

Differing Effects of the Global Financial Crisis: Why Mexico Has Been Harder Hit than Other Large Latin American Countries

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In this article, we argue that the economic and financial crisis that began in Mexico in 2008 has not been primarily caused by the US crisis that began in 2007, as many have argued. As we will show, years of misguided economic policies at the national level have been at the heart of the Mexican crisis. On the one hand, the dominance of foreign banks in the country's financial system and the minimal presence of the public banks have greatly limited the range of counter-cyclical policy options available to authorities. On the other hand, in the face of the crisis, Mexico has continuously applied deflationary Washington Consensus policies that have deepened the economic contraction. This article will focus on Mexico's individual problems, which offer important lessons for other Latin American countries with a shared recent history of Washington Consensus policies.

Keywords: financial crisis, financialisation, Washington consensus, foreign owned banks, overindebtedness, Mexico.

A hypothesis frequently stated by the Mexican economic orthodoxy, the mass media and the country's authorities is that Mexico is an innocent victim of the global economic/financial crisis. After stating that there was no imminent crisis in the wake of the first 'heart attack' of the global financial system, and later that Mexico may only catch 'the sniffles' as the crisis began to unfold after the collapse of investment bank Bear Stearns, those responsible for the country's economic policies have now been forced to accept the gravity of the global financial/economic crisis. However, by diagnosing the crisis as a short-term phenomenon and exogenous to the country's economy, these authorities have justified actions that are deepening an already dramatic decline in the country's economic fortunes. As Mexico makes its way through the historically charged year of 2010, which marks the 200th anniversary of the beginning of the country's war of independence and the 100th anniversary of the start of the Mexican revolution,