




THE ECONOMICS OF MODERN MEXICO

ESSENTIAL QUESTION: HOW DID MEXICO'S
ECONOMY MODERNIZE AND WHO/WHAT ARE THE
WINNERS AND LOSERS FROM THIS PROCESS?



KEY TERMS

- **Import:** Bringing goods or services in from other countries for purchase.
- **Export:** Sending goods or services to other countries for sale.



SUBSIDIES

Subsidy: money that is paid usually by a government to keep the price of a product or service low or to help a business or organization to continue to function.



NATIONALIZATION & PRIVATIZATION

- **Nationalization:** the process of transforming private assets into public assets by bringing them under the public ownership of a national government or state



- **Privatization:** the process of transferring an enterprise or industry from the public sector to the private sector.



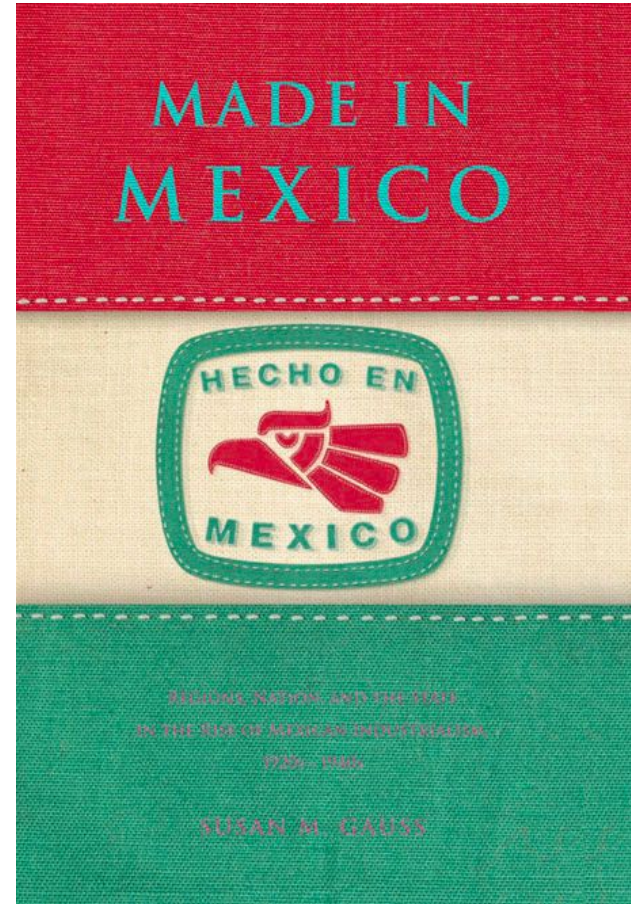
MEXICO'S ECONOMY FOLLOWING THE REVOLUTION

- Mexico remained dependent on trade with the U.S. to support its economy. This became a problem when the Great Depression hit.
- To combat this, the Mexican Government (PRI Party) created a program called the Import Substitution Industry (ISI).



IMPORT SUBSTITUTION INDUSTRY

- This program was designed to create factories in Mexico that would increase domestic production and limit the need to trade with outside nations.
- ISI created a trade surplus and helped the Mexican economy.



Mexico Nationalizes Business

- During the 1930's, Mexico was the 3rd largest oil producer in the world.
- In 1938, workers went on strike against British & U.S. owned oil companies in Mexico to raise wages.
- The foreign companies refused, so the Mexican Government seized control of the companies and their land and took control of them.
 - This process is called *nationalizing resources*.
 - This move was widely popular in Mexico.

MEXICO DURING WWII

- When war broke out in Europe, Mexico became a perfect place to import goods because they were not impacted by the conflict.
- An economic boom led to a rise in population (from 20 million to 70 million) and the rise of cities.
- Mexico's ISI policy and natural resources were largely to thank for this growth.



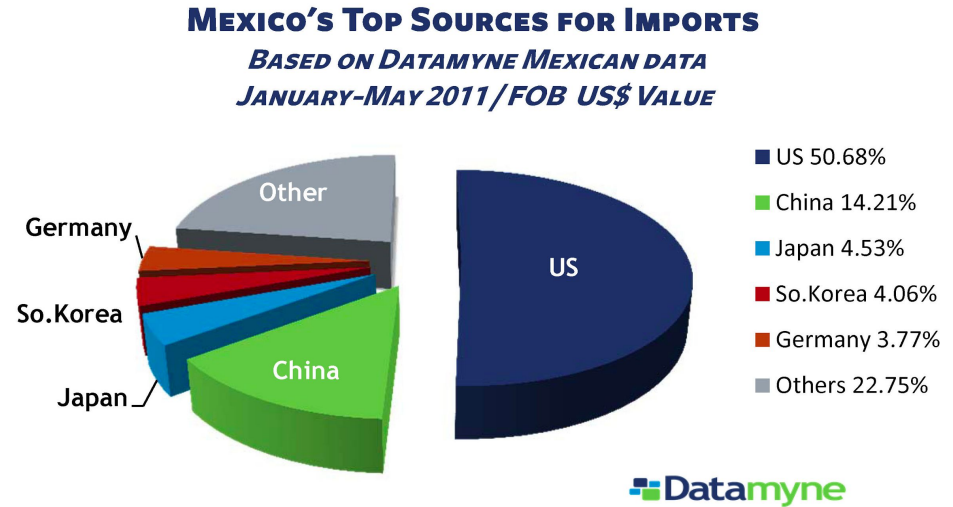
IMPACTS OF MEXICO'S RISE



- The cities in Mexico were not able to support the increase of people living in them and as a result the lower class grew.
- A middle class developed that became conservative in their economic decision making because they wanted to keep what they had gained during the economic boom.

MEXICO'S FOREIGN DEBT

- Mexico's agriculture struggled to feed its growing population in the 1960s & 1970's. As a result, they were forced to import food from the U.S. to feed its population.
- Even though it made huge amounts of money from oil, the Government's debt quickly rose during this period and threatened the stability of the Mexican economy.



MEXICO PRIVATIZES

- A global recession in the 1980's hurt Mexico's profits from exporting oil.
 - The Mexican Government was forced to cut social services that helped the urban poor survive.
- In order to try to save the economy, the Government decided to sell the nationally owned companies and limited government influence in the economy.

Fall of the PRI

- The PRI (Party of the Industrialized Revolution) remained in power from the 1920's-1990's as it promoted the causes fought for in the revolution
- With the downturn of the economy and government cuts in popular social reforms, the PRI began to lose power
 - Started to lose supporters → the privatization of Mexican industry meant that there were far fewer jobs to award
 - Accused of rigging the 1988 election in their favor
 - The people demanded a party that would uphold democratic principles

Daily Writing

HOW IS THE POLITICAL, SOCIAL AND ECONOMIC CLIMATE OF MODERN MEXICO SIMILAR OR DIFFERENT TO THE PATTERNS OF MEXICO'S PAST? WHAT HAS CHANGED OR REMAINED THE SAME?

NAFTA



- In 1992, Mexico, the United States, & Canada signed a trade agreement known as the **North American Free Trade Agreement (NAFTA)**.
 - NAFTA lowered taxes on imports and exports so that imports from Canada and the US were cheap for Mexicans and exports from Mexico were cheaper for Canadians and Americans.
- Was created as an attempt to relieve economic suffering and create economic reform

THE BENEFITS OF NAFTA



- Mexico exports more than it imports.
- Industries such as steel and glass manufacturing has made billions for Mexico.
- Foreign companies invested in Mexican infrastructure and factories.

THE NEGATIVE EFFECTS OF NAFTA

1. Huge factories called maquiladoras were created by foreign companies in northern Mexico.
 - a. American companies moved factories to Mexico to take advantage of only having to pay a fraction of the price of wages to Mexican workers (\$2.50/hour vs \$23/hour).
 - b. Large amounts of pollution.
2. Cheap agriculture products like corn from the U.S. have crippled Mexican agriculture.
3. Inequality has risen with the wealthy becoming richer and the poor remaining poor.

Analysis: Where NAFTA Succeeded and Where it Failed

Response Questions

1. What is the impact of NAFTA on modern Mexico?
2. Do you think NAFTA is beneficial for Mexico? What about the US?
3. President Trump believes NAFTA to be “the worst deal ever negotiated”. Do you agree? Why or why not?