Legacies of Colonialism & Imperialism
+ Transition from traditional society
+ Dismantling of local industry & agriculture
+ Initiating of infrastructure (roads, railroads, educational system, cities, mines, ports, financial sector)
- Monoculture & cash crops
- Orientation towards colonial power & economic exploitation/domination
- Collaborative elite
- Importation of slaves, indentured servants
- Superimposing Western culture, religion, society
- Division of people into artificial political entities

Questionable Assumptions of Development Concepts
- Is the Western Model universal? Can capitalism and democracy simply be exported into different local and national cultures and traditions?
- Is West a historical "role model"? What about its many dark spots (slavery, world wars, genocides, racism, sexism, pollution, waste...)?
- Is there a single trajectory of Historical Development based on the first world development? What about the history & legacies of colonialism/imperialism?
- Can everyone; should everyone be like materialist and consumerist U.S.?
- Do they even want to?
- Questionable concepts? North/South, Eurocentrism, Americacentrism, Orientalism (Said), Globalization, Individualism, Mass consumption...

Global neo-liberal development policies in the 1980s and 1990s at the example of Mexico

History of Modern Mexico
1521 Cortes/deCorboda conquer the Aztec and Mayan civilizations, followed by 300 years of oppression and exploitation (serfdom, silver, plantations) of Mexico as Spanish colony. Disease and overwork reduce Indios from 12 million in 1520 to 1 million by 1720.
· 1810 first anti-Spanish revolt, demand of land redistribution, suppressed
· 1814 second revolt, suppressed but guerilla warfare continued
· 1821 Guerrero revolt, 1823 Mexico becomes a republic
· 1845 annexation of Texas by U.S., followed by defeat of Mexican forces and 1848 annexation of Utah, Texas, Nevada, California, New Mexico, Colorado
· 1857 Benito Juarez issues new constitution, land reform fails, civil war between liberals and conservatives, Juarez prevails reducing power of church and army
· 1876 Porfio Diaz seizes power and establishes power monopoly
· 1910 revolution started by peasants under popular leadership of Pancho Villa and Emilio Zapata ("tierra y libertad"). Civil war ensues and ends 1920 with crush of Villa and Zapata forces by conservatives
· The "Revolutionary Party" (now PRI) is established as outcome of revolutionary nationalism and rules Mexico in a particular one party system. Reversal of land reforms in the 1930s increases inequality.
· 1930-1982 Mexico practices a corporatist economic policy
· 1970s-2000 Rapid changes increase inequality between classes and regions, lack of social reform. Economic crisis in 1982 & mid-1990s trigger neo-liberal economic reforms
· 1994 Mexico joins NAFTA

Mexicos Economic Transformation
1930s through early 1980s corporatist nationalization policies
- State participation in the economy
  - Subsidies
  - Promotion of industrialization
Constructing infrastructure
Providing credit
Government participation in strategic sectors
Imports substitution policies
After WWII import-substitution until the early 1980s. Instead of relying on comparative advantage domestic industries are protected and fostered by state. Saves foreign exchange by reducing imports and fosters domestic market through the creation of new industries and a new class of wage workers

Reasons for Import Substitution Stagnation:
- “Stabilizing development” based on stable domestic prices and stable foreign exchange rates worked against the interest of the poor majority
- Lack of competitiveness. Inefficiencies and high costs
- Economic growth relied more on foreign borrowing than internal savings
- Import dependence. Failure to develop an industrial base for intermediate and capital goods that require high technology
- Decline in the country’s food self-sufficiency. Focus on exports. Per capital food production fell

1982 Crisis and collapse of the corporatist, state controlled economic development model
- World recession & fall of oil prices and other commodities
- Mexico’s oil boom fueled economy collapses in August 1982
- High interest rates compound Mexican indebtedness. Mexico cancels repayment of international debts
- “Austerity measures” to balance the bloated budgets and to pay debts ("Belt-tightening measure")=> "lost decade"
- Attempts to reorient and transform Mexican economy

New Neo-Liberal Economic Development Orthodoxy ("Washington Consensus")
- Privatization of Property
- Reduction of government regulation
- Introduction of free trade policies
- Controlling inflation
- Prices are set free
- => will trigger foreign and domestic investment
- => road to prosperity and mass consumption

Neo-Liberal Economic Policy Orientation in the 1980s
- Stresses integration with the world market. Open up borders to trade and investment
  Based on two basic principles:
  - Economic stabilization: programs to resolve Mexico’s financial problems (deficits, inflation, destabilized peso, balance of payments crisis). Based on monetarist policies: rejects state intervention in the economy
  - “Comparative advantage” growth will result from private investment in export-oriented businesses that take advantage of: cheap labor & proximity to US market

Effects of Economic Reforms
- Austerity measures
  - Currency devaluation, trade liberalization, tax reform, privatization, and wage and price controls
- Cuts in social services, government payroll, and public sector investment
- Lower wages, higher public utility rates
- Devaluation and restructuring of the industrial sector
- Results: lower deficit, exports, lower inflation, foreign investment, and economic growth
- Fiscal deficit from 11.7% of GDP in 1988 transforms into surplus in 1992
- Inflation reduced from 160% in 1987 to 12% in 1992
Debt reduced to 39% of GDP. Growth 3.5% between 1989 and 1991
BUT: current account deficit increases to $20 billion & a trade deficit of $21 billion in 1992

Social Effects of Neo-Liberal Economic Reforms
- Elimination of subsidies (guaranteed producer prices, subsized energy, food)
- Slashing of budgets in health, education, and welfare
- All social indicators drop:
  - Unemployment shoots up
  - Underemployment 25%-40% of the population
  - Education quality/achievement rates drop
  - Infant mortality rates increase
  - Widespread poverty, substandard housing, malnutrition, ill health, underemployment
- Growth of informal economy (40% of GDP)
- Very uneven income distribution. By 1990 half of the population fell below the poverty line. 4 worse states: Oaxaca, Chiapas, Guerrero, and Hidalgo
- Very low minimum wage. Between 1982-91 the purchasing power of the minimum wage dropped 66%
- Real wages drop precipitously

Disparities among regions and rural-urban areas:
- Unemployment concentrated in the rural sector
- 70% of the population living in extreme poverty
- Infant mortality 50% higher
- Chiapas, Oaxaca, and Guerrero regions most marginalized

Why these effects?
- Public sector expansion to mitigate political conflict. Its low revenue-raising capacity led to indebtedness
- State failed to counteract the wealth concentration
- Government investments and policies reinforced these effects: tax and credit policies favored the wealthy
- Relatively low expenditures in social security, public health, and education (less than Bolivia, Brazil, Chile, and Panama)

NAFTA at a Glance
- North American Free Trade Agreement=Free trade b/w U.S., Canada and Mexico
- Remove tariffs in agriculture, computers and electronics, energy and petrochemicals, financial services, textiles, apparel, and transportation.
- Objectives of Mexico: Secure access to U.S. market, Attract new capital, Expand exports, Consolidate economic reforms
- Objectives of U.S.: Leverage vis-a-vis EU and Japan, Increase competitiveness & eliminate duties
- New issues: immigration, environment, drugs; Prevent Asian and EU firms from bypassing U.S. tariffs through Mexico

NAFTA Advantages
- Allows each member country to specialize and become more efficient. Alternative to GATT.
- Leverage to U.S.
- Should spur growth & generate jobs
- Competitive edge: modern technology (U.S. and Canada) and access to pool of cheap labor (Mexico)
- Mexico’s modernization will require equipment from U.S.
- Opens up the Mexican market to U.S.
- Plants in Mexico more likely to buy components from the US. Will foster economic integration
- Creates jobs in U.S. export business. For every $1b investment =40,000 jobs created (1987-92 more than 520,000 U.S. jobs)
Strengthening of Mexico’s intellectual property laws
Mexico becomes a more prosperous and stable neighbor

NAFTA Disadvantages
- Potential losses of jobs of non-exporting industries
- Environmental problems, partic. Mexico
- Lower safety and health standards
- Uneven effect on the U.S. Texas vs. other states
- Adjustment costs for the three partners
- Will dynamic gains to overall growth outweigh redistributive effects?

NAFTA: Economic Effects
- Further concentration of capital, increased foreign control, and reduced governmental ability to manage the economy
- Peso crisis cost 1 million Mexican jobs and led to a 25% fall in Mexican wage rates
- U.S. economic boom pushed unemployment down by 1.4 million since 1994.
- Volume of trade increased b/w U.S., Mexico, and Canada by 45%. U.S. exports to Mexico increased 11% from 1993-95.
- Environmental problems associated with Mexico’s maquiladora industries got worse as migration to these zones increased
- Mexico was “locked in” neo-liberal policies
- Foreign direct investment in Mexico almost doubled to nearly $8 billion/year, less than 1% of plant and equipment expenditures at home

Foreign Direct Investment
(Net Inflows, Million US$)

NAFTA: Social Effects
- Middle class expanded to 29% of population by 1970.
- Illiteracy dropped from 35 to 15% of the population,
- Average life expectancy rose from 55 to 64 years
- Infant mortality was reduced from 78 to 70 per 1,000 live births
- Increasing concentration of land and capital
- 1977 70% of Mexican families received only 24% of disposable income, richest 30% of families 76%.
- Inequality increased by 10% between 1984-1989
- By 1989 1/4 of children under 5 years in rural areas were malnourished
- Only 54% of those who start primary school finish it
- 1990 97% had no sewerage connections, 13% no electricity
- 1992 were 43.8% of the population living below the poverty line

Summary of Neo-Liberal Globalization Effects on Growth & Inequality
- Growth: Countries liberalizing faster have fared better than those globalizing slowly, with growth rates 30% to 50% higher over the past 20 years
- Inequality: Rapid liberalizers have experienced a growing gap between the rich and the poor. Income distribution inequalities have grown 15% to 20% faster than in less rapidly globalizing countries
- Poverty Reduction: 1.4 billion people escaped absolute poverty as a result of economic growth associated with free trade incorporation
- Developing countries face major challenges, in addition to rising income inequality, including Governance: Corruption
- Environment: Environmental pollution—water pollution (waterborne fecal coliform), CO2
emissions

- Health: Infant mortality reduction is better in passive globalizers but infant morbidity fell more significantly among aggressive globalizers

Questions and Tasks
- Are the costs of neo-liberal economies policies compensated by its gains?
- Who gained most from NAFTA?
- What are the possible long-term economic, social, and political costs of increasing inequality and poverty?
- What are the criteria to measure successful development policies for LDCs?

The unintended side-effects of neo-liberal development policies. The example of Mexico’s involvement in narcotrafficking

Facts About Drug Use in the U.S.
- In 2001, an estimated 16 million Americans were current illicit drug users
- In 2000, Americans spent about $64 billion on illicit drugs
- Abandominums is a street term for abandoned row houses where drugs are used
- An estimated 61,000 (16%) of convicted jail inmates committed their offense to get money for drugs

International Drug Prohibition Regime
- 1961 Single Convention on Narcotics
- 1971 Convention on Psychotropic Substances
- 1988 UN Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances
- Various World Bank and IMF conditions on loans
- Unilateral, bilateral, or multilateral agreements or conditions (U.S. State Department, Foreign Aid, etc)

Possible Consequences for Countries Openly Defecting from Global Drug Prohibition Regime
- it would place the defecting country in the category of a pariah "narcostate"
- it would generate material repercussions in the form of economic sanctions and aid cutoffs
- it would be sanctioned by the U.S. and other nations
- it would damage a country’s moral standing in the international community
- it would openly violate a country’s pledge to uphold UN-based antidrug treaties

History of Cocaine
- 1860 first synthesized in a German lab from dried Peruvian coca leaf
- 1885 discovery of its medicinal uses => widespread use
- 1890/1900 anti-cocaine passions & politics
- 1930 counter culture (Hollywood, jazz, Third Reich)
- 1920-60 prohibition & criminalization, synthetic substitutes
- 1970s glamour & recreational drug, scholarship
- 1980s re-criminalization, sensationalization

Cocaine: the Hidden Histories
Paul Gootenberg 1999

- Drugs have an economic, cultural and social history
- Drugs are defined and redefined as useful or harmful in different periods and places
- Example: Cocaine

Mexico’s Involvement in Narcotrafficking
- About 70% of cocaine bound for U.S. market enters through Mexico
- Mexico supplies about 20-30% of heroin consumed in U.S.
- Mexico supplies about 80% of imported marijuana to U.S.
DEA calculates Mexican earnings >$7 billion/year from drug trade, most notably transshipment of cocaine

Narcotization of the Mexican Economy
Andreas 1999
- Central contradiction: “…while neoliberal economics promotes market liberalization in developing countries, a global drug prohibition regime (institutionalized internationally through the UN system) promotes market prohibition” (p. 125)
- “The effort to tighten state controls over the flow of illicit drugs contrasts sharply with the current global trend to relax state controls over the flow of goods, services, and capital.” (p. 126)

When Neoliberal Policies Collide: Drug Production, Trafficking and Money Laundering
- Borderless traffic vs. border controls
- Deregulation vs. state intervention
- Facilitating trade and private market initiative vs. state intervention and trade barriers
- Promotion of “competitive advantage” vs. its deliberate elimination in the case of narcotics
- Promotion of investment vs. prohibition of money transfer
- Economic restructuring vs. its prevention
- Export orientation/NAFTA vs. closure of U.S. market

Unintentional Side-Effects of Free-Market Reforms in Mexico in 1980s & 1990s
- Privatization and pro-market reforms in 1980’s & 1990s unintentionally encouraged growth of illicit business
- Attracted narcoinvestors & money launderers (commercial banks & large commercial enterprises, constructions, cement, factories, aviation companies, etc)
- Agricultural reforms to make peasants responsive to markets also unintentionally encouraged cultivation of illicit drug crops (price advantage, survival)
- Liberalization of transport and cross-border trade (NAFTA) provided ideal cover for smuggling (truckering)
- Lower public sector salaries encouraged bribes/corruption
- Foreign debt increase incentive to tolerate drug revenues

Questions and Tasks
- What alternative drug prevention mechanism exist to an increase of governmental control? Discuss examples of licit and illicit drugs or addictive substances (tobacco, alcohol, etc)
- Why do some countries and cultures declare drugs as harmful or beneficial? What are the possible reasons? Discuss the example of cocaine, marijuana, etc.