

Rules and Growth

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Whoever has walked down the streets of a European city knows that sidewalk cafés are the social and community lifeblood. The cafés extend out to and onto the sidewalks, where customers coexist peaceably with passersby, without the least conflict arising between them. The cafés occupy the sidewalks but do not invade them, a perceptible reflection of a society in which there are clear rules that are respected by private actors as well as by the authorities responsible for making the rules be complied with.

While in Mexico there is a proliferation of cafés and restaurants with tables on the sidewalk, the result has been very different. The comparison, and contrast, is revealing.

In societies like Mexico's, in which little importance is afforded to the rules -any rules-, quotidian coexistence requires alternate mechanisms that facilitate it. In the case of vehicular traffic, for example, the existence of traffic humps and innumerable stop lights is suggestive: due to lack of the knowledge and application of the (frequently changing) rules of the motor vehicle code, the authority resorts to physical barriers to force drivers to behave. In Europe, as in societies in which knowledge of the rules is a condition sine qua non for operating a vehicle, there are many fewer traffic signals and practically no street humps: the authority resorts to traffic circles as mechanisms of interaction among drivers headed simultaneously in distinct directions. Behind having recourse to traffic circles, there is a whole philosophy that also reveals the nature of the authority: it is expected that drivers will know the rules and adhere to them. In traffic circles there is a procedure for entering, circulating and exiting: only those who know the traffic rules can function within that schema -and successfully get through a traffic circle.

The cafés and restaurants of Mexico City's Condesa neighborhood as in Presidente Masaryk Avenue live in ever-changing rules, always dependent on the whims of the municipal authority, which also changes frequently. That is, there is no permanent code that establishes what can be done and what is prohibited (and compliance with which is equally strict for the individual or businessperson as for the authority). With the dearth of that clear and transparent set of rules and regulations, everything is subject to negotiation that, in such a milieu, implies paying a bribe. When a businessperson arrives at an agreement (that is, meets the inspector's price), the permit is valid only for the time that the public official maintains his post; thus, the restaurant invades the entire sidewalk in order to exploit every last centimeter of available space (which was paid for under the table, as it were), regardless of its effect on pedestrians. The conduct of the authority as well as that of the restaurateur is absolutely logical and rational: both are exploiting the opportunity created by the "agreement" and both know that it lasts for a limited time only. The arbitrary powers that the rules confer on the municipal authority permit this type of arrangement at whatever cost, starting with the passersby.

This is but one example of the impediments to the growth of investment, therefore of the economy, which transcend the reforms that with such great eagerness the government promoted during its first half in office. These are factors that inhibit investment because these render it costly and, above all, risky. A restaurateur who is unsure of the space that he is going to be able to utilize will think twice before going

ahead with his investment. The same is true of a mega enterprise that considers investing in the energy sector or in a plant that manufactures goods for exports. It is not by chance that those who invest the most are those that, thanks to NAFTA, enjoy legal and patrimonial certainty, something from which virtually all Mexicans are excluded.

The late Mancur Olson, an American professor, clarified this phenomenon: he found that when a company or consortium entertains a clearly defined special interest it can obtain very broad benefits compared with those that could be achieved by millions of consumers lacking common objectives. In this manner, a nucleus of companies or labor unions can achieve customs or regulatory protection that negatively affects the consumer in general because it possesses the capacity to exert direct and effective pressure. Hence, they can come to an agreement with the authority of the Secretary of the Economy that, on benefiting those enterprises, jeopardizes not only the population in general, but also makes investment generally risky. Who would want to invest in an environment in which the rules are established in willful (that is, corrupt) fashion by the authority? This instance is extensive to sectors such as communications, agriculture, cattle raising, and others. When we ask ourselves why the Mexican economy does not grow, the answer should be obvious.

Mexico's governmental system was constructed under the principle that the authority should be endowed with great latitude in deciding where and how the country would develop. Perhaps that made sense and worked one hundred years ago, after the revolutionary devastation and within the context of a closed and protected economy. Those very powers persist today but the reality is the opposite: in open and competitive surroundings, what previously was (conceivably) virtuous, today condemns us to poverty and disillusionment. Nothing will change while arbitrariness and the absence of checks and balances remain the norm.

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