Article

Credit and Currency: Transitions in the Twenty-First Century

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Times of crisis may be the best moment for economic analysis, because it is only in this phase that we can rethink the steps that have brought us to this point.

The book *Credit and Currency: Transitions in the Twenty-First Century,* offers a broad vision of the onslaught of the most recent economic crisis, whose repercussions are far from reaching their dénouement, and, even when over, will have come at an irreversible social cost, translating into unemployment, poverty, and the increasingly concentrated distribution of wealth.

The book is divided into two main sections: *1*) Credit and currency after the great crisis, and *2*) Financialization without financing in Mexico. The first half is a series of articles laying out the somewhat palliative measures implemented by government agencies in various countries and regions, as well as the reshaping of the financial sphere and its potential vulnerabilities resulting from increasingly widespread *concentration* and *centralization* in the financial sector.

What is present throughout this entire first section is a cutting critique of the oft-repeated argument that is euphemistically known as “the vision of healthy public finances,” a vision that is none other than the reflection of the systematic subordination of fiscal policy to monetary policy; in other words, the withdrawal of public spending to drive countercyclical actions that foster development against obsessive inflationary control, ironically carried out in times of deflationary risks.

The relevance of monetary policy over the past decades obliges an analysis of the historical situation of the central bank, as well as the functions of this institution in light of the various contingencies we are facing. Along these lines, we find the work of Gregorio Vidal, who, from a historical and analytical perspective, addresses the trajectory and importance of central banks since times of antiquity, a reflection that contrasts with Alma Chapoy’s work entitled “Confidence in the Dollar and the Sustainability of Debt,” due to the enormous influence held by both the Federal Reserve System (the Fed) and the United States economy over the international financial system.

The second portion of the book is linked with the first in the sense that the havoc wreaked by the financial crisis, alongside the immediate institutional vicissitudes playing out, are having an impact on the real sector of the economy, especially in terms of investment and financing, and this is even more marked in the case of the so-called “emerging economies.” Mexico, as a country immersed in the global financial logic, yet lagging behind in many other aspects that exacerbate and perhaps prolong its position as a peripheral nation, is the focus of attention in the second plane of analysis.

With challenges that have become true problems, Mexico, and in general, the entire Latin American region, is now facing an even more adverse situation: widespread price decreases in raw materials that threaten the entire region, which is a primary export region, the trends in energy prices, which are also plunging, and with that, the contraction of income for the productive sector, the subordination of national monetary policy subject to the decisions of the United States central bank, the slowdown of the Chinese economy, and more. In this scenario, the light at the end of the tunnel is increasingly far away, the conditions for the perfect storm are piling up one by one, and the region is becoming increasingly more fragile.

This book, coordinated by Alicia Girón, Eugenia Correa, and Patricia Rodríguez, as can be read in the prologue, is not yet conclusive, because the very dynamics of the economy are in and of themselves an endless process. The multiplicity of approaches and topics contained in this work, ranging from discussions of contemporary fiscal policy challenges, problems related to financial fragility and instability, case studies and possibilities for the oil industry, the consequences of financialization, and difficulties in accessing financing, among others, are coherently relevant to the broader debate that has been gathering steam since the Great Crisis first broke out.