

To Explain and Convince

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(English translation of article in Spanish published by *INFOLATAM*, October 4, 2015)

There are two theories on the incapacity of the country to break with its various forms of destructive inertia. Some argue that the country embodies cultural constraints that can be explained by anthropological and historical factors and that lead to rejecting a change in the way of being. Thus, these constitute a structural impediment to the success of the reforms that, from the eighties on, the nation has undertaken. One derivative of this perspective is that informality, the rejection of competition and, in general, of globalization, reflects a satisfaction with the status quo, therefore a repudiation of the essence of the reforms. In its most extreme version, this theory proposes that the political class wants to keep Mexicans poor to control them and perpetuate the power for themselves.

The other theory emphasizes the absence of conditions for the country to prosper. Among the contentions employed by those who sustain this view we find the following: the discretionary powers of the authority, the insecurity, the absence of the Rule of Law and, generally, the lack of clear rules, ones that can be complied with and that can guide the development of the country.

The first theory attempts to provide an explanation for the situation that the country is experiencing that has held the country back from capitalizing on the changes it has embarked upon due to the complexity that characterizes Mexico. The most analytical of the proponents of this tenor affirm that the Mexican possesses a natural attachment to tradition and that, in any case, the reforms do not address the core issues of the national reality, such as the fact that the vast majority of producers or entrepreneurs belong to the informal economy, survive within a context that makes it impossible for them to compete and prefer the existing conditions than having to do battle in the marketplace with imported products or linking themselves with exporters. For those espousing this view, development lies in scaling back many of the reforms, impeding the generation of new sources of competition and easing of the live of the small business owner with mechanisms, above all fiscal, that reduce the burden and, chiefly, the associated bureaucracy. One candidate's future rides on this vision.

The other view embraces modernity and transformation as a fact and a necessity for creating wealth and jobs and attempts to determine the exact nature of the phenomenon that has thwarted the unabridged success of the reforms. From this derives an entire series of complementary proposals of reform to bring the country to higher levels of sustained economic growth. For those who advance this view, the North American Free Trade Agreement (NAFTA) is a perfect example of a strategy oriented toward paving the way for the acceleration of investment.

It seems to me that NAFTA also illustrates the reason, or the fundamental reason, why the remainder of the economy has not worked. What NAFTA achieved was conferring legal certainty on investors (above all foreign) already possessing an integral notion of globalization and its dynamic. That is, large and small companies that already understood the need to raise their productivity, specialize in business niches, and act strategically. As soon as they were certain that the rules would remain constant, their decision to

invest was immediate. Except for those enterprises that for some time had been immersed in the same global logic, that has not been the response of the overwhelming majority of Mexican companies.

Instead of attempting to find esoteric, anthropological or cultural explanations, it appears evident to me that the national business community tends to operate in an environment of sparse competition, the absence of information and a permanent disregard for authority that, in the main, is bidirectional. Under these latter conditions, medium and small business owners have been able to survive, clinging for dear life to what exists instead of seizing the opportunities (and the enormous intricacy) that the world of globalization entails. Many companies have succumbed in the face of competition, but many more outlive their stay in meagerly productive but directly or indirectly protected markets.

I have tried for a long time to understand what has generated that dynamic in the Mexican business population. In some cases the explanation is simple: protection generates greater profits (rents, as economists call them), which in turn generate an obvious incentive for the entrepreneur to preserve things as they are. But my observations over this time have convinced me that this latter case is relatively exceptional. I know innumerable entrepreneurs who do not enjoy rents, only marginal (and usually declining) profits and who would be disposed to transform themselves if they understood what their options are.

A recent, ongoing, study on Mexicans deported from the U.S. led me to understand part of the problem: Mexicans who had been very successful in the States began to try to do business in Mexico, only to find this very difficult, because everything conspired against them. One of these persons summarized this in a pithy phrase: “There the rules are clear and here they are not”. That difference is dramatic and provides a summation of the challenge: what NAFTA resolved for the foreign investor no one has resolved for the Mexican.

The Mexican does not reject modernity, free trade agreements or change. What the Mexican needs is a government that rather than preaching outside devotes itself to creating conditions inside for the country to prosper. Medium and small business owners require a government that informs them, offers ways for them to understand, helps them to update themselves and obliges them to do this, all in a suitable manner. That is, clear rules, the same for all.

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