

PROFMEX Continues Collaboration With UC MEXUS

UC MEXUS NEWS, Number 7, Fall 1983

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Directors of the Consortium of U.S. Research Programs for Mexico (PROFMEX) held their annual board meeting July 22, 1983, at Marina Del Rey, California. This was the first meeting of the full board since PROFMEX received funding from the William and Flora Hewlett Foundation in November 1981. Those attending to discuss future plans and to evaluate the performance of consortium activities to date were PROFMEX President James W. Wilkie, Wayne A. Cornelius, Paul Ganster, Louis Wolf Goodman, Colin M. MacLachlan, Oscar J. Martínez, Michael C. Meyer, Clark W. Reynolds, Stanley R. Ross, John W. Sewell, PROFMEX Coordinator Clint E. Smith, Albert Utton, and PROFMEX staffer Rebecca Reynolds.

The meeting opened with welcoming remarks by President Wilkie, who asked Clark Reynolds to give an overview of current United States-Mexico economic, political, and social relations, and the problem of managing interdependence between the two countries.

In his talk, Reynolds noted that effective understanding of the United States-Mexico relationship requires a look at the organic interdependence of the two countries. The U.S. Mexicanists might ask how the systems interact dynamically over time as they are served by flows of various kinds (such as labor, capital, trade, technology, values, ideas, and ideologies) and how these flows alter structures in both the receiving and sending systems in an interdependent way.

The interdependence approach poses very serious challenges as it requires incorporating many different perceptions into the analysis. That is to say, when examining an economic process, such as that between the United States and Mexico, different things are apparent depending upon the examiner's point of view. For example, Tom Heller of the Stanford Law School has noted that migration flows are perceived in Mexico as a labor market adjustment process and not as a policy problem. The U.S. American sees migration as a serious policy problem and does not want to think about labor market adjustment to very unequal wage rates.



Clark W. Reynolds

These disparate views hold true for studies of the capital flow between the two countries. From the United States point of view the capital flow to Mexico is a market adjustment process. From the point of view of many Mexicans it is a policy problem; it is U.S. American capital threatening to take over the commanding heights of the Mexican economy. Such varied perceptions of capital flows lead to different measurements and different problem-oriented approaches on both sides.

Thus, the question is, how can one at the policy level deal with a situation which is characterized by relativistic perceptions? Reynolds thinks this is possible if policy makers accept the fact that there are different perceptions and different measurements, and if they proceed to look for an array of consensus scenarios for policies that both sides can agree on.

Policy scenarios leading to binational consensus do exist, according to Reynolds, and this means that policy makers must face the need to deal with institutional adaptation, or institution- building in order to manage interdependence. Although it is possible for each country to attempt to manage the U.S.- Mexican relationship unilaterally, it is not likely that such a course would do justice to the full potential for greater symmetry in the relationship, nor is it likely to lead to fully acceptable consensus scenarios.

Reynolds thinks that Mexico and the United States are more involved in working out this transnational management problem now than ever before. Until recently, the United States has not been in a position, with respect to Mexico, in which binational institution building and managed interdependence policy making have been priority items.

Given cyclical economic conditions in both countries in recent years the United States and Mexico now face what Reynolds calls "pathological interdependence." The two countries have experienced higher costs than might normally have been expected from extremes in interaction provoked by unilaterally imposed policies that respond to domestic economic and social conditions. There are three factors contributing to the extremity of the crisis in the Mexican-United States relationship. All relate to economic policy and include sharp increases in the real U.S. interest rate and overvaluation of the dollar; an earlier overvaluation followed by undervaluation of the Mexican peso; and major swings in the commodity terms of trade associated with decreases in the price of petroleum. All of these factors have led to sharp fluctuations in trade, migration, and financial flows between the United States and Mexico.

Reynolds feels there has to be a better understanding of the interdependent U.S.- Mexican economic relationship, beginning with trade and finance. When the United States pursues its own monetary policy swings from very low to very high interest rates, the result leads to an immense, albeit unintended, impact on Mexico. If Mexico over- or undervalues its peso significantly, such actions have destabilizing effects on the trade relationship between the two countries. Binational means to deal with this problem in terms of managed interdependence should be explored. Reynolds notes that although there are frequent ad hoc discussions and swap arrangements between the Federal Reserve and the Banco de México, there is no systematic manner of taking into consideration the consequences of United States economic policy for Mexico.

According to Reynolds, a managed United States-Mexico relationship requires the acceptance of the following: The need for a peso stabilization fund or augmented

swap arrangement to facilitate purchasing power parity exchange rate policies; binational action to deal with the high degree of labor market interdependence; better management of our long- term trade relations in the context of bilateral financial obligations; and a need to address the questions of U.S. and Mexican agricultural and industrial policies in terms of the respective interests of the two countries.

These are some of the inquietudes arising from the study of the U.S.-Mexican relationship that pose challenges to the approach of managed interdependence, Reynolds believes that the eclectic and communal collaboration embodied in PROFMEX is already helping U.S. Mexicanists to address these challenges in a meaningful way.

Following the Reynolds presentation, the PROFMEX directors explored ways to ensure that PROFMEX continue to fulfill its goal of improving communication and cooperation among academic, private, and policy oriented efforts to deal with issues of common interest to the United States and Mexico. Highlighting this discussion was the decision to invite Jerry R. Ladman (Arizona State University) and Louis R. Sadler (New Mexico State University) to join the PROFMEX board.

The board also voted to sponsor a PROFMEX monograph series with the University of Arizona Press. Michael Meyer was asked to negotiate arrangements with the University of Arizona Press to edit and publish a series of monographs on the Mexican economy, anthropology, sociology, geography, history, political sciences, law, and other relevant disciplines.

Plans were reaffirmed to solicit funding to sponsor regional PROFMEX meetings (e.g. in the California, Texas, Arizona/New Mexico regions). Ross and Martínez noted that regional meetings would bring together U.S. institutions and projects in these areas to help coordinate efforts, future plans, and research targets.

In response to the remarks of Lou Goodman and John Sewell, PROFMEX also strengthened its commitments to outreach efforts through publications as well as through state, local, and national outreach programs. A model for such outreach is the February 1983 congressional staff Mexico briefing, cosponsored with the Wilson Center's Latin American Program and the Overseas Development Council.

Wayne Cornelius requested additional financial support of the International Inventory of Current Mexico-Related Research in order to match the increase from UC MEXUS. The board responded by doubling the PROFMEX contribution for the Inventory, but there is still a shortfall which will be made up through sales.

PROFMEX directors agreed that the full attendance of all board members at this meeting demonstrated a solidarity of purpose among member institutions. Cooperation and compromise among these varied institutions implies a strong sense of joint purpose in making PROFMEX a forum for policy-oriented research, publication, and outreach on U.S.-Mexican related issues.

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