Mexico
Colby

Preface

I originally decided I would do my case study on Mexico for the simple fact I could not fathom the fact that it was considered a part of the undeveloped world. I always recognized Mexico to be a vast economic power in the world, and with its massive population and relatively large size compared to the other countries around the world. This observation left me needing to figure out why they were considered underdeveloped.

When I thought more about how Mexico could have ended up in this economic downfall, it did not surprise me seem to consider what countries Mexico borders. The United States (U.S.) has historically to this day used their military strength and their economic prosperity to abuse much smaller nations. I originally was going to conduct my research on how stronger and larger nations take advantage of weaker nation which has led to Mexico's economic struggles.

However, I quickly learned that the U.S. was not the sole cause of their underdevelopment; Mexico has struggled with political unrest, and economic turmoil since the birth of the young nation. I chose Mexico as my country to research not for family ties or even future personal vacations, but because I felt America was too overbearing. My original ideas were verified by the information I found but also by the new information I found which expanded from other possible sources of the economic turmoil. I have become increasingly engaged and interested in this case study and more broadly Mexico's economic and political systems. This case study has really grabbed my attention and intrigued me unlike I believed it would. I was worried I would not be able to get invested and put my hardest effort into this year long process but I have become so enthralled with how Mexico has gotten to where it is now and I am excited to see where it goes from here.

My paper is about the historical downfalls of Mexico which has led to there underdeveloped state, with some complementary suggestions on how to escape this economic hole into the land of developed nations. The purpose of my research paper is to educate others, and to give ideas on how to climb out of their economic stagflation. Mexico has become a debated topic in the U.S. and after my case study I hope politicians and citizens alike will take a step back and look at the long run effects on Mexico from their short term goals. I would like to thank my teacher, Mr. Brayman, for helping me through this process and mentoring me in this endeavor.

A Brief History

Although several of Mexico's trade agreements have encouraged advancement, government instability and unanticipated negative trade agreements, coupled with government sponsored projects have damaged their potential for economic advancement.

Mexico is heavily reliant and has had success being involved in trade agreements. Mexico is the 10th largest exporting economy in the world with a total of USD$391 billion in exports (The Offshore Group). With new trade agreements, international companies are investing more in Mexico, as they use the cheap labor to produce their goods, which increases employment. However, the downside is that more unskilled jobs are becoming available and skilled work is becoming obsolete (*Businessweek*). The more recent successful free trade agreements have involved some specific portions from the North American Free Trade Agreement (NAFTA), European Union (EU), Economic Partnership Agreement (EPA) with Japan and the Central American Free Trade Agreement.

NAFTA happens to be the most controversial of the agreements simply based on the argument of if it helps or hurts the Mexican economy. It has been put up for assessment by the U.S. on whether to modify the agreement or leave it all together which would halt Mexico's growth in exports. Before Mexico had joined the other trade treaties, American exports peaked at 87 percent in 2000 (*Businessweek*).

A positive aspect of NAFTA were the expansion in the country's exportation and investment from international companies. The biggest sector of growth in exports was the automotive industry, tripling to 3.5 million cars after two decades under NAFTA. In 2016, 735,000 people were employed into the automotive industry. The auto sector has expanded significantly and as a result, it now makes up 25 percent of exports and 3 percent of all of Mexico's gross domestic product (Economic Perspectives). NAFTA has also been credited in starting the Mexican economy transition and jump to becoming the 11th largest economy in the world. The agreement opened Mexico to foreign investment, modernizing their export model, and held their government accountable to businesses regulations which were issues previously (Christian Science Monitor). Formal employment has risen 40 percent and up to 55 percent in areas with much more foreign investment which has lead to economic stability making way to health insurance and access to credit. NAFTA also lowered overall prices of goods which in return, increased the purchasing power of Mexican consumers so they bought more which sparked the economy. The increase in investment has created more (unskilled) jobs for citizens.

The EU trade agreement with Mexico has sparked a 28.9 percent increase in trade between the two. In 2015, Mexico exported $23 billion in U.S. dollars to the EU. This agreement gave investors in both regions preferential access to goods, services and investment security (The Offshore Group). It has also lowered tariffs on Mexican exports thus sparking the huge increase in exportation across the Atlantic. There is even more hopeful prospects for this free trade agreement with renegotiations beginning in 2017 with plans for climate control and further lowering of tariffs- which will help this export economy thrive.

The EPA with Japan and Mexico has also been beneficial to the Mexican economy. This agreement has led Japan to become Mexico's fifth largest export location with $4.4 billion in exports ten years after its enactment in 2005. In 2011, renegotiations lowered tariffs on agricultural goods from Japan and auto parts from Mexico. It has also led to more Japanese investment in Mexico which has helped to create more jobs within the nation (The Off Shore Group).

The last major trade agreement is the Central American Free Trade Agreement with stipulations very similar to NAFTA. There are little to no tariffs on imports or exports between the different countries, and Mexico has the highest exports of $5 billion in 2015 (The Off Shore Group).

The Mexican government has made trade agreement mistakes which has led them down a path of underdevelopment and has caused them to fall behind other major economic systems like the U.S. or Germany. The effects of these relationships have negatively impacted the fragile economy and limited their growth and success as a nation.

The Trans-Pacific Partnership (TPP) is one of the many trade agreements that has had a negative effect. This agreement encompasses 12 countries including huge economies from the U.S., Canada, Japan, and other smaller nations. Mexico initially joined because the U.S. came into the negotiation process for increasing Mexico's access to these new locations. One drawback however, is since this trade agreement is set up to protect its members, it puts high tariffs on other countries not involved. China and Korea are not apart of the TPP but they are an integral part in the Mexican export economy, which is 13 percent of their total exports. As a result, it will cost Mexico more to import and export from China and Korea because of the system in place to protect fellow countries. Prices for goods rise because they have to pay more to import and export them, which will limit the purchasing power of Mexican citizens. Another more recent drawback from the TPP is the fact that, the U.S. is pulling out of the agreement during Trump's early presidency which would devastate Mexico. The U.S. is 77 percent of Mexico's exports and they cannot afford to spend more to trade with them. Their absence would cripple Mexico's economy causing Mexico to consider leaving though they will lose more areas to export (Mendoza).

NAFTA has become highly controversial because it has had more negative effects on the Mexican economy than positive ones. NAFTA was implemented in 1994 right after Mexico had experienced a severe recession with a retraction of 9.5 percent and Mexico suffered from massive hyper inflation(CEPR). During the first year of the implementation of NAFTA, Mexico's GDP per capita retracted by almost 7.5 percent (The World Bank). The preexisting struggles for the country had left them vulnerable and eager to accept any help they could receive. NAFTA appeared to be just what the Mexican people needed to get out of their financial crisis and overcome the Nuevo Peso's crude way of devaluing currency. One of the largest hard hit areas of the economy was agriculture during the beginning of the trade agreement. Mexico's economy was centered on agriculture and when NAFTA came into effect agricultural exports plummeted. There was a 19 percent increase in agricultural unemployment (CEPR), two million small-scale farmers were out of work (CFR), due to competition from the unsubsidized United States specifically the corn industry. Farmers from the United States could sell more crops from cheaper prices which drove customers from the small Mexican farmers and in turn they lost their jobs. These displaced farmers become seasonal workers for fruits and vegetables or joined the growing industrial jobs. Another alternative for these people was migration, legal and illegally, to the U.S. for hopes of employment and opportunities. The poor performance of Mexico's economy and the false hopes assumed with NAFTA led to the influx in emigration to the U.S., with an increase of 79 percent. Mexican born residents more than doubled to 9.4 million in 2000 and is still growing (CEPR). This increase in immigration between the two countries has created heightened tensions and border restrictions. The NAFTA was originally an economic agreement to slow and halt immigration by growing Mexico into a first world nation (Political Research Associates). The U.S. has grown more and hostile to these people flooding in which is not helping Mexico's economy by wasting money on increasing border control. The Mexican economy has had some growth, of 1.2 percent in GDP over the last 20 years, however that is substantially smaller than the growth of the rest of Latin America (CEPR). Mexico's growth rate has placed them 15th out of 20 in Latin America, and will continue to fall farther behind. While other Latin American countries are growing at a faster rate they also are actively dropping poverty with an average of about 5 times as Mexico (CEPR). Mexico's poverty rate is the same it was 20 years ago, 46 percent (Wilson Center), however, recently Mexico has been reporting a decrease in the poverty rate. This number may be misconstrued because the population has increased by 3 million with a small portion being below the poverty line so arbitrarily the poverty rate declines but in fact more people live in poverty. A reason the poverty level has not lowered significantly during NAFTA's implementation is because many farmers experienced significant decrease in their incomes and went to work in the new industrial factories. Mexico has become a huge export economy at the expense of their citizens, 25 million workers are paid $14 a day, which when there is mouths to feed it is never enough (The Borgen Project). NAFTA has stripped farmers of their homes and to make ends meet they become unskilled laborers in factories accounting to about 25 percent being underemployed. Though more jobs have been created through foreign investment after NAFTA, jobs have just barely kept up with the growth of the population and most jobs are considered unskilled minimum wage. NAFTA has also made Mexico reliant and dependent on the U.S. In 2013, 80 percent of all exports from Mexico went to the U.S. which shows how reliant Mexico is on the demand of the U.S. (U.S. Department of State). In 2009, during the Great Recession, the U.S. was not the only country affected by these unfortunate events; Mexico was hit hard by the drastic decrease in demand from the United States. GDP in 2009 fell by an estimated 6.5 percent, while exports plummeted 21 percent (auto parts dropped a staggering 33 percent), and wages were cut in half of the 1982 price level causing 3 million people to tumble into poverty (nacla). NAFTA has left Mexico vulnerable to reliance on other countries instead of self dependence to protect themselves when other countries experience hardships.

NAFTA has done more damage to the weak economy than good, which is has sparked new negotiations and modifications to the trade agreement in 2017. One vast issue that is being addressed is wage rates for laborers, specifically in Mexico where hundreds have flocked to the Senate to refuse acceptance of a new NAFTA without increases in wages and free collective bargaining (Reuters). Much tougher labor standards and jobs moving from Canada and the U.S. to the lower wage range of Mexico has hurt all three countries and must be addressed. President Donald Trump has promised to renegotiate the trade agreement, and the administration within a few months of being in office had two major proposals. However, they were struck down by both the Mexicans and Canadians, therefore Trump threatened to leave the agreement all together (CNN Money). In response both Canada and Mexico have started looking to other countries for trading allies which could help grow Mexico's export to other countries (Mexico is specifically looking at other Latin American countries). However, as of right now Mexico is dependent on American demand to support their fragile economy. NAFTA comes with a "Rule of Origin" rule which basically says 62 percent of parts in a car sold in North America must come from 1 of the 3 countries in NAFTA. With the plans from Trump, the rule would be stricter and at a much higher percentage rate so that would force an increase in production but the president is one focusing on the United States not Canada or Mexico (CNN Money). The sunset clause aims to make the new NAFTA only last 5 years before having to be re-approved. Recent negotiations have caused tensions and impasses between the countries all with different goals and needs for this new plan (Quartz). NAFTA and these negotiations are crucial to Mexico's exports so it will be interesting to see how these talks pan out in the long run for Mexico.

Mexico has tried to become interdependent and the government has invested in infrastructure to grow the economy. The Mexican government heavily sponsored the construction of railroads during the "La Porfiriato". The "La Porfiriato" is a time period in which Porfirio Diaz was president of Mexico for a total of 3 and half decades- he was not in power between 1880-1884. His main focus for the nation was economic growth which was achieved in two major ways through railroads, and industrialization. Railroad construction went extremely slow before the Diaz era because of political unrest and lack of capital, however, after his terms in office, Mexico could boast about over 10,000 miles of track to connect the country in 1910 (Library of Congress). President Diaz accomplished this feat by offering concessions to U.S. railroad businesses to fund and construct the railroad system. In the nineteenth century, the railroads did not have much of an effect on the main agricultural based economy, but in the twentieth century the railroads are paramount to moving products, and people across the country in a timely and safe manner (How Stuff Works). Over an estimated 10 percent of GDP was saved by using railroad services, and over half of the growth of income of Mexico per person was due to the railroads. In the early 1900s half of rail cargo went to supplying markets and industry which boost the weak economy and helped Porfirio Diaz's second method of industrialization. The railroads benefited the cities that had favorable connections to other cities (Geo-Mexico), this created a larger wealth gap between the "haves" and "have nots" that led to the Mexican Revolution. The railroads are prominent forms of transportation but Mexico's huge auto export economy, automobiles are taking more power over railroads.

Porfirio Diaz also emphasized and sponsored industrialization and to move into the new world of economic powers. The country's Secretary of Treasury, Jose Limantour, reformed tariffs, integrated into the gold standard, and received more favorable loans from foreign investors (Mexican History). President Diaz, ordered the construction of telegraph lines to increase communication, reformed mail services, eliminated the alcabalas internal tax system, and funded the canal from the Valley of Mexico to solve the Mexico City flood problem. The mining industry was revitalized, exports skyrocketed by 650 percent due to the alterations to mining laws to spark foreign investment but also to the decrease in travel time and the increase in connectedness by the railroads. President Diaz abolished ejido (communal land) and gave the

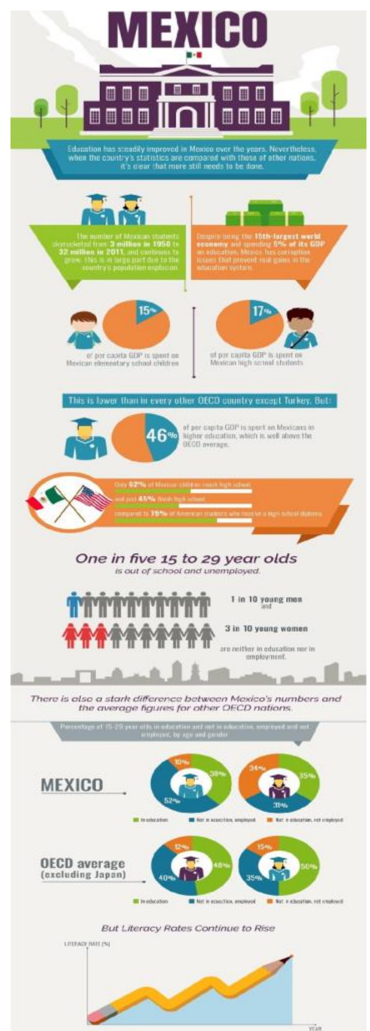
land to private enterprises which benefited the wealthy but did not help the poor other than creating more jobs in the region (University of Guelph). The economic reform instituted by Diaz benefited the economy, however, it continued to create this economic divide which would lead to his end of power. My many industries sparked growth with infrastructure like railroads, roads, and port mostly in the north half of Mexico that continued to benefit from the United States, while the south stayed relatively underdeveloped due to the subsistence farming. By the end of Porfirio Diaz's reign 10 percent of GDP came from industrialization (EH).

Industrialization sparked back up during the mid 1900s, after the end of the a civil war, and before the economic Nuevo Peso crisis. This period of immense growth is called the Mexican Miracle, which is a time period average of about 6.5 percent in GDP (MSU). It started in 1934 when General Cárdenas was elected and was not assassinated like the previous 2 decades of presidents. He redistributed land to peasants, twice as much as all his predecessors combined. As a result, Cárdenas is most well known out of Mexico for expropriating foreign-owned industry. Expropriated national railways, and nationalized the oil industry in 1938 both of these moves encouraged these industries to function like a large private industry (Alexander). President Miguel Aleman Valdes, sponsored countless massive public-works projects ranging from irrigation in the north, and hydroelectric power in the south (World History). The 1930s were a slow turn of recovery after the effects of the depression in 1929, and the unofficial government policy import-substitution industrialization was born. World War II (WWII), had an overwhelming consensus that the war benefited the Mexican economy. The U.S. aggregate demand skyrocketed during the war which increased Mexico's export and started a trend of becoming reliant on other markets more heavily. The increase in demand caused a 50 percent increase in real output between 1939-1946 (Economic History). The current President during this time was, Manuel Ávila Camacho, who reorganized the National Finance Bank (Country Studies).

After WWII, Mexico's economy was still growing excessively fast all the way until the late 60s. Their inward-thinking development was a strong catalyst for this previously unheard growth for Mexico. The government put extremely high import tariffs to protect domestic companies (licensing requirements rose from 28 percent in 1957 to an average of 60 percent in the 1960s and 70 percent during the 1970s). Industry grew from 22 percent of output in 1950 to 29 percent in 1970 consequently cities grew rapidly with the shift from agriculture to industry, rural to urban. The growth rate of urban cities exceeded the growth of industry jobs which left many people unemployed which is still seen as massive issue in the economy today. President Valdés's government policy increases tariffs on consumer products to spark the import-substitution method to increase domestic demand but relaxed on capital imports to increase foreign investment for Mexico. The Mexican Miracle was known for its promising economic growth, GDP growth was 3 percent (7 percent in the 1960s), mining, trade, and agricultural all grew at about 3 to 4 percent annually as well. By the turn of the 1970s Mexico has become very self-sufficient with a wide diversified base of exports on crops, steel, and consumer goods from capital imports (Country Studies).

Mexico has become heavily reliant on the oil industry. The Petroleum industry has little economic effect until 1910 to 1928, Diaz opened investment opportunities during his tenure but nothing more came of it. Two wasted massive oil wells (one caught on fire and burned over a million tons of oil, and the other just a year later spewed 3 million barrels of oil before it was contained) that would have equaled total the output were the main events that gave new interests in Mexican oil after all these years. In 1921, half of Mexico's output was petroleum, and the government missed huge changes for increasing wealth by not taxing petroleum until after 1912. Between 1901 to 1911 an estimated 25 million barrels were exported from Mexico without a single penny being spent on tax revenue for the government. Petroleum exporting decreased significantly after 1928 due to officials worrying over the overuse of the oil fields, and foreign companies arguing that the Mexican government's nationalist tendencies (created a national reserve) caused a flow of capital to move towards Venezuela which had new oils discoveries (Rubio).

The petroleum industry did not make a comeback until the 1970s. Mexico was experiencing rising debt and inflation rates but received a "miracle" of confirmation of large oil reserves that have been untapped. There was a gradual increase in oil production to limit inflation spirals but still with 6 years, 1976 to 1982, oil production tripled and prices were rising higher and higher. This industry could not keep up with the increasing unskilled population desperate for work. Oil made Mexico a extremely wealthy nation while over half the population wallowed in poverty. Foreign banks and companies flooded investment into Mexico during this time which increased the peso's overvalue. These economic shortcomings led to what is called "The Crisis" which was time of hyperinflation, and economic turmoil for Mexico. During the 70s the GDP rose 6 percent annually but purchasing power of citizens fell 6.5 percent annually due to inflation which infringed on living conditions. Mexico became an export economy when petroleum hit 65.4 percent of GDP in 1980 which caused crowding out of other industry which hurt Mexico even more. During this time period corruption and exploitation by government officials became the worse it had ever been. To fund the oil production foreign investment and loans were heavily used but when the devaluation of the peso occurred it did made paying off those loans almost impossible cause thousands to lose out. Foreign investors pulled their money and moved it to safer nations during Mexico's external debt crisis, stagnant output and devaluation of currency (Country Studies).



Mexico has made huge advances for the education of their people. Formal education was only for the wealthy and most children that did attend school dropped out after elementary school to start farming. In 1791 only 1 percent of the population was educated and only 33 percent of education was free. Because education was considered only for the rich many civil wars broke out between the wealthy conservatives and the poor liberals over social reform while education benefited from these terrible wars. A revolt to remove Santa Anna from power by education criollos, and fellow peasants in 1855 did not have desired results of education reform with an educated middle class. The only accomplishment was making the Catholic Church sell their land

and dissolve ejidos. All throughout the “La Porfiriato” was economic growth and advancement in education but it was only for the wealthy in port cities or other large cities who were connected by the developing railroad system. This widening gap between “haves” and “have nots” sparked the next wave of education reform after the Revolution of 1910 in a new draft of the 1917 Constitution. This Constitution addressed many social reforms and secular education. Mexico nationalized the National Autonomous University and separated the private religious affiliated schools from public education to limit the forced role of The Catholic Church in society. The federal government has more control over curricula and structure as well as with the new executive rules a new Federal Secretary of Public Education was formed. Rural schools increased significantly allowing for more opportunities for education along with a decrease in infant mortality rates, 222 per 1000 in 1920 to 125 per 1000 in 1940.

During WWII connectivity to the U.S. led the huge drive of legal and illegal immigration which exposed those children to the education U.S. school system which were drastically different from the remedial 9th grade and lower education of Mexico. Industrialization boomed due to the increase in better training for industry workers and an overall push for higher education in attempt to move from an agricultural economy to a industrial export powerhouse. Infrastructure in 1946 was centered on a new university for the people called the National University of Mexico, however, the education materials needed were subpar and left the library nearly empty. The intellectual movement still emerged despite all the setbacks that have thrashed Mexico. Education reform dropped illiteracy rate from 77 percent in 1910 to 38 percent in 1960. The PRI, the political party in power, standardized curriculum throughout Mexico and selected which books would be used during teaching with much public backlash that the party was corrupting education systems. The teachers became trusted leaders in the rural communities removing Catholic priest of their power. In 1968, just a few months before the Olympic Games in Mexico, the National Student Strike Committee organized over half a million people to protest at the National University. The protest sparked throughout Mexican universities which destroyed many buildings and the violence got out of hand. In the Tres Culturas District of Tlatelolco protest on October 2nd the police and military ended the protest by firing indiscriminately into the mass crowd of people killing, wounding and jailing hundreds. The protest were to show the world that Mexico was not ready to host the Olympic Games and to bring to light the economic disparity between the wealthy and over 50 percent of people who lived in poverty. NAFTA also put a strain on Mexican education due to fact that Mexican education lagged and was so inferior to the U.S. and Canada. Mexican children who lived on the border with the U.S. were no longer allowed to cross and come into American schools (only dual citizenship became acceptable) which limited Mexico’s education in the north. Education cost also increased basically over night which limited even more who was able to afford an education (State University). Education reform is becoming a greater social issue that must be resolved by the legislature in Mexico and reform is becoming discussed along with the election of a new president in 2018.

Mexico has hurt themselves throughout their history from political instability and shortcomings. The new Mexican state is marked by tension between the conservative Spanish-origin landowning elite and the largely indigenous landless minority, resulting in instability and frequent armed conflict. The first major issue the Mexican government struggled with after their independence from Spain was Texas and the Mexican Cession. The annexation of Texas was very costly for Mexican agricultural economy. The internal conflict of Texas grew into a huge embarrassment for the nation. Texas was a huge agricultural exporter for Mexico, but the Americans who moved into this area with their slaves wanted to be apart of the U.S. to have more economic prospects and not deal with the political instability of Mexico. After years of refusal to accept Texas's independence, Mexico finally had to accept this reality. Texas was admitted into the U.S. in 1945 which ultimately ended Mexico's control over the region. Mexico lost 389,200 square miles of potential and plentiful agricultural land. Texas was Mexico's largest exporter of cotton during this time, and now Mexico must import most of their cotton goods. Within a year the President James Polk set his eyes on more of Mexico's land. The Mexican American War started in 1846 and ended in 1848 with the Treaty of Guadalupe Hidalgo. The U.S. forced Mexico sale the Mexican Cession (New Mexico, California, Utah, Nevada, and Arizona) for only $15 million (Office of the Historian). This nearly 20 million area of land was worth well over the $15 million mark. Another effect of the war was the cost of supplies, deaths to personal, and the lasting psychological effects to the Mexican people. The Mexican people felt tension and resentment towards northern Yankees (PBS). The economic effect grew worse as Mexico lost significant amounts of land, cutting their country size in half. The discovery of gold and silver in California that was vital for American economies was lost by Mexico. Mexico lost millions and even billions in potential economic growth and output with a 3 year period that affected their growth to this day. The tensions between nations are still felt to this day.

Mexico could not mourn their loses for very long, the war was very expensive and Mexico funded the war though borrowing money from other countries. The previous leader of Mexico, President Benito Juárez, stopped paying foreign debts and focused on more domestic uses of the money. The French emperor, Napoleon III, wanted Mexico's debt paid in full. A coordinated plan between conservatives and Napoleon to dethrone Juárez put Archduke Maximilian in control. His reign of power last until after the end of the U.S. Civil War which then forced French troops from the area which violated the Monroe Doctrine. Juárez and this troops came storming back to Mexico City and took back control of "his" government and people. The economic effects during the reign were Maximilian's use of high taxes to increase revenue to pay debts. This plan backfired however because the increase in taxes caused people to buy less because their purchasing power decreased after the increase in taxes. The economy slowed to a crawl which hurt everyone in Mexico and limited Napoleon's plan of imperialist ideas and paying back debts. Juárez took power and reinstitutioned his economic reform.

Political instability has plagued Mexico from the very beginning of the country after they became independent from Spain. The conservative, wealthy, landowning, Catholics vs the liberal, poor, and uneducated citizens has clashed for many years. From the first year of Mexico's independence (1822) to before the "La Porfiriato" (1876) there were a total of 40 presidents (Mexconnect). Most of those presidents were either ran out of office or assassinated. In singular one year, citizens saw three different presidents come into and leave office. These ongoing assassinations and coups were because of the violence and war between conservatives and liberals. The "La Reforma" did not do much for change for the lower classes but rather only heightened tensions between the two extremes. The fighting was over the different ideals of the two groups, conservatives saw nothing wrong with only educating the wealthy, and the widening gap between classes, while liberals thought there was everything wrong with these disparities. The first peaceful decades of power came during the dictatorship of Porfirio Diaz during his control of the government for over 3 decades (minus 1880-1884). This time period full of economic growth for the wealthy at the expense of the poor, and Porfirio ruled Mexico like a dictatorship persuading and influencing power to bend his way. His dictatorship came to an in end in 1910 with the Mexican Revolution. The liberals finally won and ratified the 1917 constitution that is still in use today and had many economic and social reforms. Most of the reforms reformed were aimed to limit conservatives and target Catholic power over citizens (Library of Congress). Presidents now can serve for 6 year terms, but after the Revolution there was more order. Obregón was elected president and carried out social reforms. Presidents have peacefully transferred power to their successor which has helped build the economy after the ten years of war in 1910. The constitution has brought about more order within government and more stability but has left many gaps for corruption to seep through the cracks.

Corrupt politicians and parties has stunned Mexico's economic growth and success. The first real corrupt politician was Porfirio Diaz who was in reign from 1876-1880 to 1884-1910, who controlled and persuaded others in attempts to protect his power over the weak nation. The La Porfiriato had many economic upturns during his time as president but the growth was only for the rich and the poor become poorer. The economy overall had growth of 2.1 percent which was higher than other nations especially from Latin America during this time. The issues with his economic reforms was that it led to the Revolution, where the poorer sustenance farmers were tired of being pushed down by landowning elites.

During the Mexican Revolution, the growth and stability Diaz had created was wiped clean and Mexican government had to start from essentially scratch. The PRI, a political party in Mexico, became in power uninterrupted for 71 years (1929-2000). The PRI was known to be corrupt and money hungry politicians but were considered to favor lower class views so the party was re-elected for all those years. However, after the struggles of the oil industry, and Nuevo Peso, people began to realize that the PRI was not good for Mexico. The PRI made to many economic mistakes and became so entangled in corruption and drug cartels that they ultimately lost the presidency in 2000 and soon the majority in the legislature the following elections. The next president that was apart of the PRI is the current president Enrique Piña Nieto. Who has made many economic reforms that has helped grow their economy even with NAFTA taking hold of their economy.

The Nuevo Peso was an economic crisis for Mexico that brought upon themselves when the PRI presidents over borrow of money to fund oil production. To fund the excavation of oil, and refine the petroleum for purchases, the Mexican government relied heavily on foreign investment and grew a massive amount debt but also created high inflation. When the price of oil dropped in the 1982 the economy plummeted and could not pay off debts. The hyperinflation made people unable to afford the high prices so unemployment and poverty increased. The President Carlos Salinas de Gortiari, had to deflate the hyperinflation 1000=1, essentially stripping 3 zeros off the value of their currency (Investopedia). GDP between 1883 to 1888 grew just 0.1 percent, and income per capita decreased 5 percent each year. High unemployment and underemployment caused a huge shift in migration to the United States. President Carlos

Salinas created a impressive growth plan that would increase GDP by 6 percent per year, however growth slowed during the latter years of his presidency. This growth stayed consistent until 1994 when NAFTA was enacted and later in 1994 the new peso collapsed. The GPD retracted 7 percent in 1995 but in 1996 shows growth, and had led Mexico into their economic development they are in now (Country Studies).

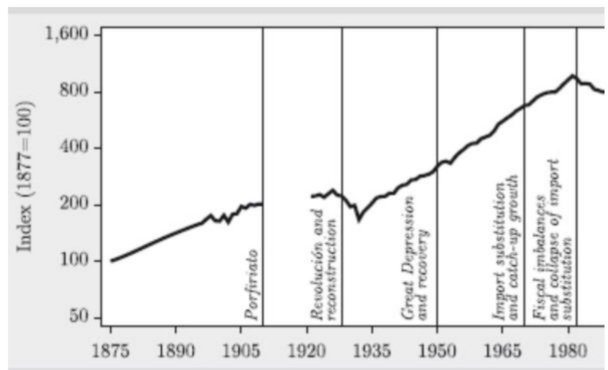
Economic Plan

The next steps, for a country like Mexico, is a tedious but worthwhile process to achieve prominence in the developed world ranks. This process will be decades long, but will completely revitalize the stagnant economy. Mexico is the most industrialized yet undeveloped nation because of political, economic, and social mistakes which limits Mexico and the world as a whole. Over 40 percent of Mexico's population is in poverty, however it is the government's job to provide and help those struggling citizens with opportunities. The best plan of action and to provide opportunities for growth in Mexico is through infrastructure, education, and reorganization of trade agreements.

Mexico has had the biggest spikes in growth come in times of reform of education systems, and increases in infrastructure. The first step to solve the issues of this huge problem of poverty is through moving from agricultural to industry jobs. As previously discussed, NAFTA has killed domestic farmers' income, and left many families struggling to survive on the little money they earn. Wages in the industrial sector are much higher, and will in turn shrink the percentage of people below the poverty line. Mexico currently has 118,812 km of unpaved roads, which limits the industrial sector in where factories can start up, and where goods and services can sent (Geo-Mexico). So the best course of action is to obviously build these roads, and overall connect the country better to be able to compete at the world stage. Specifically pave the roads closest to the 108 ports (TeamNAFTA) for exportation. These connections will ultimately increase long GDP and output and continue to spark new industries and create newer higher paying jobs. To fund this massive project a 1 percent tax increase would be implemented on all taxes to raise government revenue. Current tax revenues equal to about $293 billion dollars (OECD), and a one percent tax increase should equate to $2.93 billion dollars extra a year that can spent on infrastructure, specifically the roads and school. In general, $1 million dollars is equivalent to about 1.61 km, so to pave every single road would cost a total of $74 billion dollars to complete, and to raise that much revenue would take just over 25 years. However, not every road will or needs to be paved so billions can be spent on funding education and revamping research and development (which only makes up .5 percent of GDP). Over the quarter of a century, all of the extra funding will be spent on connecting and educating the future leaders of Mexico (even teach farmers useful skills), which will exponentially increase output and standards of living. The average professional Mexican income is $10,977.96, so for every additional person that becomes educated or re-educated in a different field will increase overall GDP by $11,000, and will improve GDP per capita.

To quantify this idea, for instance, say that just one million people are positively affected and become well educated in that 25 year span, that would equate to an $11 billion dollar increase in GDP. On average there are 2,250,000 births a year in Mexico, so by the end of these 25 years say about 11 million people will become properly educated and in turn increase GDP by $121 billion dollars (that $450 billion dollar export goal is looking much more achievable). According to the OECD, Mexico's education participation rate for 15 to 19 year olds is currently at 53 percent which is behind by a wide 20 percent margin on other Latin American countries. 44.2 percent of 15-24 participate in the force, which shows teenagers in Mexico go right to low skill jobs to help their families put food on the table which really limits potential growth for not only the teen but overall Mexico's output. More funding to incentivize more higher skilled teachers will help retain more students into continuing their education. Another benefit of roads is making schools more accessible to rural areas which also are known to limit participation.

The two main historical examples show the biggest jumps in economic growth in Mexico's history, but were short lived due to not diversifying who benefits, and what industries have the majority of exports. This plan is similar to those in process, and hopefully short run outcome for the potential long run growth. The issues are addressed with not focusing on one industry or wealthy individuals over others. This plan has immense potential for continued long run growth to boost Mexico into the developed world, and drop the huge poverty rate.

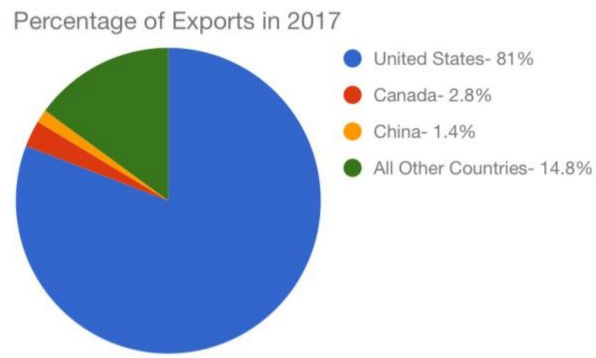


The most notorious progressive times for social, education, and economic reforms came during times of heavy infrastructure, and structuring of education. La Porfiriato is a prime example of progressive infrastructure and education reforms that truly benefited Mexico unlike ever before. The railroads were monumental in helping Mexico grow, and helped lead into a better education system. Granted the leader in power was corrupt, but over that 35 year span the economy boomed, exports increase 650 percent in some industries, and education was big factor of change as well. The issue that ultimately led to the end of this growth was social unrest because the plan only benefited the wealthy. This plan is similar in the fact of increasing infrastructure to Mexico all around more faster pace, and is centered on revamping the education. The plans differ however, on the fact that this plan is to benefit the very people Porfirio Diaz abused to level the playing field, and give more opportunities for jobs and more markets to sell goods. In this new plan everyone has the opportunity and potential to increase income while helping future generations achieve even higher wages as well.

Another economic boom with similar characteristics happened during the Mexican Miracle, which was heavily structured on industrialization after World War II. Output dramatically increased during this time as demand increased during/following the War. Agriculture gave way to industry in terms of aggregate output and unemployment was decreased overall because of new industry jobs available. The expansive use of the preexisting railroads, and public works projects expedited the growth. The new plan, an increase in roads and schools will certainly create many new jobs for unemployed persons, but it will also move employment from agriculture into the industrial and infrastructure sectors which raise wages for those families. The Crisis, which ended the Mexican Miracle in the 1970s, was caused by hyperinflation due to Mexico becoming too reliant on one export- oil. Oil prices were soaring in the 70s then plummeted which devastated Mexico, and set them back many years. The new plan would not be so heavily reliant one export or one project for instances just like the oil prices dropping, and the benefits of increases in infrastructure will help every industry (automotive is biggest exporter at the moment). Agriculture will shrink in workforce but increase overall demand and exports. That lost workforce will be able to work in public works, and factory positions for automobiles, raw materials, and other commercial goods.

Others will argue that a 1 percent tax increase in a preexisting struggling, and poverty stricken country will drown all demand for goods causing stagflation, and growth will not foster. People will also say that political corruption and leakage will hinder these potential positive effects. While those are both valid arguments; they are fixable or can accounted for. To counter the decrease in demand, a proposed increase in government buying bonds by 1 percent to lower interest rates for potential buyers, in turn returning demand to its original potential. The one percent increase in the purchase of bonds should have more of positive effect over the negative effects of a 1 percent tax increase. The two counter balancing acts will offset leaving Mexico theoretically at the same potential output that can only increase as roads and education systems become more available. Now, the leakage from corrupt officials is a whole other issue within Mexico itself with such big drug cartels to handle. The optimistic outcome would be with the presidential election in 2018, the people vote in a decisive, elite, and head strong leader that will weed out the corrupt and wasteful politicians, and law enforcement. The sweeping changes and regulations will limit and draw out the leaks so they can be properly dealt with, or even better, more control over powerful drug cartels. But... the world is not perfect, and so far neither of those two outcomes have come to fruition. In 2015, the government passed a Constitutional amendment creating the National Anti-Corruption System (SNA) which is designed to prevent, investigate, and prosecute corruption. A year later, more laws regarding implementation were passed to help expedite the process to become fully operational when implementation is complete. Until this program is fully operational, it will be hard to know if effective real (if any) change will be the result. So one must account and plan for these "unexpected-expected" decreases in money for government corruption which is estimated to be between 6 percent to 9 percent of GDP (Mexican Institute for Competitiveness). On average, 6 to 9 percent of tax revenue will be lost due to current corruption until it can be reigned in, this might lead to an increase in the number years the 1 percent tax will be in effect to continue fund schools and infrastructure. Unfortunately, Mexico must take into consideration these leakages in their revenue to know precisely how long the heavily funded infrastructure programs will last. Hopefully soon, sweeping changes will come to fix these corrupt leaders and end drug cartels haunting Mexico.

The next step, which will really bring Mexico into the developed and independent world is altering trade agreements. The additional output must go somewhere, however it should not be supplied overwhelmingly to one nation. Currently, the U.S. receives 81 percent of all Mexican exports, that number is outrageously high, and makes Mexico extremely dependent. If the U.S. economy took a dive, Mexico's would fall even harder and be much more devastating. Take for example in 2008 during the recession, because of the crisis in the U.S., demand in Mexico plummeted leaving Mexico to squander causing more damage. Diversifying is immensely important in becoming independent and will lead to a stronger economy, because investors will have more confidence in their purchases. The goal exports for Mexico after infrastructure is drawn back is roughly $450 billion (an increase of $100 billion). Of this increase, no more than $5 billion dollars should be increased in exports to the United States which would be a little under $300 billion in total. Granted that is 66 percent of exports but it is substantially lower than previous years, and will lead to new more prosperous trade agreements.



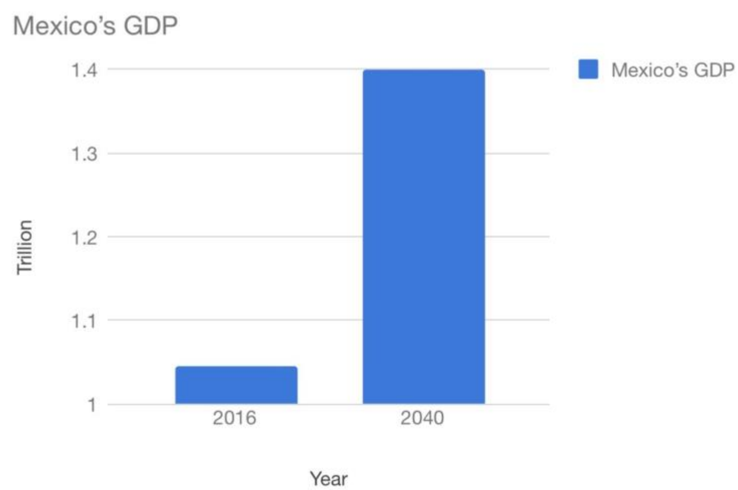
A fairly local trade agreement with promise for growth is the Central American Free Trade Agreement, because the countries in that region are growing in demand. Central and South America are both slowly coming up to make massive new markets for Mexican goods which boosts the economy of the whole region. The trade would be much cheaper through the preexisting railroads and newly paved roads to connect the countries.

The EU is another huge market to sell more products, and with new trade agreements on the table Mexico can really drive exports into that nearly untapped market. The EU is so many different countries, with vast populations but exportation is lacking to that region of the world, which is holding back Mexico's exportation possibilities. Exportation to the EU should involve more natural resources and unfinished goods because the EU is a industrial powerhouse, specifically when it comes to automobile manufacturing which is the primary supplement of Mexican exports at 24.8 percent (World's Top Exports).

The most influential, but arguably most damaging trade agreement is with NAFTA. NAFTA must be changed for positive economic growth to continue, and the 24 year old pact is very outdated. In the recent negotiations, that haven't resulted in any new plans, the U.S. wants a complete overhaul of the agreement, while Mexico and Canada want more reserved changes to limit drastic changes. The negotiations were almost eliminated and the United States was going to pull out completely. However, Mexico and Canada have created counter proposals to persuade the United States to come back to the table. Mexico is in a very tricky situation because changes are obviously needed for future success, but Mexico is so reliant on the U.S.that officials must bend to their will or could spark a disastrous trade war. Unfortunately, when a larger country has such a grip and control on a smaller economy the smaller country must adhere to the former. There are no guarantees at the moment that an agreement will be completed, especially not in the very near future. This is why Mexico must diversify trade to become evenly distributed and increase demands.

An opportunity for Mexico to expand exports is currently up for grabs on the Chinese and U.S. trade war causing price increases. China currently is importing $10 billion in Mexican goods, but with this situation Mexico can surely increase exports to China because of the huge increase in demand. Recent tensions between the two Chinese and American government heads has sparked a trade war of increase after increase in tariffs for both countries. These increases are going to lead to alternative suppliers of goods, which is where Mexico can come into play with their pre existing trade agreements. Mexico can supply both countries with goods to boost their economy through exports and increase demand respectively.

Mexico is the 10th largest export economy in the world, but they are still considered a developing nation because of past economic mistakes. The poverty rate is staggering at just over 40 percent because improper use of funds and conversions into agreements. This plan gives life to a drug torn society fighting for survival. Drug cartels have ravaged the country, and unfortunately will continue until serious change happens in government. The winds are shifting in societal and political cultures within Mexico which will hopefully be evident after the presidential election. Agricultural jobs will be moved into infrastructural and manufacturing which will lower the poverty rate and increase long GDP. The new jobs created by government sponsored infrastructure will help the transition between employment by giving higher more stable wages. Superior, more cohesive roads will make Mexico safer and expand where people can sell their goods and services. Education is undoubtedly the most important factor in longstanding growth. The education system has become sluggish and have inevitably turned potential students off to its importance in society as evidence by the low teenage education participation rate. This plan should be devoted to improving existing schools, and the creation of better ones to spark a new generation of educated young adults ready to improve their country. Only .5 percent of GDP is from research and development which should sound some major red alarms, and show how important new properly educated young minds could change the face the Mexico. Education is vital to Mexico’s success, as well as plugging up leakage by government. Billions are wasted a year by these leakages that should be going to effectively fund the education sector. Finally, Mexico needs diversification. It is dangerous how reliant Mexico is on the U.S., and they must become independent. It is sufficient to say that a main reason Mexico is not considered developed given the outstanding industrial sector is because of how reliant Mexico has become.



Mexico’s current GDP is $1.046 trillion (World Bank), and after the implementation the GDP should increase by roughly $300 billion with the increase in exports, and the increase in output from the increase in education. Mexico has the potential to become an even bigger player on the world stage with more emphasis on educating, diversifying, and expanding public works. The main issues limiting this growth consists of the corruption with drug cartels, the undereducated population, the high crime rates, and the dependency. With this plan it possible to stop those issues in their tracks, but corruption and crime must be fought against from within the government and by the people of Mexico to ever find real change in all aspects of Mexican culture.