as required. While all of this is desirable, it could also prove impossible given that, during a recent speech at a Mercosur meeting, Calderón invoked free trade in much the same vein as other political leaders in the era of globalization.

3. IMPACT ON MEXICAN EMIGRATION TO THE UNITED STATES

Starting in the 1990s and until 2006, Mexican emigration to the United States grew constantly and inversely proportional to the extent of the national economic crisis. During Vicente Fox's administration, some 575,000 Mexicans migrated to the United Sates annually (over 3 million total). This led to the depopulation of hundreds of communities located in at least as many as 600 municipalities, which now have negative demographic growth rates. At the same time, the number of women leaving the country increased to 45% of the total emigration.[31] This pattern remained during the first year of Calderón's government; according to data issued by the National Population Council (Consejo Nacional de Población,[32] 679,611 Mexicans took up residence in the United States during 2007. This tendency is confirmed by the World Bank,[33] which maintains that an average of 644,361 Mexicans have left the country annually in the past few years. And this is how Mexico has managed to expel 10% of its population.

This trend constitutes an obvious response to the United States' healthy economy. For years, migration flow grew alongside the U.S. economy and diminished slightly whenever the latter encountered a recession; people would travel north during the spring, when the agricultural and construction sectors had jobs to offer, and headed back south during the Christmas season. This has begun to change, as the past three years of the U.S. Border Patrol's undocumented migrant detention records indicate. In 2006 the rate fell 8%, to about one million. In 2007 it decreased by a fifth. The first semester of 2008 showed a 17% reduction in comparison to the same period in 2007. Given the inexact nature of the border detention registry, we can estimate that current migration flow is about half of what it was in 2000, when 1,640,000

[31] *La Jornada*, March 4, 2008.
[32] *Reforma*, September 24, 2008.
[33] *Milenio*, January 24, 2008.

detentions were registered. This data does not include those who manage to cross successfully and recounts those who were arrested repeatedly. It still shows a clear tendency, and so do remittances. The Bank of Mexico's data shows that, after years of formidable growth, remittances are decreasing. Last year, they amounted to 24 billion USD –more than Mexico's tourism earnings. But, according to a new report issued by Goldman Sachs during the first trimester of 2009, the annual figure dropped 2.9%. While it is possible that remittance assessments after 2001 exaggerated the actual growth rate, it is clear that migrants are sending home less money. A survey carried out in April by the Inter-American Development Bank (IDB) in the United States confirmed that few of them are sending remittances regularly. In 2006, three fourths of the migrant population were sending money home, while this year only half of them are doing so. This is not only the case in Mexico: Brazil, the region's second remittance receiver, suffered losses of 4% during the past year (7.1 billion USD).

Two equally disagreeable factors could explain the decrease in migration and money flows: the hostility displayed toward migrants (especially undocumented ones) and the deepening of the U.S. crisis. The impact of open hostility is evident: some state laws forbid employment of undocumented migrants, businesses who hire them are subject to increasingly aggressive raids, and better technology leads to efficient information sharing and the concomitant arrests. The huge investment in U.S. border protection is the most visible example. The Department of Homeland Security has a budget of 12 billion USD for the next fiscal year, an expense intended to stop those attempting to cross the border in search of work (and those mythical terrorists perpetually headed toward their goal). This contemplates enormous amounts of equipment, technology, and the extension of the border wall. And yet, hostility and walls would matter less if the economic situation remained stable. But the U.S. economy has been slowed down, even if it manages to avoid recession. In May, unemployment figures rose to 5.5%. The housing and construction sectors, which provide work for many newly arrived migrants, have been particularly hard hit. In June, the Pew Hispanic Center published a report showing a 7.5% rate of unemployment among immigrants; this rose to 8.4% among Mexicans and 9.3% among those who arrived in the United States after 2000. Last year, over 220,000 migrants lost their jobs in the construction sector. Those who are employed are earning lower salaries: Latino construction workers experienced wage losses during 2007.[34]

Given the impact of the U.S. financial crisis on the labor market

[34] Economist Intelligence Unit, *La Jornada*, July 8, 2008.

(especially in the construction sector, which throughout 2008 left over 200,000 laborers jobless), Mexico began to show concern about the eventual return of unemployed migrants in October. Authors disagree about the Mexican economy's capacity to reabsorb them into the job market and the political will on the part of the government to design functional labor reinsertion programs. The press has often published data lacking any technical support. For example, Carlos Villanueva, president of the Mexicans Abroad World Association (Asociación Mundial de Mexicanos en el Exterior), stated in late October[35] that, in the next three months, about a million and a half migrants will return to Mexico because the U.S. crisis «has left almost one million illegal or undocumented Mexicans unemployed since August.» Villanueva says that this exodus will test the government's ability to provide work, education, and services, since most of them will return to poor areas of the country. He states the Mexican community is going through hard times («everyone is living their own version of Hell, the American Dream is gone») and estimates that, according to data provided by 20 regional offices in the United States, some 150,000 people have already returned to their places of origin.

But Renato Rosaldo, a Stanford University anthropologist, claims that Mexico will not face a (legal and illegal) migrant return stampede because this is a global recession and the United States will still offer migrants better opportunities than those available in Mexico. He thinks that Mexico's migrant return «Hispanic panic» is unfounded: «If this a worldwide recession I do not think that many people will go back, because they know there are no jobs, neither here nor there, and they will try to survive in the United States. Finding work is essential for migrants and one of the reasons why they left their countries of origin.» What he does predict is that those how return will be mostly single males because, unlike those who already have families, they are not deeply rooted in the Unites States and do not have social networks or children.[36]

So far, one of the few rigorous academic studies on this subject is «La crisis financiera en Estados Unidos y su impacto en la migración mexicana»,[37] published by the College of the Northern Border (Colegio de la Frontera Norte, COLEF) during the third week of December 2008. It starts by pointing out that the U.S. economy began slowing down in 2006, especially in the construction sector, and that the Latino and immigrant population has been seriously affected. The crisis has led to decreased employment in sectors that are crucial to Mexican migrants (construction and food manufacturing), an increase in overall

[35] *El Universal*, October 31, 2008.

[36] *La Jornada*, December 8, 2008.

[37] *La crisis financiera en Estados Unidos y su impacto en la migración mexicana,* COLEF http://www.colef.mx/coyuntura/2.asp 17/12/2008

unemployment among the Latino population, a fall in immigrant households' income, and a growing percentage of Latinos suffering from a decrease in their quality of life. In short, undocumented Mexican migration started decreasing in 2006 and, more recently, so did the amount of remittances –a trend that seems to have reverted because of the fall of the Mexican peso.

As has been pointed out, undocumented immigrants are not only vulnerable to economic factors but also the U.S. government's operatives, which have resulted in the criminalization and deportation of many of them. Undoubtedly, the current economic, social, and judicial climates are unfavorable and hostile to undocumented Mexican migrants. And yet, as the above study points out, the data provided by the Survey on Migration in Mexico's Northern Border (Encuesta sobre Migración en la Frontera Norte de México, Emif-Norte) does not show any evidence of a massive migrant return or a pattern that differs from those observed in previous years. This does not refute the fact that migrants who are returning to Mexico during the Christmas season, as they do every year, are expressing concern over the situation. What is more, it is possible that many of those who do not have established families, secure employment and a home in the United States will decide to stay in Mexico for the short term.

Colef's reserachers do not think a mass return of migrants is taking place because, firstly, many of them have fully integrated into U.S. society, as U.S. national surveys show. Secondly, the risks of returning and then trying to get back into the United States without documents have risen with increased border patrolling and the growing number of raids. Thirdly, these policies, along with important changes in the demand for immigrant workforce, have fractured the circular migration pattern that had historically characterized Mexico-United States migration flows. This change goes back to 1986 and the implementation of the Immigration Reform and Control Act (IRCA), which allowed thousands of families to become established in U.S. territory. As undocumented migrants are forced to spend longer amounts of time in the United States many have moved their families there, becoming increasingly rooted in the country. Fourthly, the decision to return to Mexico is quite complex for many undocumented Mexicans who have children who are U.S. citizens or attend school there. In fifth place, Mexico's economic situation is hardly better than that of the United States and is unlikely to propitiate return. Finally, Barack Obama's electoral triumph has been accompanied by strong expectations in the sphere of immigration reform.

This approach is supported by the Migration Policy Institute (MPI) in Washington,[38] which during the

[38] *Wall Street Journal*, New York, January 14, 2009.

second week of January stated that there is no proof that waves of Mexican and Latin American migrants are returning home because of the U. S. crisis.

Demetrios Papademetriou, the Institute's director and head of this research project, has declared that

> a substantial undocumented return migration is improbable unless the U.S. economy considerably deteriorates and does so for a prolonged time. The MPI's research indicates that return migration seems to be more strongly correlated to economic, political, and social events in the country of origin than with economic conditions in the United States. According to Papademetriou, while the current crisis might not be perceived as the most opportune moment to correct the chronic dissociation between the U.S. labor market and the migration system, more visionary policy makers will realize that a more agile and planned system will better serve U.S. economic interests in an increasingly competitive global market.

On the other hand, the New York Times[39] reports a new forced migration flow leaving central western Mexico for the United States. It is composed of migrants' family members who are increasingly subjected to kidnappings and extortion by criminal groups such as the «Zs», which have found the transnational family to be a new and lucrative prospect. The modus operandi involves kidnapping a local family member and demanding ransom from those residing in the United States via electronic means. Extortions involving both money and possessions focus on household assets and remittance. The article quotes testimonies from the Felipe Ángeles and Los Haro communities in Zacatecas, but there is evidence that this is also starting to happen in Jalisco, Guanajuato and Michoacán, among other places. This type of forced migration resulting from Mexico's internal lack of security could increase depopulation in many communities, while migrant associations could lose interest in promoting small social and productive projects in places of origin, which they have been doing for years.

Insofar as the labor reinsertion of returning migrants is concerned, the governor of Zacatecas, Amalia García, announced her proposal to the National Council of Governors (Consejo Nacional de Gobernadores, Conago) on October 27: she asked that the 2009 federal budget assign 7 billion to a national plan for migrant reinsertion.[40] This would comprise the following:

a) Professional abilities certification.
b) Promotion of self-employment.
c) A 1 × 1 program* for returned migrants.

[39] *New York Times*, January 5, 2009.
[40] *La Jornada*, Zacatecas, October 28, 2008.
* Translator's note: this a reference to the 3 × 1 program, a matching fund scheme that tries to productively channel remittances in places of origin. The federal, state, and municipal governments contribute to the program by tripling migrant-sent contributions.

d) Labor training.
e) Basic food coverage.
f) Health services.
g) Housing aid.

On October 20, researchers from the Autonomous University of Zacatecas (Universidad Autónoma de Zacatecas, UAZ) presented their own migrant reinsertion proposal during a meeting convened by the Ministry of Foreign Relations (Secretaría de Relaciones Exteriores, SER) to address the U.S. crisis and its impact on Mexican migration.[41]
It comprises:

a) A family and individual productive microprojects program that provides integral support.
b) Promotion of transnational focal points with the participation of Mexican migrant organizations in the United States.
c) An immediate program of educational reinsertion.
d) Selection of and support for middle-sized cities with an increased capacity to generate employment.
e) A program for the rehabilitation of agricultural infrastructure.
f) A program of local sustainable development (treatment of garbage and wastewaters and environmental repair).
g) A national program for the construction of popular housing.

Finally, we stated that what is essential this not treated as a mere anti-crisis plan but an integral transformation of the Mexican economy –one that discards the neoliberal paradigms that, for 26 years, have led to increased economic stagnation, foreign dominance, and the impoverishment of the national population. Again, what is important here is not so much the creation of a good reinsertion plan for the thousands of migrants who might return to Mexico, but the development and implementation of a national policy on development and migration that focuses on economic and social development across the country: employment generation, welfare, independence, democracy, and the construction of a new economic structure so that, in the middle-term, Mexicans can exercise their right not to emigrate.

A State policy on development and migration should include the following elements,[42] among others:

I. The Mexican State should recover its role as the administrator and promoter of national development.
II. The State should regain its capacity to plan the economic and social development of all regions in the country.
III. It should discard the false paradigm that development comes

[41] *La crisis financiera en Estados Unidos y su impacto sobre el futuro de la emigración mexicana,* Secretaría de Relaciones Exteriores.

[42] «Migración internacional y políticas públicas alternativas en México», *Cambiando perspectivas: de la gestión de flujos hacia la construcción de políticas de migración con enfoque de desarrollo*, Sin Fronteras-Universidad Autónoma de Zacatecas-Incide Social-Miguel Ángel Porrúa, 2008.

from the invisible hand of the market and implement public policies that efficiently regulate and support the functioning of all economic sectors in the country.

IV. Federal institutions such as the SHCP, the Bank of Mexico, the Ministry of Economics, the Ministry of Social Development, the Ministry of Agriculture, the Ministry of Public Education, and the National Council of Science and Technology should develop coherent interactions in order to carry out coordinated promotion and support of integral economic development based on the internal market. Without jeopardizing any links to the external market, this should enable a long-term development strategy based on the nation's internal resources.

V. Regional development should become one of the priorities of national development. True national development must happen both locally and regionally and include more and better jobs, welfare, and democracy for all.

VI. The failures of the past 25 years, during which the government attempted to use the market as the promoter of Mexico's regional development, will force the Ministry of Economics to focus on regional development as a priority and channel funds toward SMBs across the country. The Ministry of Social Development and the Ministry of Agriculture should do the same thing for rural communities, urban social organizations, municipalities, and NGOs. The country's serious social problems indicate that the Ministry of Social Development needs to fulfill its role rather than continue to administer poverty.

VII. The Ministry of Social Development (Secretaría de Desarrollo Social, Sedesol) should establish a Subsecretariat of Regional Development to manage regional development suggestions and proposals presented by the states and municipalities. They should take advantage of the research and proposals put together by regional trusts during the previous administration (e.g, Fideicomiso para el Centro Occidente, Fiderco), which addressed regional problems in an integral way and with the participation of several states but that have yet to be instituted.

VIII. If the purpose is to combat poverty and eradicate the structural causes behind migration, the national economy and its different sectors and areas need to be strengthened, as mentioned previously. A thorough change in Sedesol is required: a national system of social development must be established, along with a social development cabinet and a national evaluative council that is independent of the federal government.

IX. In order for all the above to happen we must overcome the paradox expressed by Armando Bartra during the Carlos Salinas de Gortari administration: «The economic policies [of the SHCP] impoverish [the people] while Sedesol eases their precarious state.» The current economic policy has impoverished 50 million Mexicans and needs to change; it should take a Neo-Keynesian approach to regional economic growth, and promote proper jobs and beneficial, multiplying impacts on the national economy based on public investment. If the goal is to eliminate poverty, economic policy should be consistent with this aim and implement regional economic growth plans alongside sustainable strategies to overcome poverty. The Bank of Mexico, the SHCP, and the Development Bank must change their modus operandi, which benefits a few large national and foreign corporations, and perform the tasks for which they were created: promote and support national businesses and offer technical and financial backup.

X. All of the above demands a radical change on the part of the Mexican political class, who will have to place the economic, social and political future of the country at the center of their agenda. The Deputy Chamber and the Senate can no longer silently witness and enable the impoverishment of the majority of the population, the benefit of a select few, and the transference of national assets to foreigners. The current political parties need to be deconstructed –they are currently only concerned about their political turf, factions, and electoral market and do not attend to the needs, demands, and suggestions of most Mexicans. The current discussion on state reform provides an opportunity for the Mexican political class to show its commitment to functional changes that would benefit the national majority. Or, perhaps, this is just another simulacrum meant to ensure their continued work on behalf the oligarchy and their own interests.