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In memoriam:

Samuel Lichtensztejn Teszler
(Uruguay, 1934-2018)

and

Theotonio Dos Santos
(Brazil, 1936-2018)

Icons of Latin American economic thought

EDITORIAL

WHO IS RESPONSIBLE FOR THE CRISIS OF DEMOCRACY IN LIGHT OF "NATIONALIST AND POPULIST" ADMINISTRATIONS?

At the opening of the Association for Social Economics session, as part of the Allied Social Sciences Association, Dani Rodrik brought to the debate table the discussion on the role economists played throughout the Great Crisis of the last 10 years: Are economists responsible for the crisis of democracy in terms of the economic and financial policies of the past decade? At the same time, Cristóbal Rovira analyzed the rise of "populism" around the world as part of the Great Crisis and the Great Recession.

The most important event for economists on the entire globe, organized by the American Economic Association, showed that the crisis of the theoretical paradigm of the economic sciences has fractured. Central banks and international financial bodies are aware that the monetary, fiscal, and financial policies were not enough to reactivate the economy and prevent income from falling; the breaking apart of society; and poor will toward political parties, the strength of which has been challenged in many Latin American countries. Another sign of the same can be seen in the xenophobia in Europe toward migrants and globalization. Just to give an example, the dispute over economic growth and the attempt to reduce the enormous deficit in the United States through America First—President Trump's discourse—and the challenges of Brexit, across the pond.

The processes of deregulation and financial liberalization failed to foresee the emergence of the Great Crisis, which has devastated many countries, whose democratic regimes are under fire by their own voters. Beyond the issue of where democratic regimes have taken us in the post-crisis period, it is important to note that in a year of democratic elections in Latin America, raising the matter of democracy and the role of economists is key to overhauling economic policy decisions in the direction of a welfare state that improves income and living conditions for the population.

Putting globalization, market integration, and the "global village," ideas which have permeated the thinking of the ruling classes to the benefit of large projects concentrating and centralizing capital in pursuit of profits in the hands of institutional investors, and challenging austerity projects designed to reduce the internal deficit and the fiscal deficit, inflation targets, integration projects like the North American Free Trade Agreement (NAFTA) and the Trans-Pacific Partnership (TPP), entails coming up with new frameworks for renegotiating, even for national companies (if the ones remaining are still around), and, of course, for the large foreign companies in still underdeveloped destination countries. To that is added financing for small and medium-sized enterprises via microcredit, which has favored the interests of microfinance institutions and the financial inclusion spearheaded by institutional investors.

In light of the impact of the free-trade base and the so-called market economy in countries like the United States and the United Kingdom, powerful social protests have arisen, giving way once again to "nationalism" and "populism," but which essentially reflect people's views that through their democratic vote, they have not felt the benefits of the economic and financial reforms pushed through by the Washington Consensus, by way of which many Latin American countries not only lost control of their financial system in the hands of the public and private sector, but also lost control of their currencies due to exports.

So, what to do? What did the lucky pink governments do with the commodities boom in Latin America in the first decade of the twenty-first century? Did they channel that boom in job creation and large infrastructure projects? What ought they have done as governments emanating from a popular and democratic vote? Now, the vast majority of the population, those profoundly impoverished masses, is clamoring for a nationalist movement.

Undoubtedly, the fear inspired by "populism" today is, to many, the response of a portion of society that failed to see the benefits of the policies formulated by economists in the age of democratic governments, where many of the discussions disregarded a big group of people who lost out from the structural changes and economic reforms.

Will there once again be a long path of economic growth? Getting the thousands of young people into the work force is necessary, and education furnished by the State has a major role to play in that. Those who have left the labor market in response to the technological structural changes of the productive process itself, displaced by the robotization of the economy, could be very well channeled and reconverted through investments in the economy of the citizen, the economy of healthcare, and efforts aiming at a welfare economy.

Attendees at the Davos World Economic Forum stated their concerns in this regard, and will undoubtedly do so again at the upcoming spring meeting of the International Monetary Fund (IMF).

In their paper, titled "Special Economic Zones and their Impact on Regional Economic Development," Fernando Gómez Zaldívar and Edmundo Molina underscore the importance of public policy design in a regional context, in which beyond the geographic location of a zone and the port, airport, labor, and enterprise service infrastructure, it is necessary to have an environment of guarantees and incentives to attract companies to set up shop. The Federal Special Economic Zones Law in Mexico established the following as Special Economic Zones (SEZ): Puerto Chiapas, Tapachula; Puerto Lázaro Cárdenas, Michoacán and Guerrero; Puerto de Coatzacoalcos, Veracruz; and Salina Cruz, Oaxaca, considered the Tehuantepec Isthmus Corridor. The regionwide growth results and impact of knowledge, technological change, employment, and improved quality of live in the vicinity of these zones will appear in the medium and long term.

Rafael Borrayo and Luis Quintana, in "Creativity, Efficiency, and Spatial Concentration in Mexico" build, as part of production theory, an analytical bridge across competitiveness, productivity, and technical efficiency. Using an aggregate productivity or total factor productivity (TFP) model, they study productivity levels in Mexico City. With a sample of 59 Mexican cities, the authors quantify the effect of the creative sector in driving technical efficiency. The paper uses stochastic production frontiers with panel data, a technique developed with cross-section data. The results demonstrate disparities across the different metropolitan zones, as well as an enormous difference between the northern border cities and the central and southeastern cities.

Marco Antonio Márquez, in his paper "The Spillover Effects of Industrial Exports in Latin American Countries" sought to determine to what degree industrial exports are significant based on an input-output model. Looking at the tables for Argentina, Brazil, Chile, Colombia, Costa Rica, and Mexico, he analyzes the relationship between the manufacturing sector and the intermediate and final input service sectors. Breaking it down by sector, it turns out that all of the countries mentioned trade a lot with the United States, with the exception of Argentina, which is extremely interdependent with Brazil. One of this paper's contribution is its analysis by sector and the percentage of exports and imports from each country.

"The Impact of Franchising on Development," written by Cintya Lanchimba and Daniela Medina, speaks to the importance of franchising in Latin America, with Brazil and Mexico being the standout countries. Companies have different forms of governance with respect to how entrepreneurs choose and use franchises. Although a causal relationship between the presence of franchising and a country's development level is sustained, it is not a realistic indicator in Mexico due to the fact that Mexican legislation prevented franchises from coming into the country. One line of research necessary to dive deeper into how franchises are used and development levels is related to the recurring economic crises in Latin America.

Throughout the article "Managing Pemex as a State Productive Enterprise," the authors Angélica Tacuba and Luis Augusto Chávez describe in detail the changes in the legislation for the parastatal enterprise Pemex to turn into what they refer to as a "State Productive Enterprise." The paper highlights how a highly profitable company with a significant degree of technological development worldwide in the early nineteen-eighties has been breaking down to the extent that it is necessary to bring in national and foreign private investment. The latest energy reform has not yielded immediate fruits, precisely due to the lack of changes pertaining to efficiency and the senior management running the company.

One of the guiding threads of the paper "Obesity and Public Health in Mexico: Transforming the Hegemonic Food Supply and Demand Pattern," by Felipe Torres and Agustín Rojas, is the economic factor used to relate one of the most pressing health care issues: obesity. To the authors, the connection between the economy, food, and health is the cause underlying excess weight and obesity, with a multi-factor approach that goes beyond the socioeconomic, cultural, or medical. The current Mexican diet is the result of the changes the economic development model has undergone over the past four decades. The outsized growth of excess weight and obesity is, undoubtedly, the outcome of trade liberalization and the hegemonic food supply and demand pattern. Changes in the food pattern have pushed Mexico to the top of the global childhood obesity list, and to second place in obesity, with an extremely high health care cost, allocating between 70% and 90% to diabetes care.

In her paper "A Critical Approach to the Main Theories on Technological Change," the author Yasmani Jimenez-Barrera dives into a Marxist analysis of the work of Karl Marx through the lens of technological change. Technological change as analyzed by Schumpeter is found within the development of the accumulation process with the appearance of innovations. The author takes up a range of authors for whom technological change is an exogenous variable, and others whose neo-Schumpeterian approach observes innovation as the motor of development outside of the historical-social process. The author, through Marx, points to the recognition of the development of productive forces in capitalism thanks to technological change. From the study of the organic composition of capital to the crisis of the valorization of technological change, the study is rooted in *Das Kapital,* and this school of thought is missing a seat at the debate table, especially because technological change is a variable central to Latin American development theory.

Alicia Girón
Editorial Board of the Journal
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