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The Effect of Neoliberalism on Capabilities: Evaluating the Case of Mexico

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The Effect of Neoliberalism on Capabilities: Evaluating the Case of
Mexico

by

James P. Walker

A thesis submitted in partial fulfillment
Of the requirements for the degree of
Master of Arts in Political Science
Department of Government and International Affairs
With a concentration in International Relations
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Dedication

Writing this is difficult because there are so many people I owe a tremendous amount of gratitude. To begin, I would also like to give thanks to my friends for constantly supporting me and for being hugely understanding for all of the times I have had to cancel plans to keep working on my education. I would like to give a tremendous thanks to my mother and father without who I would not be anywhere near where I am today. They gave me my initial push to take a chance and visit Mexico, there by propelling me forward on my journey in International Relations. Finally I would like to thank my girlfriend, Michelle Howell, her constant motivation and her perpetual willingness to edit my work this would all not have been possible. Thank you all.

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Abstract

The goal of this thesis is to examine the effect of neoliberalism on developing nations. Specifically it will look at how neoliberalism has affected Mexico via the North American Free Trade Agreement. Mexico was chosen because since its depression in 1982 it has adopted continuing neoliberal policy, which according to its leaders, United States leaders, and international governmental bodies, is the path to development and the improvement of the standard of living for all people. This work begins by examining the historical path of neoliberalism to provide context for choosing Mexico for the focal point of this thesis, as well as context for the situation occurring in Mexico. It then examines neoliberalism via its scholars who are in support of it and against it. This is followed by an evaluation method based off of Amartya Sen's capability approach to development. Then several previous studies are examined to prove qualitatively that there have been adverse effects experienced under NAFTA in Mexico, by all of the established evaluation parameters. Then this thesis turns to a quantitative approach showing over all regressive effects of neoliberalism, via linear regression.

Chapter 1: The History of the Matter

The purpose of this thesis is an examination of the effect of the North American Free Trade Agreement (NAFTA) on Mexico by implementing a new mixed methods approach to evaluating NAFTA's successes and shortcomings. Before diving into the more technical scrutiny of NAFTA and the greater effects of trade liberalization on a developing nation, it is important to understand the reasoning behind this study. Why does this need to be studied? What is the context of this study? And why, despite having one of the world's largest economies, does Mexico exhibit such extreme gaps in wealth or loss of work force to undocumented immigration?

The goal of this chapter is to provide answers to the questions above. The hypothesis posited by this thesis is that NAFTA and Neoliberal economic theory as a whole have been detrimental to various sectors in Mexican society. However, it is also important to note that by traditional measurements the real world application of the theory has achieved some measured success. Neoliberal economic theorists constantly praise the success of the free trade agreement for pulling Mexico out of its worst economic depression and increasing its GDP significantly. This chapter will begin by examining the status of Mexico slightly prior to the liberalization of the Mexican economy. This will be to gain an understanding of what systems liberalization efforts replaced. It will then progress to a dissection of what has happened in regard to

Mexican economics and politics since the switch in economic policy from the Salinas administration through to present day.

Prior to Economic Liberalization:

To begin to understand the situation that Mexico is presently experiencing, no accurate account of historical context could overlook that until recently Mexico was a democracy with one dominant party. Since Mexico's revolution in 1911, with the ousting of president Díaz, until the elections in 2000, the Institutional Revolutionary Party (PRI) was in control of Mexican politics. This particular fact is relevant, because while elections were still held, the system as a whole was relatively authoritarian in nature. Politically, in short, the development of the Mexican political system went from semi-authoritarian to a democratic electoral political model via democratic transition in the 1990s, followed by a democratic consolidation in the 2000s and the 2010s (Camp 2014:2).

Another important aspect of Mexican political history to note is the corporate relationship between the state and interest groups that was adopted in the 1930s. The Mexican government would create an organization in which specific interest groups could have their political voices heard. This placed the Mexican government in a unique position to arbitrate interest groups, which could be placated by having some of their demands met. Camp gives a simple example regarding labor unions as follows: "labor unions hope the state will favor their interests over powerful businesses" (Camp 2014:13).

This unique relationship between the government and interest groups has had many interesting outcomes in regards to the continued prevalence of economic liberalization. This process of legitimizing, and integrating interest groups into the government itself (in order to mediate their demands) allowed the influence of groups, such as labor, to be decreased. With the death of the corporate relations between the government and interest groups in 1996, the private sector recognized the advantages of collective representation. The most influential of the private sector business organization is the shadowy Mexican Council of Businessmen (CMHN), which is composed of 39 prominent capitalists. Camp shows that analysts usually overlook CMHN, because the organization rarely makes direct demands on the president. However, the members of CMHN frequently hold cabinet positions and have had direct access to the president, allowing them to have had frequent meetings with each Mexican president during the era of economic liberalization. Characteristically, this interest group serves as a means for powerful business interests to be able to directly influence policy with the goal of promoting their own business gains. One helpful statistic shows the importance of the dissolution of the corporate relationship between government and interest groups. It is related to the labor leaders in the PRI. From 1979 to 1988, on average 21-25 percent of the PRI's federal deputies were labor leaders (Camp 2014:160). This number plummeted since the election of President Fox, who ironically enough met with the CMHN leaders just three weeks after his election. PRI labor membership has held steady at 7 percent from 2009-2012 (Camp 2014:160). This is important because it shows that over time, a party with 1/4th

of its leaders belonging to labor interest declined to only 7 percent of its members belonging to labor. This may indicate a loss in political influence from the labor sector.

Presidents of Economic Liberalization:

The major issue for all recent Mexican elections, from 1988 to present day, has been which political system translates to positive economic growth and societal development. In essence, due to the unique nature of Mexico's relationship to the United States, a problem that Mexican leaders have encountered, is to what extent should Mexico follow the United States' economic model. Since liberalization of the economy in 1988 there has been a continued trend of increasing U.S. influence in the private sector of Mexico. This is an attempt to remedy the economic crisis that Mexico faced prior to 1988 and to stimulate economic growth. Camp states that given the choice in any election the average Mexican citizen would chose economic growth (as it affects them personally) over political influence. He cites that in the elections of 1995, 2000, and 2006, half of all Mexicans considered high level of economic growth as the most important goal. It is important to note however, that in this case Mexicans view economic growth as relating directly to improving the standard of living.

In 1988 Carlos Salinas de Gortari won the presidential election on a platform of economic liberalization that he defined as: "increased control of the economy by the private sector, more extensive foreign investment, and internationalization of the Mexican economy through expanded trade and formal commercial relationships with the United States and Canada" (Camp 2014:3). Additionally it is important to note that he

also ran on the premise of political liberalization. Salinas defined political liberalization as: “including more citizen participation in elections, greater electoral competition, and integrity in the voting process” (Camp 2014:3). However, he continued to keep the vast majority of power in the executive branch of government foregoing democratic change and continuing the semi-authoritarian structure of rule. Camp’s, *“Politics in Mexico: Democratic Consolidation or Decline”*, shows Salinas as a close compatriot of President Bush who passionately pursued economic development through the accumulation of capital. Camp describes how, urged by Bush, “Salinas and his economic team, most of whose members had studied in the United States, began to put many government-owned firms for sale and cut tariffs dramatically- many dropped from as high as 200 percent to an average of 9 percent in 1992” (Camp 2014:298).

President Zedillo, Salinas’ successor, continued to pursue greater avenues for economic liberalization. Zedillo ran on a ‘ten point platform’ aimed at the propagation of Salinas’s policy (Camp 2014:299). His presidency began tumultuously with a tremendous economic and political crisis. This fostered indirectly, according to Camp, anti-United States sentiments, while providing an avenue for increased Mexican nationalism. The main issues Zedillo sought to combat were: “insufficient jobs, a flat rate of productivity, and regional and sectional inequalities” (Camp 2014:299). What Zedillo wanted to implement in order to achieve improvements in the three aforementioned fields included: “boosting investment- public, private and foreign- to increase money for education, altering the fiscal system to promote investment, encouraging saving, hastening deregulation, expanding new technological applications, broadening foreign competition, strengthening Procampo, and protecting the

environment” (Camp 2014:299). The economic crisis that occurred during Zedillo’s presidency hindered his ability to accomplish the goals he ran on and instead forced his administration to turn to “devaluing the Mexican Peso against the dollar” (Camp 2014:299).

Vincente Fox, the president that finally broke the PRI’s stronghold on Mexican politics, took office after Zedillo. Fox was also an avid supporter for economic liberalization and pursued it enthusiastically with his bipartisan cabinet. Despite this similarity with his predecessor, Fox was able to garner the support of Mexicans mainly due to three reasons. Camp states that these reasons were primarily that President Fox represented change. At this point in history Mexico had been under the rule of the PRI for 79 years with very mixed results, especially up until 2000. Mexicans also voted for President Fox, because he ran on a platform of “increased improvement in their standard of living and personal security from crime” (Camp 2014:4). One other important piece of legislation passed by Fox as an “attempt to diversify trade relations” (Camp 2014:264) is the European Union Free Trade Agreement in 2000. This is important to note because it shows that Mexico’s strategy of reducing barriers to trade was not exclusive to the United States, but with other nations as well.

The following election in 2006, which was hugely controversial, Felipe Calderón of the PAN (National Action Party) won out over Obrador of the PRD (Party of the Democratic Revolution) by less than half a percent. This particular election was also strictly about economics. Obrador saw the shortcomings of economic liberalization in increasing the standards of living and alleviating absolute poverty, therefore he ran on a platform of increasing the states’ role in the economy. President Calderón of course ran

on a platform of continuing economic liberalization and continuing the use of NAFTA as a vehicle to achieve success. One thing that is important to note that despite running on a platform of increasing economic success, the entirety of the time that Calderón was in office the Mexican economy only experienced a 1.9% growth rate from 2007-2012 (Mexico Country Monitor 6).

This specific election, while based solely on the economy, focused on it in a different way. Those voters who viewed the economy as improving voted for Calderón in hopes that the economy would continue to grow. The voters who wanted a leader who could address the issue of poverty voted for Obrador. Upon winning, President Calderón's administration continued to increase linkages to the United States economy, which directly led to an economic disaster for Mexico when the United States went into recession in 2008. Levels of unemployment in Mexico skyrocketed and violence between governmental and non-governmental bodies also soared during President Calderón's administration. Much of the violence that occurred during that time was a side effect from the administration's strategy for combating drug cartels in light of economic liberalization and continued focus on matching the United States' economic model.

The most recent elections in 2012 again saw a continued focus on economic issues with the added issue of personal security being highlighted. The increase in concern for personal security arose due to the drug related crime and violence experienced across Mexico. Above mentioned governmental and non-governmental interactions produced more than 50,000 homicides during that time (Camp 2014:5). The 2012 election, which was determined by a small margin of votes as was

the trend in previous elections, returned power to the PRI party as Peña Nieto took office.

Some Statistics:

This section of the chapter will deal with definitions of terms and statistics gathered about the effects of economic liberalization. It is hugely important to begin with social justice. As defined by Camp, social justice is “a concept focusing on each citizen’s quality of life and the equal treatment of all citizens” (Camp 2014:6). One myth that must be debunked in this section is that economic growth does not equal benefits to members of society. As of right now the international economic body as a whole is focused on statistical, bottom-line economic growth over what that economic growth does or does not equate to for members of a particular nation. Besides being hugely true in the United States, where despite having one of the highest standards of living the wealth gap seems to exponentially increase every year, it bears even more prominence in the developing world. To prove this point Camp cites a study from the United Nations Human Development Report that shows: “of the twenty-five countries with the worst income ratio between the poorest 10 percent versus the wealthiest 10 percent, 17 were from Latin America in 2009” (Camp 2014:6). Camp continues this argument by explaining per capita income figures, defined as: “national income divided by total population” (Camp 2014:6), and how even during Mexico’s golden age of economic growth (1950’s and 1960’s), real purchasing power of the working class declined. During the time period of adjustment to economic Liberal trade models there

was also a noted increase in Mexican absolute poverty of 12 percent from 1992-1999 (Camp 2014:6). The year after the United States recession hit (2009), a study from Seligson and Smith's "Political Culture of Democracy" in 2010 shows that not only did Mexico have the lowest economic growth of the whole northern hemisphere, a remarkable -6.5 percent, but also that an astounding 40 percent of Mexican households lost jobs. The Mexican poor, with the middle and upper classes remaining largely unaffected, felt the largest effect of these outcomes (Seligson, 2010:1-3). It is important to note that the close economic ties between Mexico and the United States are what caused these issues in Mexico after the United States economic crisis in 2007.

It is noteworthy how the practices in liberalization of the Mexican economy have fostered a dependence on the United States. Due to the introduction of international capital and direct foreign investment, the macroeconomic policy of Mexico has been, to some degree, dependent on other states and international bodies. With the multiple financial crises that Mexico underwent in the 1980s and 1990s, coupled with the executives' relentless will on the policy of economic liberalization, it becomes clearer and clearer the effect outside players have on Mexican policies, which to a notable extent is manipulating Mexican sovereignty. Through presidents Fox and Calderón administrations' pushes for continued increase of economic ties with the United States, which finally edging out China as the United States' second largest trading partner in 2011 (Camp 2014:14), Mexico has become hugely vulnerable to any shifts in the United States economy. These effects have not only brought into question Mexican sovereignty, but also the Mexican government's autonomy. Significantly, nowhere else in the world is there a geographical, economic, and social relationship comparable to

that of the United States and Mexico. While they share border nearly 2000 miles long, there is a huge disparity between the wealth of these two nations. Camp states that this transparent and often invisible relationship between the two nations forces Mexicans to cope with influences that are complicated and difficult to perceive. It is hugely important to stress the implications of these facts and how international economic motives have embedded themselves in Mexico's domestic system structures.

An important aspect of recent Mexican history has been the association that comes hand-in-hand with education. A study by Ramon Ruiz in 1992, "Triumphs and Tragedy: A History of the Mexican People", which shows that the higher the household income in Mexico the more likely that citizen will be to complete higher education. A very shocking statistic from Ruiz's study shows that 90 percent of the student body at the national university in the early 1990s came from Mexican families, which were in the upper 15 percent of incomes (Ruiz, 1992). This specific trend has had other over hanging effects. Ruiz's study further shows significantly diminished numbers for people who have completed a primary education and the connection to their perceived low effect on policy, where as 75 percent of those who had completed any level of higher education believe that they could have an affect on policy (Ruiz, 1992). This is important, because it shows how belief in the system is almost monopolized by the elite in Mexico, which explains the continued success of economic liberalization as a political device. When coupled with some of the previously mentioned information, the situation for the poor in Mexico is alarmingly bleak. With those of the middle and upper class perpetuating an economic system that has noteworthy strain on the poor and coupled with the poor's lack of belief that they can change the system leaves their situation in

seemingly hopeless despair. Camp states: “In the United States, education as a single variable does not have a dramatic effect, but because Mexico is also characterized by sharper class divisions, the relationship is stronger” (Camp 2014:89). As far as the linear exchange of power that occurred during the 79 year dominance of the PRI party, based on the research, it shows that the politicians have directly inherited the necessity to have private university educations, which means that Mexicans with business or professional backgrounds have continued to monopolize the pursuit of political careers. This adds explanatory value to how the system of economic liberalization has continued to perpetuate itself and it also explains the continued lack of belief in the system for the Mexican poor due to socioeconomic divides.

Speaking to gender during the same time period, there are mixed results. While there continue to be increased numbers of Mexican women participating in education, politics, and the work force, in regards to the World Values Survey cited by Camp, with the question: “Do men make better political leaders than women?” we find respondents at “65 percent in 1995, 61 percent in 2000, 72 percent in 2006, and 69 percent in 2011 disagreed with that statement” (Camp 2014:98). There is marked improvement over time, however there are also regressive points to note such as the issues with the implemented quota system in political parties (necessary percentage of women members). The phenomena known as “Diputadas Juanitas” occurred in the 2009 congressional elections as a response to the implementation of the quota system. Essentially, during the elections 11 victorious female candidates resigned their posts in order for their male counterparts to take the positions (Rodriguez 2012:446-65).

Another damning statistic related to the liberalization of the Mexican economy comes from an evaluation of minimum wage over the last 11 years. The labor sector in Mexico has never benefited in real terms from rising wages under economic liberalization. This phenomenon will be examined later in the quantitative portion of this thesis. In Camp's 2012 book, "The Oxford Handbook of Mexican Politics" the chapter authored by Bensusán titled "Organized Labor Politics in Mexico" shows an alarming statistic by highlighting the relationship over time of the minimum wage, which was 13.98 pesos per day in 1994 (Bensusán 2012:Table 1). Midway through President Calderón's administration, 2006-2012, it declined to 10.6 pesos per day or in other terms a 72 on a 100-point scale of the purchasing power using 1994 values (Camp 2014:161). At best the minimum wage has remained immobile. What is more important to draw from this statistic is that despite being the main focus for every election, improvement of the standard of living has not occurred due to the stagnation of the minimum wage. Mexicans earning minimum wage have not been able to improve their situation via political change as a result of the connection to liberalization. This occurrence at least raises further questions regarding why haven't minimum wage workers been able to improve their situation. The only significant election candidate pushing towards more regulation of the economy in favor of labor rights was Obrader in the 2006 election against Calderón. As shown above there has been a decrease in minimum wage since Calderón's victory. The working class in Mexico has remained politically powerless to change their income demonstrating their lack of influence in the political system. Another way to show this is to look at participation numbers. Turning to a study in 2011 by Harris titled "Political Participation in Mexico (1988-2009): How

and Why has it Changed?” the data presented provides overall participation numbers for that time period. The general trend shows that despite the high turnout in 1994 of 77.1 percent, it has decreased gradually to 44.6 percent in 2009 (Heras 2011:8). This data, when coupled with figures from Camp representing voter confidence, also supports the supposition that there is little belief in the process and representation for the working class. Camp shows that in the 1994 when questioned whether a vote will be represented shows positive responses from only 23 percent of those surveyed. In 2010 the data shows an increase to 45 percent, but there is a large fluctuation between the two time periods signifying the constant flux of confidence in Mexican elections, also an indicator for a lack of political voice, or at least one that is still developing (Camp 2014:69).

Despite the aforementioned significant growth in GDP since the implementation of Neoliberal market principles in the Mexican economy it is also important to look at the recent figures for poverty. Camp cites statistics showing of the current population of Mexico, 109 million, 52 million people are classified as poor. The Mexican government classified 10.4 percent of its population living in extreme poverty, 35.8 percent in moderate poverty, 5.8 percent at risk for income poverty, and 28.7 at risk for social poverty in 2011. In simple terms, only 22 million Mexicans of the 109 million are not at risk of becoming poor (coneval.gob.mx 2011).

Conclusions:

According to Camp the most important economic issues are employment and level of income in 2001 (Camp 2014:295). The other issue, personal security, is

arguably a by-product of the economy via the desperation of the poor causing a turn towards crime. As 2010 came, Mexico had the 12th largest economy in the world. It's per capita GDP a respectable \$9,243 and its purchasing power parity in relation to other nations at \$14,265 (Camp 2014:296). What is important to note is that in 2009 Mexico also placed 60th in the world in per capita GDP. These figures together are significant in displaying the fact that a large economy does not necessarily translate to increased quality of life for the general population. The 12th largest economy in the world has a per capita GDP barely breaking the top third of nations in the world.

If there is one thing that can be said of President Salinas it is that he did grow the Mexican economy. Foreign direct investment surged forward and GDP increased, propelling Mexico towards the upper echelon of States in the category of highest GDP. Under his presidency direct foreign investment increased by a multiple of four and only continued to increase after the implementation of NAFTA. In the time span of 2007 to 2011 the United States alone represented 26 percent of that investment. It is an interesting fact that the money sent home to Mexico by legal and undocumented immigrants within the United States usually exceeds that percentage. President Salinas's close relationship to former U.S. President Bush Sr. at the time as well as his host of economic advisors who studied in the United States started this trend of economic liberalization.

There is no argument that NAFTA did not help expand and globalize the Mexican economy. It did; however the questions as to whether it was successful in alleviating poverty and improving the standard of living for Mexicans remains dubious at best. It has been shown above that the lower class in Mexico has little to no influence on

policies which allowed economic liberalization to run rampant with a near unopposed run from 1988 to present day, minus the controversial 2006 elections. The free trade agreement was sold to both sides of the border as a vehicle for the improvement of the standard of living among other things. The Mexican economy's inability to create new jobs to meet the demands of their population has tremendously increased the attractiveness of the cartels as employers and simultaneously increased emigration. The reasons behind these two phenomena are very simple. In a country where absolute poverty is a very tangible occurrence, with very little opportunity for jobs outside of the Labor sector, even those being scarce, turning to the cartels and undocumented immigration into the U.S. become the only options for those in desperation, especially those with family's to support. Figures from Grayson's 2010 book, "Mexico: Narco-Violence and a Failed State?" show that as of 2009 "the U.S. intelligence community estimates that some 450,000 people work in one or more facets of Mexico's drug sector" (Grayson, 2010:254). Turning to the "2012 Yearbook of Immigration Statistics" from the office of immigration statistics branch of United States Homeland Security, the impact of undocumented immigration is shown in the data taken regarding "Aliens Apprehended by Region and Country of Nationality: Fiscal Years 2003 to 2012". Over this time span 8,240,751 aliens from Mexico were apprehended (Homeland Security, 2012:92). It is problematic to estimate how many actual undocumented immigrants from Mexico are in the United States; however, using the figure of apprehended aliens allows the representation of the gravity of the situation. Many Mexican small businesses and the majority of the agricultural sector were not able to survive United States subsidized imports. This is another relationship

that will be explored later via data from the Organization of Economic Co-Operation and Development. The significant level of integration between these two economies devastated the Mexican economy during the global recession and despite increasing the GDP, has clearly had detrimental effects on Mexican governmental policies as well as the standard of living for the working class. With no significant increase in minimum wage since the implementation of Neoliberal policies under Salinas, improvement of standards of living for the working and lower classes has not occurred. The unique relationship of one-sided integration, with the United States buying a large portion of Mexico's exports due to the North American Free Trade Agreement, meant Mexico was hit especially hard during 2007 economic recession in the U.S. This is because with the decrease in the U.S. economy, Mexico experienced even greater losses due to lack of trade diversification. An example of the many and emerging reasons to consider the validity of the claims made by both the United States' and Mexico's governments to their citizens that NAFTA would improve the quality of life.

Chapter 2: Relevant Theoretical Arguments and Framework

This chapter will address the theory behind and entangled with economic liberalization. To begin discussing economic liberalization, it is necessary to trace the International Relations theory of Liberalism through to its more modern counterpart of Neoliberalism. It is also necessary to explain the economic trappings of both Liberalism and Neoliberalism, to have a greater understanding of the reasons why economic liberalization has been implemented through the North American Free Trade Agreement as a vehicle for improving the standards of living of people in North America. After discussing Liberalism in International Relations theory and its economic influence, this chapter will then discuss Amartya Sen's Capability approach. The final section will detail how Sen's Capability approach has been modified to measure the isolated effect of economic liberalization on the Capabilities of Mexican people.

Liberalism in International Relations:

Liberalism, in International Relations, as far as the many theories dictating the study of International Relations is a counter to Classical Realism, a theory based on the measurement of basic human self-interest. In the 2009 book, "*Theories of International Relations*", which acts as an introduction to many mainstream theories of International Relations, Scott Burchill, is the author of the chapter on Liberalism. He opens by stating

in simple terms, Liberalism is: “a theory which champions scientific rationality, freedom and the inevitability of human progress (Burchill 2009:57). Even in the introductory chapter Burchill makes the distinction in his opening paragraph between Liberalism’s approach to government and Liberalism’s approach to economies. The connection between the two is derived from the concept of freedom. Very simply put Liberalism champions limiting the control of the state on people, therefore protecting their liberties. This economic idea is a similar construct to hands-off politics, in an attempt to try to “promote the welfare of all by the most efficient allocation of scarce resources within society” (Burchill 2009:57). Being born of the Enlightenment, a period in which there were many great philosophers rebelling against skepticism and trying to move towards a greater understanding of the co-operation of man, Liberalism gets its roots from philosophers such as Immanuel Kant, Adam Smith, and John Locke (Burchill 2009:57). At a basic level, what these authors all have in common is the idea of co-operation for the progress of human kind. The roots of neoliberalism are important to understand in the context of this paper because it shows the origins of deregulation as a concept to insure liberty. Understanding that the school of Liberalism and Neoliberalism by extension are theories that support the idea of furthering the well fare of people is another important part of understanding the origins of theory.

The next question, which needs to be addressed, is when the concept of Neoliberalism sprung from classical Liberalism and became its own school of thought/theory. Despite the coining of Neoliberalism by Alexander Rüstow in 1938 (Mirowski 2009:12-23), to get to the modern term and how it is being implemented, Milton Friedman’s name must be mentioned. Essentially the shift that occurs here

revolves around a central concept. Liberal to Neoliberal is a shift from the main focus on personal freedoms with the economy in the periphery to the main focus being on economic freedom with political freedoms in the periphery. This shift largely falls on the back of the aforementioned Friedman. Milton Friedman is an award-winning economist who has degrees from Rutgers (B.A.), the University of Chicago (M.A.), and Columbia University (Ph.D) (Econlib.org, 2015). In Friedman's most important text, "*Capitalism and Freedom*", he argues for: "free markets...freely floating exchange rates...a negative income tax" (Econlib.org, 2015), among other economic deregulations. Eventually what gave his ideas credit was his work's seeming ability to predict the stagflation in the United States economy that occurred in the 1970s. This had some part to play on his adoption as an economic advisor to both President Ronald Reagan and Prime Minister Margaret Thatcher, which was important to the status of Neoliberalism as a viable economic theory to be implemented into practice. The timing of Friedman's prominence also happened to coincide with the Uruguay Round.

In context to this thesis this section, highlighting the popularization of Neoliberal theory, is important because it helps to understand how the theory came to prominence. There were many phenomena behind this but it shows how at the time of Mexico's transition to a more liberalized economic structure, it was easy to accept neoliberalism as a valid alternative to economic depression. Two of the greatest powers in the world were supporting deregulation as a third power, with opposite ideological positioning (the USSR), collapsed at the end of the cold war. Not only was neoliberalism attractive for the initial injection of capital via the real world application of the theory, foreign direct

investment and low trade barriers, but it also provided international unity with the great western powers.

The Uruguay Round was one of the most important trade negotiations of modern history, because it transformed the current body of the General Agreement on Tariffs and Trade (GATT) to the World Trade Organization (WTO) in 1994 (WTO). The newly established WTO along with the International Monetary Fund (IMF), established after World War II, and the World Bank, also established after World War II, adopted Neoliberalism as what would be the preferred mode of economic interaction between states. The WTO states on its website under the section, *What We Stand For*, “Lowering trade barriers is one of the most obvious ways of encouraging trade; these barriers include custom duties (or tariffs) and measures such as import bans or quotas that restrict quantities selectively” (WTO, 2015). This quote sums up the most basic way by which Neoliberalism can be depicted as a strategy of economic deregulation. The transformation of the GATT to the WTO and the adoption of some tenants of neoliberalism is relevant to the scope of this thesis because it shows how not only pressure from the greater western powers but also the first of the semi autonomous IGO’s with the financial ability to aid Mexico during the time of their economic recession.

Resisting the temptation to continue further into the real core of the argument against unbridled Neoliberal economic reform, which will be framed in later chapters; there is one more author who needs to be mentioned in any discussion on Neoliberalism as a theory: Francis Fukuyama. The reason Fukuyama has been chosen to be the ending piece of this discussion of the development is two-fold. First his popularity and prominence as a world renowned political scientist for his work, *“The End*

of History and the Last Man” (1992), has cast him in many ways as the poster child for the Neoliberal movement in international politics. The second reason is that his evaluation of the reasoning behind capitalist economic structure truly highlights the goals of the Neoliberal theorists. Fukuyama after receiving his Ph.D. in Political Science from Harvard published an article titled, “*The End of History?*”, in *The National Interest*, a journal widely viewed as having conservative leanings (Griffiths 2009:82). This work was notably controversial as it was written in response to the dissolution of the Soviet Union at the end of the Cold War. The wide-spread debate following the release of the article prompted the writing of his 1992 book, “*The End of History and the Last Man*”, and was what propelled Fukuyama to the status of “intellectual celebrity” (Griffiths 2009:81).

A brief summary of Fukuyama’s body of work in, “*Fifty Key Thinkers in International Relations*”, by Martin Griffiths, Scott Solomon, and Steven Roach, is what Fukuyama terms the “end of history.” Essentially, what Fukuyama proposed in his book is that “at the end of the twentieth century, the combination of Liberal democracy and capitalism has proved superior to any alternative political/economic system, and the reason lies in its ability to satisfy the basic drives of human nature” (Griffiths 2009:83). What Roach, Solomon, and Griffiths say about Fukuyama’s work is that Democratic Peace theory, the idea that democracies do not go to war, is promoted in part by the increased amount of the interconnectivity of markets between states. This system of reliance on other Liberal democracies coupled with the Liberal democracy’s increased capability of providing its citizens outlets for “recognition, political freedom, and Equality” (Griffiths 2009:83). Solomon, Roach, and Griffiths move further in their

summary of Fukuyama and begin to cover the reason Liberal democracies are so effective. This is because they eliminate one of the most ancient inequalities of power between men; the master-slave relationship. Fukuyama asserts, as interpreted by Solomon and co-authors, is there can be no stable form of government as long as the master-slave relationship exists and Liberal democracy coupled with capitalism provides an outlet for “the demand for recognition in the form of equality” (Griffiths 2009:84). It is important in the context of this thesis to note how Fukuyama’s assertions rely on the marriage of true Liberal democracies, which provide legitimate political freedom, and capitalism, which provides a vehicle for economic identity as well as increased interconnectedness between states.

It is very difficult to deny Fukuyama’s brilliance at the approaches he takes, albeit controversial. The way he is able to utilize baser human nature in explaining how deregulation in all forms is a necessary outlet for feelings of liberty and self-determination for all people in a society. Also his argument about the peaceful nature of closely integrated states (especially economically) is very powerful. However in the specific case of Mexico it is necessary to look to Fukuyama’s assertion that economic integration, for success, must be between liberal democracies to achieve its desired result of positive benefits for all members of integrated societies. The status of Mexico as a liberal democracy, in the face of 79 years of single party dominance, is dubious at best. Even Fukuyama himself maintains that true liberal democracy as a qualifier for the real world applications of neoliberalism.

Speaking specifically to the economic side that Liberalism has adopted in its present day form, Burchill proposes it has two tangible factors in real application. As

was explained above, the movement from Liberalism to Neoliberalism, with the same transformation occurring unilaterally with right-wing leaders, had the focus transferred from “welfare and social justice” towards efficiency and productivity (Burchill 2009:74). The two tangible embodiments of Neoliberalism that have noticeable form have been its reliance on the concept of comparative advantage, and the lowering of all barriers to goods and currency across international borders (Burchill 2009:75). While the second of those two tangible incarnations of Neoliberal theory is relatively self-explanatory, the concept of comparative advantage and why it has been adopted requires a little explanation. Comparative advantage as defined by Burchill is “discouraging national self-sufficiency by advising states to specialize in goods and services they can produce most cheaply-their factor endowments” (Burchill 2009:75). An entry in *The Concise Encyclopedia of Economics* shows that the idea of comparative advantage comes from economist David Ricardo in reaction to protectionist corn laws (Encyclopedia, 2008). *The Concise Encyclopedia of Economics* defines the idea of comparative advantage, as “a country that trades for products that it can get at a lower cost from another country is better off than if it had made the products at home” (Encyclopedia, 2008). Factor endowments are the natural resources and abilities of states to produce specific goods. Factor endowments are important because they determine a nation’s comparative advantage. Specifically relating to NAFTA, one of Mexico’s common comparative advantages is in its labor.

Arguments Against Neoliberalism:

There is a preponderance of academic literature regarding the controversial issues surrounding the success of the real-world applications of Neoliberal theory. Academic supporters, such as Fukuyama, make well-researched arguments revolving around how man defines himself at the core of his being. Former President Ronald Reagan and former Prime Minister Margaret Thatcher with the aid of Milton Friedman were able to mold the concepts behind the theory into practical application, which is supported by the majority of developed nations, as well as adopted by several of the most powerful autonomous international bodies; the WTO, the IMF, and the World Bank. However, this is only half of the story.

The oppositions' argument is a cautionary tale against the results of unbridled Neoliberalism. Returning to Burchill's, "*Theories of International Relations*", a few commonly enumerated shortcomings of the practical application of Neoliberalism in the real world economy are explained. Burchill states the first difficulty facing Neoliberalism in current application is "that it was devised at a time when there were national controls on capital movement" (Burchill 2009:76). The reason that this is significant is, because at the time when it was in development the assumption that the capitalists "belonged to a national political community" and would feel a "natural disinclination to invest abroad" (Burchill 2009:76). Burchill claims that initial economic liberalization theorists could not have predicted this disinclination would disappear with the increase of international trade. With the necessity to re-invest in one's own national community gone, Burchill

states: “highly mobile and volatile capital markets are a major challenge for the theory of comparative advantage (Burchill 2009:76).

The second tangible shortcoming of Neoliberal economic policy which Burchill enumerates, deals with the noteworthy change in the nature of international trade in recent times. Burchill shows a marked shift from states’ trade as discrete economic units to intra-industry or intra-firm trade (Burchill 2009:76). Burchill states: “Over 40 percent of all trade now comprises intra-firm transactions, which are centrally managed interchanges within TNC’s [Transnational corporations] (that cross international borders) guided by a highly ‘visible hand’” (Burchill 2009:76). Essentially, what happens due to this occurrence is that nations cannot keep their hands off of the economy even under their best efforts, because it removes the ability to fulfill the requirements for comparative advantage to take place.

The final reason that Burchill examines in his chapter is directly related to the focal point of this thesis: free trade agreements. Burchill states: “while there has been a reduction in barriers to trade within blocs such as the European Union and the North American Free Trade Agreement (NAFTA), they have been raised between blocs” (Burchill 2009:77). His evidence to this point is the establishment of NTB’s or Non-Tariff Barriers, which include “import quotas and voluntary restraint agreements” (Burchill 2009:77). With these three very tangible issues standing in the way of key aspects of Neoliberalism’s economic goals coupled with economically-troubled nations sole reliance on organizations such as the IMF, WTO, or World Bank, which operate on a Neoliberal framework, the possibility for subsequent economic success of those nations is dubious at best.

It is necessary to look at other critiques with evidence against economic liberalization. A piece by Cliff DuRand in 2014, titled “Contradictions of Neoliberalism” seeks to isolate the main negative effects of the economic side of Neoliberalism. DuRand defines Neoliberalism as “the default mode of capitalism when there is no pressure from outside forces for greater social justice” (DuRand 2014:36). After a brief explanation of the states continued desire for economic success at the costs of its citizens in the global north and south, Du Rand states that: “the contradictions of unbridled Neoliberalism are the contradictions of unbridled capitalism” (DuRand 2014:38). DuRand explains that there is a large need for the monitoring the role of the state lead by popular demand of a state’s population. The current situation of the globalization of capital is quickly moving away from the regulatory power of the nation state. What is being witnessed is the development of a self-governing structure of capital, which can be seen through organizations such as the WTO and multilateral trade agreements (DuRand 2014:40). The author argues that with uncontrolled Neoliberalism we will witness the dissolution of state sovereignty as well as democracy due to the continuing under-regulation of capital. Building on Burchill’s point about the change in the way foreign investment has functioned overtime has crippled the rights of the individual. DuRand mentions a specific case regarding NAFTA where an environmental agency in Quebec was cited as being as being profitable when they were able to successfully shut down a mine whose owners have rights to the mine under NAFTA, which enabled them to seek economic compensation from states who were trying to act in the favor of any non-economic body (DuRand 2014:39). While arguably

this is a dangerous notion, as more literature is examined it becomes clear that this is not the only present danger in the face of continued Neoliberalism.

Moving from DuRand's piece onto a more complete picture of Neoliberalism offered by Shaikh in his 2007 book, "Globalization and the Myths of Free Trade: History, Theory, and Empirical Evidence" a more in-depth break down of the shortcomings of Neoliberal economic theory is asserted. In part one, Shaikh offers a brief explanation of how several case states have pursued their own development. The course pursued by the evaluated cases is contradictory towards what is currently offered by many nations and international governmental organizations as the appropriate method to develop, which follows Neoliberal principles. The author shows that the cases of England, the United States, and Japan opted for high tariffs to protect their budding industries from outside competition until they were confident they would be dominant on an international stage (Shaikh 2007:23-50). This is important to the context of this thesis because it shows that to develop initially the now developed states had to rely on highly protectionist measures in relation to their own industries, which is the exact opposite of what the developed nations are implementing now on all the (other) developing nations in favor of complete liberalization. The author states that this method of development, the protectionist model, has been utilized by the United States, Germany, and Japan any time in recent history national economic interest was threatened and the developed state did not have the political hegemony to impose their will on international markets (Shaikh 2007:75). Instead the WTO doctrine follows the trends of Neoliberalism, which was only adopted post industrialization of the aforementioned states.

Shaikh then moves on to propose that free trade theory contradicts itself even on its own grounds. The basis for this statement comes from an examination of trade within a state. In essence, the relationship described is areas with low-cost of production tend to beat out areas with higher costs of production. This enables producers from the low-cost region to sell products to the high-cost region without needing to buy many from the high-cost region. Shaikh states it best by saying its relationship to modern day is: "The current orthodoxy advocating free trade and laissez-faire industrial policies seems at odds with historical experience, and the developed countries that propagate such view seemed to be 'kicking away the ladder that they [the developed countries] used to climb up where they are'" (Shaikh 2007:41). The author then extrapolates this concept to an international scale. The traditional theory states that these inequalities will eventually balance out, however the author here argues on the other hand that on an international scale this is simply not true. The country with the initial surplus (the lowest costs of production in a specific market) becomes a net lender on the world market whereas the country with the initial deficits, the markets tighten and interest rates rise (Shaikh 2007:58). Shaikh goes into a greater depth that cannot be recreated here, but the very abridged version is that under a free trade model the country with the initial lower cost of production (the nations that were able to industrialize first), will always be able to economically exploit the developing nations because they are never able to recover from initial cost of production discrepancy (Shaikh 2007:139-171). An example of this is agriculture industry in the United States. Having the initial advantage over Mexico due to gaining its independence at an earlier date, the United States agriculture industry could offer goods to Mexico at much

lower prices, until the Mexican agriculture industry collapses and becomes dependent on the United States agricultural sector. This is another very important indicator of the inherent flaw of Neoliberalism facing developing countries. Using even simple economic concepts the author disproves Neoliberal theory logically and on its own grounding by indirectly showing a cycle of poverty, which will continue to be discussed in further sections. Shaikh's study shows how the real world applications of neoliberal theory have a wide range of logical shortcomings. This is not the fault of neoliberalism per say, merely its application in the real world needs work if it is to function adequately with all of its goals in mind.

The subsequent section of Shaikh's work examines the market growth experienced by developing countries that have liberalized trade. In essence, it has found that this growth is highly unequal in terms of the affect it has on the overall economy of developing nations. Specifically, the author focuses on Latin American examples showing the disparity as well as decreased effect on market growth with liberalized trade over time (Shaikh 2007:129-131). Drawing from these conclusions, Shaikh argues that Neoliberalism is not favorable to development. Using Latin America as an example of how prominently Neoliberal theory has failed developing countries is highly important to the context of this work because though it has failed the region as a whole it has arguably affected Mexico the worst because of the Free Trade Agreement they are currently ascribed to.

Another piece of literature in the compilation of negative affects experienced due to Neoliberalism is "*Free Trade Agreements and the Neo-Liberal Paradigm: Economic, Ecological, and Moral Consequences*", a work by Cynthia Moe-Lobeda and other

authors in 2009. They begin the piece by questioning general proponents of free trade agreements and economic integration. They ask three main questions: “Why has there been an outcry against FTAs [Free Trade Agreements]; Why has the largest social movement in history arisen in opposition to this form of global economy; And why has the gap between the rich and the poor widened and poverty for significant sectors increased (Moe-Lobeda 2009:690)?” The authors state that the main answer to these questions, as cited by pro-economic globalization scholars such as Wolf, who is specifically referenced by Moe-Lobeda in his initial explanation of Neoliberalism, is that Neoliberalism has not gone far enough and more economic integration is needed (Moe-Lobeda 2009:691). The authors disagree by developing a three point argument against it. The first reason that is proposed is the limitations of the planet make a complete Neoliberal economic model unsustainable. One example that Moe-Lobeda utilizes to prove this point is the rising levels of carbon dioxide (CO₂) due to production in China and Wolf’s succession that economic success is correlated to rises in CO₂ levels (Moe-Lobeda 2009:692). The second point is based on three faulty conclusions drawn by pro-Neoliberal scholars. The first of these faulty claims is that liberal market economies maximize greater prosperity for all. The authors are able to debunk this claim by stating that economic growth does not equal equilateral prosperity (Moe-Lobeda 2009:691). Simply examining income distribution in nations with highly liberalized markets, especially developing nations, can show this.

The second claim is that liberal markets strengthen democracy. The authors states that while occasionally complimentary this concept overlooks the fact that economic power is placed in the hands of a few there by dictating policy-making

towards those who have the most capital (Moe-Lobeda 2009:696). The third argument against this claim is that a competitive market economy is a reflection and resource of freedom. The authors argue against this by showing what has happened to labor rights in the face of free market movements. Moe-Lobeda states that: “conflating market freedom with human freedom obscures the countless human beings whose freedom to survive is threatened by the global free market economy” (Moe-Lobeda 2009:707).

The final faulty reason supposed by most pro-Neoliberal theorists, according to Moe-Lobeda, is that they fail to address the most viable alternatives. This is more specifically geared toward the claims by Wolf, but it is still valid in reference to this thesis. Moe-Lobeda and the other co-authors are vague on a concrete alternative, but argue that a high importance should be placed on economically subjugated peoples and states. This work is highly relevant in the context of this thesis, because it takes the common pro-liberalization of trade perspective and tears it apart on a different ground than the other critiques, specifically placing high importance on subjugated and marginalized groups which lead to increased levels of poverty. While it does not specifically pertain to Mexico and the free trade agreement under examination here, it provides good context to deny liberalization of trade as a viable economic theory, at least as far as development and increasing the quality of life for all people it touches.

Moving on to the next piece of critical literature, “*International Free Trade, The WTO, and the Third World/Global South*”, written by Litonjua, works more specifically in relation to International Governmental Organizations that deal specifically with the international economy, which also embody Neoliberal principles. One thing that the author does which is helpful is point to recognizing the role and responsibility of the

WTO in reference to developing nations, i.e. that it should aid in raising the standards of living for developing nations (Litonjua 2010:45). Litonjua points out that in the doctrine it is the responsibility of the WTO to develop economic strategies favorable to developing nations (Litonjua 2010:45), which as shown above is more consistent with a growing body of literature pointing out that unchecked Neoliberalism may have unrecognized consequences. The author provides many examples highlighting the problem of globalized trade, which in this case is higher income disparity, leaving family incomes stagnated while corporate gains have soared (Litonjua 2010:50).

Another significant contribution this article makes to the overall research for this thesis is its four main criticisms of the WTO, which in the context of this argument is an indicator of globalized free trade. The first is that the WTO places importance of the economy ahead of the environment, social welfare, and human rights (Litonjua 2010:63). The second is that by acting as a governing body of international legislature, it effectively erodes state sovereignty (Litonjua 2010:63). The third is that the WTO is undemocratic in the sense that the first world runs the ideology that it operates on, creating an unfair disadvantage towards developing states (Litonjua 2010:62). The fourth and final criticism is that it increases income disparity. The author points to international trade negotiation attempts since the Uruguay round which have all ended disastrously (Litonjua 2010:63). Litonjua's article works in support of this thesis, because it adds another voice to the preponderance of evidence of the failing international economic system. It also is important because it shows the Global North's reluctance at moving away from Neoliberal principles. Lastly, it is also important because it shows that the states most adversely affected by this economic model do not

have a voice in the removal of this system because the Global North essentially forces it upon them. In reference to how this specifically relates to Mexico, the first chapter of Litonjua's work delves deeply into the process that leads to the economic liberalization Mexico experiences. While there are other factors at play that lead to such trade practices this specific article pays careful attention to what Mexico had to do in order to move beyond their debt crisis.

The next piece of critical work to consider is "*Trade, Globalization and Uneven Development: Entanglements of Geographical Political Economy*" authored by Eric Sheppard in 2014, which seeks to examine how the free trade doctrine isolates trade utilizing narrow sociospatial ontology. The author explains several valid Marxist critiques of the free trade doctrine but claims the Marxist ideology faces the same issue. The author questions the idea as to why geographers have had very little to say in regards to the free trade doctrine. This is important because it offers a new scope to evaluate international free trade theory.

Geographically Sheppard disentangles the trade process speaking mainly to theorists' works about the distribution of goods in relation to several other "flows" paying attention to the cause and effects of each interaction. He notes many problems with the concept of perfect competition and comparative advantage, which are of course both key parts of the liberalization of trade, and talks about how they inherently cannot exist except in theory (Sheppard 2014:54). He moves on to discuss the labor cost disparity, which provides a run-to-the-bottom on competitive wages for labor in the international market. Sheppard states: "unequal exchange in the 'broad' sense occurs if the country's specialization [labor] entails a lower organic composition of capital and in the

'narrow' sense pays lower wages" (Sheppard 2014:53). Sheppard then talks about the nature of foreign direct investment stating: "Geographical complexities lead to a variety of conditions under which the derived general equilibrium deviates from the free trade doctrine, including scenarios where regions and countries lose as a result of trade" (Sheppard 2014:51). He concludes that the only reason the free trade doctrine is accepted is because it has not been disentangled with spatiotemporality, politics, culture, identity, nature and technology, which it cannot do (Sheppard 2014:62-63). This piece is important because it is able to disaggregate the free trade doctrine on the bases of several factors. Sheppard's critiques provide a more complete picture of the problems facing free trade and further the stance against Neoliberal free trade agreements. These critiques also provide a much more comprehensive understanding of the different barriers against the effectiveness of free trade and how they should be approached if a solution is to be found.

Theoretical Framework:

The theoretical framework being applied for this thesis is the work of Nobel Prize laureate Amartya Sen. He received his Nobel Prize for his work in "welfare economics and social choice theory" (Britanica, 2014). Amartya Sen is: "Thomas W. Lamont University Professor, and Professor of Economics and Philosophy at Harvard University and was until 2004, the Master of Trinity College, Cambridge" (Harvard, 2015). He received his B.A., M.A. and Ph.D. at Trinity College, Cambridge (Britannica 2014).

Sen, in his 1999 work, *“Development as Freedom”*, is focused on evaluating two main things: Functionings and Capabilities, and their relationship to the quality of life of people. Functionings as defined by Sen “reflect the various things a person may value doing or being” (Sen, 1999:149). Capabilities Sen states: “refers to the alternative combinations of Functionings that are feasible for her [a person] to achieve” (Sen, 1999:149). Sen provides a great example of how to differentiate the two by offering the following example: “An affluent person who fasts may have the same functioning achievement in terms of eating or nourishment as a destitute person who is forced to starve, but the first person does have a different “Capability set” than the second [The first can choose to eat well and be well nourished in a way the second person cannot]” (Sen, 1999:149-150).

In the same work it is possible to outline five main principles for evaluating Capabilities. The first principle is individual physiology, which refers to the variations in achieving Capabilities speaking to illness, disability, age, and gender (Sen, 1999:141). This is specifically the provision for and action against the marginalization of any groups of people. This thesis will work from this first principle and adapts it based on Sen’s own parameters to better fit the case being studied: Mexico. This thesis slightly adapts this evaluation measure by looking at individual and group Capabilities as determined by the Functionings provided to them. Specifically, this section will look at NAFTA’s effect on individual and group marginalization utilizing works relating to labor and the effect of the trade agreements on indigenous populations.

Sen’s second principle for evaluation is Local Environment Diversities. This is speaking strictly to how the environment affects Capabilities. Sen states: “Variations in

environmental conditions, such as climate circumstances, can influence what a person gets out of a given level of income” (Sen, 1999:141). This thesis adapts this principle for the case of Mexico by restating it as Environmental Disparity and Capability. In this section we will examine how Capabilities are affected by NAFTA, because it controls the areas affected in direct foreign investment, as well as, the economic dominance of trade heavy areas speaking specifically to developed city centers not rural underdeveloped areas.

The third principle for evaluating Capabilities expressed by Sen is variations in “Social Conditions”. In regards to this principle, Sen extrapolates by saying, “The conversion of personal incomes and resources into the quality of life influenced also by social conditions, including public education arrangements, and the prevalence or absence of crime and violence in the particular location” (Sen, 1999:142). This is adapted slightly for the purposes of this thesis in the section titled Governmental Provisions for Social Conditions. This section deals with literature directly related to how the Mexican government has nearly been pigeonholed into providing poor legislation for human rights and labor rights due to the need to continue providing a comparative advantage for labor for U.S. business. This section of the thesis will also reference maquiladoras and the poor rights therein, as well as, the lack of implementation of the labor rights article of the North American Free Trade Agreement.

The fourth principle Sen describes is the evaluation of Capabilities which he calls Differences in Relational Perspective. Here Sen talks about the necessity of evaluating how conventions and customs determine the expected standards of behavior and consumption (Sen, 1999:142). This can be simply translated to social norms for

behavior, as well as, relative poverty in a high-cost area, such as city centers, meaning that being above the poverty line in a high-cost area can still equate to poverty. This thesis adapts this principle in the section titled “Individual Expression and Economic Capability,” which speaks about how NAFTA has affected the opportunity for specific careers to develop in Mexico. This section of the thesis will speak about the strong focus on labor jobs and how the inability to protect developing industries removes a significant amount of entrepreneurial opportunity for developing businesses or individuals due to strict foreign competition. This section will also speak about how the focus on labor jobs has affected career satisfaction for the Mexican people and the lack of opportunity, especially for the rural and urban poor to access adequate training for specialized careers.

In the final analysis principle for examining “Capabilities,” Sen speaks about is “Distribution Within the Family”. Sen states that “incomes earned by one or more members of the family are shared by all-non earners as well as earners” (Sen, 1999:143). This thesis defines this as Access to Opportunity and discusses the immigration issue and the distribution of all resources within the family. This section of the thesis will discuss the economic strain that NAFTA has put on both Mexico and the United States, as well as, the other negative effects. It will also talk about how access to opportunity under NAFTA has affected the Mexican family structure. In addition, this section will touch on other opportunities, which have been affected, such as health care and safety (specifically speaking to a corrupt police force). In sum, Sen’s research and theoretical framework is important for this thesis, because it not only is it capable of addressing the defense mounted by Neoliberal trade theorists, due to Mexico’s

economic relationship with the United States, but it also is a currently accepted theory on development which is adaptable to show the extent of harm a free trade agreement can cause on the Capabilities of a society vis-à-vis rejecting Neoliberal economic principles and the WTO's championing free trade as being beneficial for developing states.

Conclusions:

After reviewing some of the literature revolving around neoliberalism, it is clear there are powerful arguments on both sides. However it appears that the main issue is in the practical application of deregulation to exist in a form that serves the true core purpose of neoliberalism, which is improving the quality of life of people. The idea that deregulation of politics allows for greater self-determination and liberty, it makes sense that the same approach would only naturally be assumed in economics. However, as many of the dissenting authors note, there are glaring issues when it comes to applying the economic side into the real world.

Whether it is the rapidly changing pace of the continually globalized market, or the status as a liberal democracy, the common critique is that in the developing world the applications of the theory fall short in providing a real improvement in the standard of living. As most of the dissenting authors state, the lower classes of developing state's society generally bear the burden of economic liberalization. Most frequently developing states are trapped in trying to maintain comparative advantages in primary products and labor. This process, with the necessity of maintaining low costs of

production to maintain international competitiveness requires low wages for the labor sectors of society.

This is why this thesis turns to Sen's capability approach. It provides a more specialized approach to evaluation of capabilities. It provides an avenue to see how Mexican's capabilities over time have changed due to economic liberalization and NAFTA. Now that both sides of the theoretical argument have been explained and the method that this thesis takes for evaluation has been proposed it is time to turn to each of the evaluation principles to see what the effects of neoliberalism has had in the case of Mexico.

Chapter 3: Previous Studies Relating to Capabilities

As shown in Chapter Two the five points of Sen's evaluation principles in his capability theory from his 1999 work, "*Development as Freedom*," have been explained and they will be specifically utilized to provide context to Mexico and Neoliberal economic theory. In short summation the aspects of the modified version of Sen's Capability approach are as follows:

The first aspect evaluated will be the effect of economic Liberalism on Sen's first evaluation principle called individual physiology. The North American Free Trade Agreement signifies tangible application of Neoliberal economic theory. Individual physiology specifically speaks to an individual's access to achieve equal Functionings with a society as perceived by the individual. Sen states: "People have disparate physical characteristics connected with age or gender, and these make their needs diverse" (Sen 1999:119). What will be examined in this chapter with regards to Sen's first principle will be the effect of economic liberalization on an individual's ability to achieve equal Functionings. What will be supplied as evidence will be studies done by previous authors that can be related to Capabilities associated with individual physiology.

The second area of Capabilities affected by NAFTA to be examined are the outcomes on environmental diversities within Mexico. Sen states: "Variations in environmental conditions, such as climatic circumstances (temperature ranges, rainfall,

flooding and so on), can influence what a person gets out of a given level of income” (Sen 1999:120). This includes realistic access to healthcare facilities, the effects of pollution, and specifically for this study, the examination will also include regional disparity in income as caused by NAFTA. Essentially, the phenomena that will be explored is the flow of capital between regional trade centers and how it contributes to income inequality.

The third set of Capabilities examined will pertain to the variations in social conditions caused by NAFTA. This includes evaluation of the outcome of NAFTA in increasing access to public services. Also examined under this principle are class and racial divisions. Sen states in explaining this evaluation principle that: “the conversion of personal incomes and resources into the quality of life is influenced also by social conditions, including public educational arrangements, and the prevalence or absence of crime and violence in a particular location” (Sen 1999:120). In this chapter, to provide evidence as to whether NAFTA has been successful in achieving the advancement of Capabilities in this evaluation principle, previous case studies dealing with the subject matter are used.

The fourth area of Capabilities analyzed in this chapter are the effects of NAFTA on standards of social behavior and consumption. Sen describes this by posing the following example: “being relatively poor in a rich community can prevent a person from achieving some elementary ‘Functionings’ (such as taking part in the life of the community) even though [his/her] income, in absolute terms, may be much higher than the level of income at which members of poorer communities can function with great ease and success” (Sen 1999:120-121). This chapter gives evidence as to the results

of economic liberalization utilizing studies dealing with gender. While the denial of base Functionings for gender generally falls under the first evaluation criterion, the studies examined are relevant to this criterion as well.

Finally the fifth aspect of Capabilities examined specifically pertains to how NAFTA has affected family structure in reference to internal distribution. Sen specifically states: “The well-being or freedom of individuals in a family will depend on how the family income is used in furtherance of the interests and objectives of different members of the family” (Sen 1999:121). Studies revolving around the substandard situation for labor in Mexico will be examined to provide evidence as to the outcomes of Neoliberal free trade theory. This is because the fifth evaluation principle deals directly with the allocation of resources in the family structure, meaning that sectors of society might have more difficulty achieving their desired Functionings due to the resources provided to them.

Together, Sen’s five points are effective in evaluating the reduction of Capabilities experienced in Mexico that was caused by Neoliberal economic trade theory and its real world application via the North American Free Trade Agreement. This chapter uses previous case studies along with Sen’s theoretical framework for evaluating NAFTA’s effect on Mexico and shows how each study specifically demonstrates NAFTA’s effect on Capabilities within each of Sen’s adapted evaluation of Capabilities.

Individual and Group Capabilities:

In this first section several accounts of individual and group Capability will be examined to see how the North American Free Trade Agreement has impacted the sector in question. The first study that will be examined in reference to Capabilities associated with individual physiology is Julio Huato's 2010 study, "*Fiscal Incentives, Maquiladoras, And Local Standard Of Living In Mexico Before And After NAFTA.*" In this piece Huato examines another effect on labor revolving around what has become a standard of NAFTA, Neoliberalism, and Mexican labor; the Maquiladora. Huato defines Maquiladoras as "foreign-owned in-bond [direct foreign investment based] plants that assemble goods for export" (Huato, 2010:443). What Huato accomplishes in his work of specifically examining the Maquiladora in regards to Sen's first principle for evaluation of Capabilities falls under the results of Huato's quantitative study. A Maquiladora is geared to provide labor type jobs for Mexican residents and is a manifestation of a desire to increase direct foreign investment. In theory they are supposed to help a variety of aspects of Mexican life such as reduction of poverty and an increase in quality of life. Huato's statistical model evaluates categories including: literacy rate, school enrollment rates, basic housing amenities, life expectancy, infant mortality, and the Human Development Index. In regards to Sen's Capability approach this is significant especially in the negative relationship uncovered by Huato's study in the categories of life expectancy, infant mortality, and to some extent the literacy rate (Huato, 2010:475-477). This is an example of Maquiladoras decreasing overall ability to achieve the same Functionings levels as other Mexicans in society. This specific study,

by Huato provides a huge piece of evidence in the rejection of Neoliberal economic theory because it concretely shows how one of the main tangible applications of the theory, Maquiladoras, directly has shown a negative correlation on the relationship of the Capabilities mentioned above. Huato's rejection of Maquiladoras as vehicles to improve the standard of living is direct evidence as to how Neoliberal economic theories and more specifically the North American Free Trade Agreement has inversely affected Capabilities in Mexico. The variables utilized in Huato's dissection of Maquiladoras are all representative of what Sen has embodied in his first evaluation measure. This means that the evidence, provided by Huato, shows a lack of statistically significant impact on the quality of life from the maquiladora industry. Maquiladoras as explained by Huato's study are not effective in improving the standard of living of the Mexican people employed by them.

Another previous study that provides evidence of the adverse effect of Neoliberal economic theory is "Globalization and Children's Diets: The Case of Maya of Mexico and Central America" by Barry Bogin in 2014. What Bogin's article explores is the process of Globalization via the North American Free Trade Agreement and its effect on food in Mexico. The essential point of this article is that the foreign food market has effectively imposed its will and presence on Mexican food markets. Bogin's work utilizing a food frequency questionnaire clearly shows the destruction of the Mayan diet by switching it from traditional natural and typically locally grown or produced foods to highly processed, less expensive, imported foods. Bogin also provides evidence supporting the fact that this switch in diet has had long-term degenerative affects on the health of the Mayan people (Bogin, 2014). Bogin states: "today, the Maya face a new

mixture of nutritional threats from diets that are supplied by multinational corporations” (Bogin, 2014:29). In context with Sen’s principles this clearly shows how a portion of the population has had their Capabilities reduced by free trade. The Mayan people’s health has deteriorated, reducing their overall Functionings, directly in alignment with the first principle for evaluation. The manner by which the free trade agreement has altered dietary structure of the Maya is fairly clear via Bogin’s data regarding the food frequency questionnaire as well as data from the “Mexican National Health and Nutrition Survey.”

Another piece by Kimberly García in 2011, takes a macro perspective in the way it relates to Sen’s first principle of evaluation. In her piece “Transitional Advocates and Labor Rights Enforcement in the North American Free Trade Agreement,” a closer look at the specific labor rights enforcement mechanism in the North American Free Trade Agreement is offered. The main focus of this article is how to effectively address labor rights enforcement in free trade agreements. García argues that through the utilization of transnational advocates, the exploited bodies of workers are the most successful at gaining recognition, citing the thirty-six successful cases that were brought up at the time the article was written (García 2011:vi). García’s article is rather important in the scope of this this thesis, because it discusses the substantial issues revolving around labor rights and free trade agreements. Another important point, which García discusses, is the lack of humanity on the face of the organizations that manipulate international trade. The WTO, for instance, has still failed to integrate a social charter for the rights of the worker, which as stated above is another occurrence of the WTO over-looking human rights in the face of economic gains. The North American Free

Trade Agreement has the labor rights enforcement branch, the NAALC (North American Agreement on Labor Cooperation), which is a mechanism of protection for the worker, in favor of continued economic gains, is important in a continued discussion about the drawback of Neoliberal economic theory. In relation to this examination of the free trade agreement on provisions for social conditions García clearly shows how the Mexican government is reluctant to enforce the NAALC in favor of continued economic gains (García 2011:180). This is one clear example of NAFTA's effect on the Mexican government's actions in the provisions for basic labor rights and in some cases, even the most basic of human rights. To return to the article's relationship to Sen's evaluation Measure for the individual physiology, it shows a reduction in Capabilities from the macro level facing an entire undervalued group of people; the labor population. NAFTA in theoretical principle and action has effectively reduced the Capabilities of the labor sector.

Each of these cases provide evidence showing that several real world applications of Neoliberal economic theory in Mexico have not necessarily had an effect on increasing the quality of life. In fact each case has shown how Neoliberal economic theory has either had no effect or a regressive one. There is an abundance of literature provided to each side of this argument revolving around Neoliberalism's provisions for increasing Capabilities under the category of individual physiology. These are just a few examples to provide a voice to the fact that as it stands Neoliberal economic theory actually has been decreasing the examined groups of people quality of living.

Environmental Disparity and Capability:

In this section, how the North American Free Trade Agreement affects the environmental disparity and capability is examined. The following studies show that since the implementation of the free trade agreement in Mexico there has been a marked negative affect on the Capabilities of people not living in or around developed areas. Here it is important to return to Sen's original statement on this aspect of his evaluation of Capabilities, because he makes an important point that even in a high-income and high-cost of living region, people just above the poverty line can still be considered in relative poverty. Although a person's salary may be above the poverty line, they may fall below the relative levels of those around them in the area, thus creating a marked differentiation of quality and standard in living, health, opportunities, and self-determination.

In this second section Sen's method for evaluation of Capabilities regarding environmental disparities, Eric Sheppard's 2012 study, "Trade and Globalization and Uneven Development Entanglements," seeks to examine how the free trade doctrine isolates trade utilizing narrow sociospatial ontology. What Sheppard's piece does for the scope of the argument of this thesis is that he provides a very qualitative, but logic driven, approach to disadvantages and shortcomings of the free trade doctrine. He does so by examining geography's relationship to development. Sheppard begins his assessment by prefacing his argument against Neoliberal free trade theory by citing several valid Marxist critiques of the free trade doctrine, but claims the Marxist ideology faces the same issue that truly renders both areas of thought invalid. Sheppard then

further his point by questioning why geographers have had very little to say in regards to the free trade doctrine. This is important because it offers a new scope to evaluate international free trade theory. Sheppard disentangles the trade process using an application of other theorists' works about the distribution of goods in relation to several other 'flows,' paying attention to the cause and effects of each interaction in geographical terms. He cites many problems with the concepts of perfect competition and comparative advantage, which are of course both key parts of the liberalization of trade and talks about how they inherently cannot exist except in theory. He also begins to talk about the labor cost disparity, which provides a run-to-the-bottom on competitive wages for labor in the international market, which also is in direct opposition to the theory revolving around free trade (Sheppard 2014:50). Sheppard's evidence towards the shortcomings of NAFTA exclusively deals with environmental disparity with the distribution of goods. It is relevant because it deals with environmental conditions relating to trade. The shortcoming of this article, which must be mentioned, is that it works mainly in theory offering little numerical data backing his study instead opting to rely on dissection of theory and observed reactions via other scholar's works.

Sheppard then talks about the nature of foreign direct investment and how it creates lose-lose situations as a result of trade, which is also in direct opposition to the espoused ideals of the free trade theory. He concludes that the only reason the free trade doctrines are accepted is because they have not been disentangled from spatiotemporality, politics, culture, identity, nature and technology, which cannot be done (Sheppard 2014:61-63). This is another important piece of evidence provided by Sheppard because it is able to disaggregate the free trade doctrine on the bases of

several factors. By providing this aspect of the effects of free trade we can see the geographical disparity in Capabilities provided to Mexican citizens outside of the more developed areas of Mexico. Giving attention to the geographical nature of the diffusion of Capabilities is highly important in showing how the free trade agreement has essentially crippled the parts of Mexican society that are not already a part of the elite and in already highly developed areas. Sheppard shows a marked decrease in Capabilities among the Mexican population due to geography because of the necessity for Mexico to maintain a comparative advantage in labor (Sheppard specifically speaks to developing nations experiencing free trade agreements). Developing countries under a free trade agreement are in essence trapped into maintaining reduced salaries for labor, as well as, minimal regulations on enforcing the rights of workers. The task of handling both is often left as the localized burden of the under developed parts of the country due to the lack of flow of capital from the developed regions to the lesser developed regions.

Another point Huato makes in his previously referenced study about regional disparity, ties in nicely with the study conducted by Sheppard. Huato's work, in addition to his previously discussed points, examines the relationship to spatiotemporal inequality in reference to trade and industry. Specifically, he examines how Maquiladoras are typically in underserved regions in Mexico where the people are in many circumstances nearly forced into the Maquiladora system due to the lack of other opportunity in their region (Huato 460). This is another rejection of Neoliberal theory, as well as, an indicator of how poorly free trade agreements are in reducing poverty. More specifically, it shows how poorly free trade agreements are at utilizing the Maquiladoras

for direct foreign investment, which make it almost seem as if it were encouraging further poverty in these areas. Proponents of Neoliberal free trade theory would argue against this on the grounds that there are intervening variables and outside affects to consider, but coupled with Sheppard's piece the amount of qualitative and quantitative information in opposition is damning.

Another piece referencing environmental disparity in a very different light, by Guardiola in 2013, depicts the paradoxical phenomena of "happy peasants." Guardiola's, "Does Higher Income Equal Higher Levels of Happiness In Every Society?" examines areas of Mexico's Yucatan with a high indigenous Mayan population, relatively untouched by the outside world. The article concludes with the fact that Mayan, without a comparison of what would stereotypically dictate a "better life," have higher levels of happiness than their other Mexican compatriots. While they do not have some of the advancements depicted under Neoliberalism, due to their unaffected nature, they have achieved a higher level of happiness than other Mexican's in the same country given the effects of neoliberal economic theory. The reason for adding Guardiola's study to this thesis is because it shows that areas unaffected by Neoliberalism have not missed out in a significantly detrimental way. It does not reflect a direct regressive effect of Neoliberalism in relationship to environmental disparities in Capabilities, but it does show that a developing society that has been able to avoid the trappings of Neoliberalism have sustained high levels of Functionings in terms of happiness.

These three cases are relevant to Sen's second method in evaluating Capabilities because they show that there are huge environmental disparities in the flow

of Capabilities provided across areas of Mexican society. The large waves of capital flowing into city centers is getting little re-distribution into areas of low economic interest within Mexico or in areas that are being highly exploited via the Maquiladora system. Despite not dealing directly with Mexico the Sheppard piece maintains a high level of relevance in regards to this evaluation principle due to its ability to clearly and logically draw out the regional issues associated with the implementation of free trade agreements.

Governmental Provisions for Social Conditions:

This section evaluates studies, which address issues brought up by Sen's third principle for evaluation: variations in social conditions. Santos offers in his 1992 piece, "North American Free Trade Agreement: Implications For Mexican-American Workers," a pre-implementation evaluation of the upcoming effects of NAFTA, specifically its effect on labor. While his study takes the perspective of the ill effect on the Mexican-American worker, it still provides a viable look into the free trade agreements effect on Mexican Labor.

Santos shows that the issues facing the marginalized labor force were not an unfortunate unforeseen circumstance, but that they were in fact predictable (Santos 1992:523). This article is important in the context of this thesis because it plays a predictive role in what will happen to the Mexican-American Labor populations. It ties in with the theme that free trade agreements hit the labor force especially hard in relation to their rights and income. The article by Santos specifically pertains to the lack of

rights across the board in relation to the Mexican-American labor force in the face of the looming free trade agreement. It shows yet another hole in which the North American Free Trade Agreement leaves another population of people in substandard living conditions. Another very interesting aspect of the piece by Santos is that it warns of problems created due to not investing in the work force's well-being by citing in comparison the high level of economic growth experienced in the United States when focus was placed on educating and maintaining a healthy and sustainable work force (Santos 1992:526-527). The nature of free trade agreements marginalizes the working populations because of the desire to make them competitive on a global level by effectively removing many of the aspects required to in turn take care of said labor forces. These aspects of care and consideration for a work force as individuals and individual members of society as a whole, ultimately promote higher levels of economic growth, as seen in many other countries including the United States, which goes to show how removal of them is highly contradictory in the face of the initial goals of the trade agreement itself. In the context of this thesis, it shows how a free trade agreement has specifically marginalized the labor force of Mexico by decreasing their rights along with their Functionings and Capabilities.

Lastly, another important key to this particular article is that it dates back to the same time as the implementation of NAFTA. This indicates the situations and concerns presented by Santos were already known, yet over looked by the International Governmental Organizations, specifically in relation to trade, labor forces, and the United States. This shows the marginalization of a whole class of Mexican society. As

has already been shown in different lights, the labor population of Mexico has had its Capabilities hugely reduced.

The subsequent 2009 study, “Free Trade, Free Migration: A Path To Open Borders And Economic Justice In The North American Free Trade Agreement And The Security And Prosperity Partnership Of North America” by Erin Worrell in this examination of Capabilities, while not a rejection of the Neoliberal facet of globalization, is helpful in the context of this thesis, because it discusses how NAFTA has failed to fulfill its promises. Worrell’s work is particularly important because, like the piece by García, it addresses how the NAACL is not raising attention to workers’ rights which in many cases are not being upheld and why the NAACL is not doing so. Worrell states that NAFTA’s failures are the results of isolationism adopted by the United States following the 9/11 terror attacks. Worrell claims that this reaction has caused a re-evaluation of the porous nature of the American-Mexican border and a restriction of movement not only of people, but also of capital, all in the name of security. So while overall his article proposes an increased Neoliberal based action to remedy the issue, it still serves a purpose in the context to this research, because it is able to show the vast inadequacies the North American Free Trade Agreement faces in preserving the rights of the worker. In turn, this also adds to the argument of NAFTA’s negative effect on the provisions of social conditions, because it is another example of the failure of the Mexican government to enforce protection polices such as the NAACL in an effort to keep capital flowing between the itself and the United States. This has reduced the Mexican laborers’ Capabilities as it restricts the government from protecting their basic rights in the favor of economic gains.

Another factor that relates directly to variations in social conditions by NAFTA is its effect on access to education for marginalized groups. As alluded to in the other studies, due to the trade agreement's negative impact on the wages for labor while sustaining international competitiveness, increases immigration which in turn hurts education opportunities. This detrimental effect on education as examined by Jose Martínez in "Educational Opportunity and Immigration in Mexico: Exploring the Individual and Systematic Relationships," is the indirect effect on Capabilities. Due to the free trade agreement, the rural poor adolescents are faced with the necessity of making a living wage. However, besides the menial salaried and difficult to obtain labor jobs, the only viable solution to achieve more is emigration. Therefore, access to any additional local opportunities is forgone in search of supposed economic survival elsewhere, which has decreased the overall Capability of that particular marginalized section of Mexican society. Examination by Martínez shows a very specific example of the variability in the access to education within Mexico, which is significantly affected by the North American Free Trade Agreement.

Individual Expression and Economic Capability:

In his fourth section or principle, Sen speaks to evaluating Capabilities, which he calls the differences in relational perspective. Here Sen talks about the necessity to evaluate how conventions and customs determine the expected standards of behavior and consumption. This can be simply translated as social norms for behavior as well as relative poverty in a high-cost area, meaning that being above the poverty line in a high-

cost area can still equal poverty. For this research Sen's fourth principle is adapted to one about Individual Expression and Economic Capability, which speaks about how NAFTA has affected the opportunity for specific careers to develop in Mexico. This section of the thesis speaks about the strong focus on labor jobs and how the inability to protect developing industry removes a lot of entrepreneurial opportunity for developing businesses due to strict forgoing competition. This section also examines how the strong focus on labor jobs has affected career satisfaction for the people of Mexico along with the lack of opportunity, especially for the rural and urban poor to access adequate training for specialized careers.

Sen's fourth principle of differences in relational perspectives is evaluated by continuing with discussion of Labor Union rights in Rachel Brickner's 2013 study "Gender Conscientization, Social Movement Unionism, and Labor Revitalization: A Perspective From Mexico." Brickner lays out her description of how changing the situation for Mexican Labor indirectly covers another issue valid for this thematic section. While Brickner is evaluating potential methods for increasing the workers' rights, she also begins to fit well into Sen's capability theory. Not only does her work talk about the marginalization of the worker and the removal of their Capabilities, it also covers the marginalized group of women workers in Mexico. Her examination applies to this thesis in the way that women, wanting careers in labor are not provided the opportunity to seek career satisfaction, which is highly important in reference to Sen's Capability theory. Lacking the ability to gain career satisfaction marks an important reduction in Capability directly caused by NAFTA. This is important to proving the same point for all of the labor force, not just women. Due to NAFTA's effect on keeping labor

costs low, it in turn has created abysmal labor conditions, which moves away from any, if not all, career satisfaction even among the steadily employed Mexican Labor force.

Another study, “Fairness And Wages In Mexico's Maquiladora Industry: An Empirical Analysis Of Labor Demand And The Gender Wage Gap” by Charles Aurelie in 2011, is also highly relatable to this section in reference to NAFTA’s effect on quality of life and general satisfaction of the Mexican people. It ties in nicely with the Brikner study, because it provides another example of an issue being faced in Mexico due to the gender gap. Aurelie, explains that China’s integration to the WTO put a large stress on the labor market in Mexico, because it provided competitive cost for wages, which in turn removed Mexico’s comparative advantage in labor. This is another example of how the North American Free Trade Agreement is further removing Capabilities. Akin to the conclusions from the summary of the previous study, Aurelie shows how the trade agreement has led to a decrease in job satisfaction and career fulfillment. Aurelie also brings to the discussion the example of the gender discrimination in reference to wages.

Both of these articles are significant in relation to Sen’s fourth principle among others. They both concretely show how Capabilities in reference to variability in society as expressed towards gender and labor have been reduced.

Access to Opportunity:

This final section is more difficult in providing direct evidence for the causal relationship, but along with the studies compiled for this thesis, do show evidence leading towards reduction of Capabilities as a result of NAFTA. Here a more organic

approach in viewing and evaluating the evidence to show the damage to Mexican Capabilities in relation to the family structure is used. The following study, “Globalization And The North American Worker” in 2001 by David Cormier, accesses the effects of globalization on the labor force with specific focus on the North American worker. It is another voice joining the chorus proposing that globalization-using NAFTA as an indicator of globalization-from an economic standpoint has led to the economic decline of the worker. Cormier’s article is unique, because it discusses the effect of trade agreements on both the developed states’ labor population and the developing states’ labor population. It traces the liberalization of Mexico through declaring bankruptcy in 1982, its adoption into the GATT, as well as its integration into NAFTA while considering each occurrence’s effects on the labor population. These effects include (according to Cormier): growing trade deficits that have decreased jobs in Canada and the United States; deindustrialization in the US; increased income inequality; and falling ‘real’ average hourly compensation in all three economies (Cormier 2001:55). The most immediately glaring and indisputable of these issues being ‘real’ hourly wage falling 173 percent in Mexico from 1980 to 1996 (Cormier, 2001:49). This article is highly important in reference to this thesis because it not only shows another rejection of Neoliberal economic principles, it also ties in with the other literature referencing the goal of organizations to promote increased opportunity for all countries involved and the failure of such doctrine due to Neoliberalism.

Speaking specifically to its significance for this thesis, Cormier’s attention to the poverty issue experienced in Mexico due to the desire to maintain a comparative advantage, the article shows, has continued to stifle living wages as well as worker

rights thereby increasing poverty in Mexico, while also causing a huge strain on the other labor markets of the whole North American continent (Cormier 2001:55-56). It provides the sentiment that this is not an issue that is simply affecting neighbors of the United States, but that the work force there itself has also suffered tremendously due to the implementation of this free trade agreement. In reference to Sen's fifth evaluation criteria, this is harmful to the Capabilities because it destroys traditional Mexican family structure due to the necessity of long work hours in order to overcome the burdens of atrociously low wages created by the trade agreement. Cormier furthers this line of thinking by examining the emigration issue, which examples how such poor wages are forcing the break-up of Mexican families and leading individuals to illegal immigration into the United States as a solution for supporting the family (Cormier 2001:56).

Cormier also, while not speaking to the dissolution of the family structure directly, shows in his data regarding the falling wage rate in Mexico as it was undergoing the process of trade liberalization that it has had tremendous detrimental effect on labor family's monetary resources. All of which can be directly linked to NAFTA's implementation.

Similar to Cormier, the next study, "Racing to the Bottom With the Pedal to the Metal: Re-Thinking, Re-Viewing, and Re-Measuring NAFTA" in 2013 by Brian Mackey, takes a less laudatory stance towards the minor gains of the North American Free Trade as it provides evidence of NAFTA's affect on Capabilities. Mackey begins by examining North American labor, immigration, and trade agreements. Here he focuses mainly on the huge difference between the United States and Mexico in regards to labor laws and regulations, infrastructure investment, and economy. In reference to immigration he makes note that he specifically focuses on post NAFTA emigration. He

then discusses the relatively new idea of labor protection, the North American Free Trade Agreement being the first to even attempt any form of it. After examining these three aspects he moves further to say that the environment caused by NAFTA, which has increased emigration activity due to highly unfavorable working conditions in Mexico, has discouraged union activity, especially in the United States, and indicated an overall decrease in labor rights (Mackey 2013:6-7). He also shows NAFTA has not lived up to its potential in protecting labor rights, effectively decreasing labor rights on both sides of the proverbial fence. Mackey further shows that labor, emigration and trade are not able to be disassociated from one another and prescribes a protective approach from the U.S. in relation to its lesser developed partners in trade agreements and that the Mexican government must take a stand at labor protection and rights enforcement. His article is important to the context of this thesis, besides being relevant to all five of the areas evaluation adapted from Sen's principles, it in effect, shows how adversely NAFTA has indirectly affected the Mexican family structure due to its oppressive stance on Mexican laborers rights thus increasing illegal immigration to the United States. This pushes even further the preponderance of evidence against NAFTA and its negative effects on all aspects of society in relation to the sense of achievement and security as provided by culturally and personally fulfilling family relationships.

With less access to the developed resources, which have been previously examined above in the section pertaining to regional disparity, the stifled flow of capital leads to a decrease in access to other services. These services are typically poor to begin with, as also stated previously in the section on the provisions for social conditions provided by the Mexican government, leading all aspects of assistance to

dwindle in availability, quality, or quantity, thus minimizing access to opportunity and decreasing the possibility of achieving, let alone, maintaining any sense of a healthy life style. This is most evident in Mexico's infamously poor public medical facilities. This is seen in the decrease in general feelings of safety and security. Capabilities have been greatly reduced in relationship to self-fulfillment stemming respectively from the underfunded health system and state-operated law enforcement (which is widely believed to be corrupt).

Both of these studies reflect a reduction of Capabilities by the evaluation of the fifth criteria of Sen's approach. Cormier and Mackey each present evidence to support this fact. Due to NAFTA causing higher levels of immigration there has and will continue to be a large flux within Mexican family structure.

Conclusions:

There are a significant number of studies that point to NAFTA's negative effects and more substantially see them as an outcome of Neoliberalism. Only a few have been examined so far, but this chapter serves to magnify the voices in the choir against Neoliberal economic theory. They continue to ring out the message that Neoliberal economic theory and the North American Free Trade Agreement are in fact not beneficial to all sectors of society as repeatedly broadcast by the WTO. In summation, as per an examination of "International Free Trade, The WTO, And The Third World/Global South" in 2009 by Litonjua, it is NAFTA's relation to International Governmental Organizations that deals specifically with the international economy,

which embodies Neoliberal principles. One thing Litonjua does in his work, which is greatly helpful, is identifying the role and responsibility of the WTO in reference to developing nations, i.e. that it should aid in raising the standards of living for developing nations. Litonjua points out that in the doctrine it is the responsibility of the WTO to develop economic strategies favorable to developing nations. As shown above there is a preponderance of literature pointing to the fact that Neoliberalism if left unchecked (as it has been) has detrimental effects on the developing world, a point that seems to be ignored by the WTO. Litonjua states many examples highlighting the problems of globalized trade, one of which in the case of Mexico which now has higher income disparity, as family incomes stagnate, while corporate gains have soared. This study indirectly shows how developing nations facing trade liberalization's governments are forced in exchange for economic aid to adopt Neoliberal economic principles. This is especially important in the case of Mexico because it shows how a free trade agreement can affect the policies of developing nations.

Another valuable aspect of Litonjua's article is his development of the four main criticisms he makes of the WTO, which in the context of this argument are clear indicators of globalized free trade. The first criticism is that the WTO places importance on the economy ahead of the environment, social welfare, and human rights. The second criticism is that by acting as a governing body of international legislature, it effectively erodes state sovereignty. The third criticism is that the WTO is undemocratic in the sense that the First World/Global North dictates the ideology that guides the organization, creating an unfair disadvantage towards developing states. The fourth and final criticism is that it increases income disparity. Litonjua points to international

trade negotiation attempts since the Uruguay round as examples, which have all ended in disaster (Litonjua 2010:60-62). This part of this research is important because it adds another voice to the preponderance of evidence of the shortcomings of the international economic system and its effect on developing states governments and those governments' provisions for their people. It also is important because it shows the Global North's reluctance to move away from Neoliberal principles. This holds additional importance because it shows that the states most adversely affected by Neoliberal economic models don't have a voice in the removal of such systems because the Global North essentially forces it upon them. In the case of Mexico this is especially true when we look at their economic history and the country's near bankruptcy in 1982. At that time Mexico was not able to compete on an international scale due to how poorly the developed world looked down on ISI practices, which led to their liberalization of trade brought on by the Global North and WTO. In essence they were offered the choice between debt or death. While not dealing specifically with legislation for social conditions, it is easy to see how many of the points that Litonjua makes are highly relevant. He shows how Neoliberal free trade affects the Capabilities of populations due to the erosion of sovereignty such as the situation experienced by Mexico. With the necessity to implement any regulations imposed upon them by or under the WTO or NAFTA, the Mexican government itself is not able to effectively enact their own policies to protect their labor sector or the development of industrialized business.

Each study referenced above could be applied to any of Sen's five major points in evaluating Capabilities. They were however applied to their most significant contributions to the theoretical framework of the Capability approach. From this

perspective there is enough evidence pointing to the reduction of Capabilities of variations of Mexican society from Neoliberal free trade theory and the North American Free Trade Agreement that its superiority needs to be evaluated.

Chapter 4: Relevant Statistical Arguments

The aim of this chapter is to explore descriptive statistics pertaining to Sen's capability approach. The first section will deal with information relating to the Human Development Index (HDI), which is indicative of the approach adopted in this thesis. After examining HDI the chapter turns to linear regression to discover interesting relationships between variables that are relatable to economic success and capabilities. Linear regression was chosen, because of its ability to measure the correlation between two variables, showing whether the relationship is positive or negative, along with the strength of the relationship. It is also hugely powerful for this type of study because, as stated in Pollock's, *The Essentials of Political Analysis*, its ability to "estimate the size of the effect of the independent variable on the dependent variable" (Pollock 2012:182).

Human Development Index

Using quantitative methods to evaluate capabilities is difficult. One attempt that bears particular importance in regards to this thesis is the Human Development Index (HDI). This is because "The human development approach, developed by the economist Mahbub UI Haq, is anchored in the Nobel laureate Amartya Sen's work on human capabilities, often framed in terms of whether people are able to 'be' and 'do'

desirable things in life” (HDI, 2015). The Human Development Index has been pursued in direct effort to quantify Sen’s approach.

The way in which the current HDI is measured relies off four variables. The first is life expectancy at birth, which the HDI defines as the “Number of years a newborn infant could expect to live if prevailing patterns of age-specific mortality rates at the time of birth stay the same throughout the infant’s life” (HDI, 2015). This is inherently related to Sen’s approach because it deals with the amount of time a person will have to achieve their desired level of functionings. This data come from the United Nations Department of Economic and Social Affairs (UNDESA). The second variable that goes into the formulation of the HDI is the mean years of schooling which the HDI defines as: “average number of years of education received by people ages 25 and older, converted from education levels using official durations of each level” (HDI, 2015). The data for the second variable comes from the United Nations Educational, Scientifics, and Cultural Organization (UNESCO) Institute for Statistics. This is important in the measuring capabilities because education is one of the more significant variables associated with achieving high levels of capabilities. The third variable that goes into the creation of HDI also has to do with education. It is the expected number of years of schooling. The HDI defines this variable as the “number of years of schooling that a child of school entrance age can expect to receive if prevailing patterns of age-specific enrollment rates persist throughout the child’s life” (HDI, 2015). This data is also gathered from UNESCO’s Institute for Statistics. This variable is important because, like the previous variable, access to education is important in regards to all five of Sen’s criteria for evaluation of capabilities. The final variable that goes into the formulation of

the HDI is Gross National Income (GNI) per capita. The HDI defines this as “aggregate income of an economy generated by its production and its ownership of factors of production, less the incomes paid for the use of factors of production owned by the rest of the world, converted to international dollars using PPP rates, divided by midyear population” (HDI, 2015). This data comes from Human Development Report’s calculations from data compiled from the World Bank, IMF, and the United Nations Statistics Division. This is relevant in relation to Sen’s approach because unlike per capita GDP this is a more accurate way to measure average levels of income removing in influence of international sources.

In reference to Mexico there is a general trend of increasing development based on the data gathered by the HDI. The scale established by the HDI scores from 0, being the poorest score achievable, to 1, as the highest value achievable. In 1980 Mexico’s score was 0.595. It shows steady improvement that has slowed in recent years. From the year 2000 to the most recent score in 2013 Mexico scored 0.699 to .756 showing only a very slight increase in recent years. Their current score, .756 ranks them 71st internationally (HDI Mexico, 2015). This .756 HDI score consists of scores of 77.5 years life expectancy at birth, 8.5 mean years of schooling, 12.8 expected years of schooling, and a GNI of 15,854. To give a comparison the 1980 data shows an HDI of 0.595. In 1980 the life expectancy at time of birth was 66.56 (World Bank, 2015), expected years of schooling was 10.2 (HDI, 2015), mean years of schooling was 4.0 (HDI, 2015), and the GNI was 10,769.

Examining the HDI is important because it is guided by Sen’s approach directly and in the case of Mexico it does show continued improvement from 1980 to 2013. In

conjunction with the onset of the implementation of economic liberalization in Mexico it does show improvement. However, in regards to the data, the improvement is slow. There is also inequality to take into account, which the HDI also takes into account. When the HDI is adjusted for inequality Mexico's score is 0.583 which when measured with the adjusted values for all the other nations drops their place by 13 spots leaving Mexico placed 84th in overall HDI scores as of 2013 (HDI, 2015). Again it is important to note that while there are gains as can be shown in HDI that coincide with the economic liberalization time period, the gains are marginal. Also as can be shown in the third chapter of this thesis there are drawbacks in the face of those moderate gains.

Other Descriptive Statistics:

Another issue that is important to address is how does the government spend in specific sectors. When looking at how the government spends on healthcare over time there is a very slight increase. The variable in question depicting this most accurately is percentage of GDP spent on healthcare. The first data point collected in 1989 shows that the government spent 2.3 percent of its GDP on education (World Bank, 2015). With the exception of a few minor declines the data shows a very gradual increase, the most recent data shows that the government spent in relation to GDP 5.2 percent (World Bank, 2015). When looking at the values for public spending on education as percentage of public spending from 2000 to present day it hovers around 20 percent. Previous to 2000 there was a much greater fluctuation between 8.3 percent and 20 percent (World Bank, 2015). Looking to another sector, healthcare, the data from the

World Health Organization indicates that general public expenditure on healthcare as a percentage of general public expenditure has hovered just over 15 percent from 1995 to 2012 (Global Health, 2015).

Interesting Regression Correlations:

As previous chapters indicated, Mexico has seen marked increases in economic success. What was initially selected as an indicator of economic success in this case was Per Capita GDP data from the Organization for Economic Co-Operation and Development (OECD). GDP or Gross Domestic Product as defined by the OECD is: “the standard of measure of the value of final goods and services produced by a country during a period minus the value of imports” (OECD Per Capita GDP, 2015). Per capita means that it has been divided evenly across Mexican society (for statistical purposes) to find an accurate measure of dollars per person annually. The OECD goes further to state that, “GDP is the single most important indicator to capture these economic activities, [although] it is not a good measure of societies’ well-being and only a limited measure of people’s material living standards” (OECD Per Capita GDP, 2015).

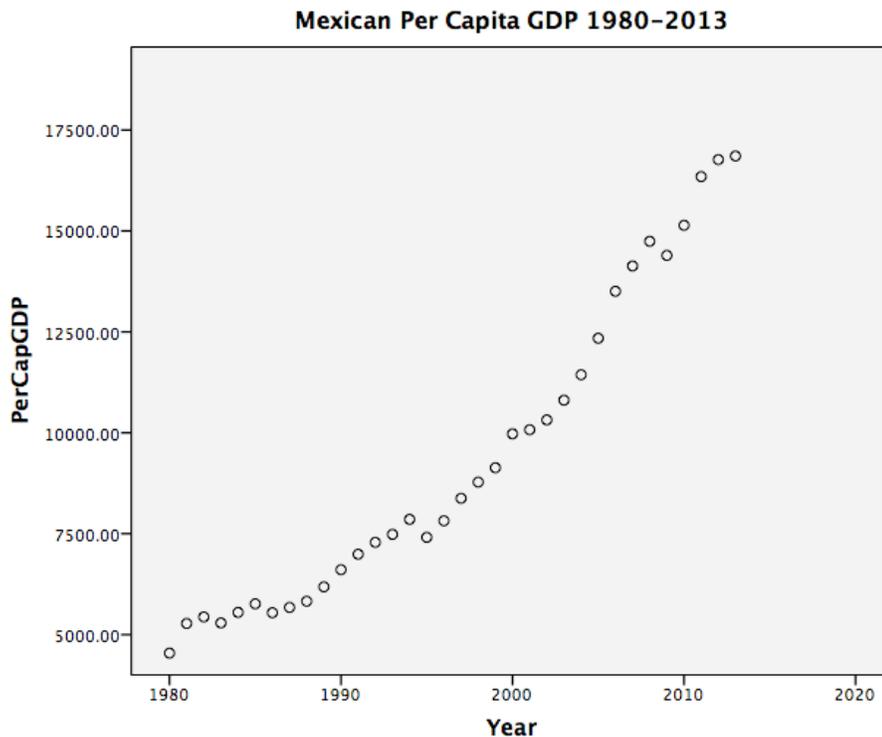


Figure 1.

As can be seen in the figure represented above, Per Capita GDP in Mexico, has shown a steady increase from 1980 where it was at 4,542 United States dollars (OECD Per Capita GDP, 2015). Today it sits at 16,856 United States Dollars per Mexican citizen. There are however a few glaring problems. Despite the obvious increase; it does not account for inflation and it does not accurately account for wealth distribution.

The next step then is controlling for inflation. This thesis turns to the Purchasing Power Parity (PPP) to adjust Per Capita GDP. Purchasing Power Parity as defined by Rogoff in his piece, *“The Purchasing Power Parity Puzzle”*, is the “simple empirical proposition that, once converted to a common currency, national price levels should be equal” (Rogoff 1996:647). Essentially, this conversion allows Per Capita GDP data, once converted, to be standard for this study despite the time it was collected. All data

will be adjusted for inflation to today's United States Dollar value. This, in effect, will make data from 1980 comparable and standardized with data from today. The Per Capita GDP Adjustment with PPP data comes from calculations using the statistics website GapFinder (GDP Adjusted to PPP, Gapfinder 2015). That changes the above Scatter plot to what follows:

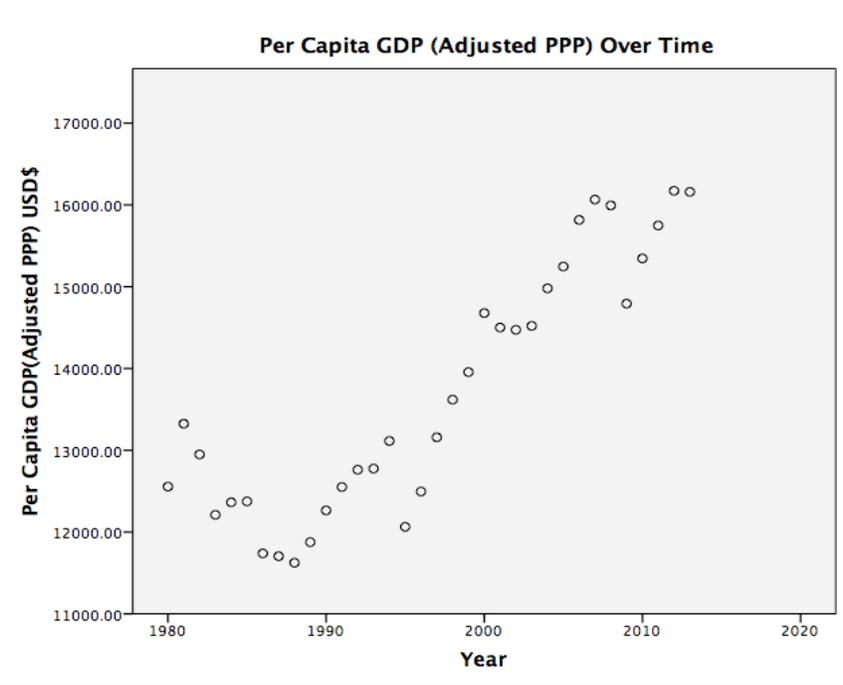


Figure 2.

As shown by the chart, even with the adjustment to today's values, there is an expected relationship showing a marked dip in the late 1980s during Mexico's economic crisis. This led to the adoption of the economic liberalization framework, which eventually led to implementation of NAFTA. This timeline matches up with what is represented in the plot above, which shows the market increase in adjusted Per Capita GDP in U.S. Dollars from 1990 to the present day, with a few dips appearing near expected times of economic downturn. Adjusting the data allows Per Capita GDP to be

measured as an independent variable against various other aspects of Mexican Society in regards to Sen's Evaluation principles.

Sen's Evaluation Principles:

This section deals with the relationship of Per Capita GDP in Mexico to various dependent variables representing Sen's Evaluation principles. With a traditional measure of economic success chosen and an ability to control for inflation, normalizing the data, Mexico is able to have its data tested against itself to see whether true increases in Per Capita GDP have any effect on Mexican Capabilities.

In the first of Sen's evaluation approaches, individual physiology, it is difficult to choose data to be wholly representative by the standards of definition of the variable for many reasons. The largest of these reasons is that the nature of the evaluation principle itself makes it difficult. As stated in previous chapters, the first of Sen's principles deals with provisions to achieve equal Functionings on a base level. This covers many different categories: age, gender, disability, illness, and in the terms of the scope of this thesis, marginalization of the labor class.

The bad news, however, is that there are people on the ground in Mexico and countries in similar economic situations, whose Capabilities are being reduced by a questionably functional method of international economic strategy. Despite difficulties an attempt must be made to show the effect of the policy of increased economic liberalization on groups within society.

For the first of Sen's principles this study turns to Real Minimum Wage in U.S. Dollars. Sen's first principle, individual physiology, is basically the idea that groups of people have the capability to achieve equal Functionings with other members of society. According to the OECD Real Minimum Wage is "Statutory minimum wages converted into a common hourly and annual pay period" (Real Minimum Wage OECD, 2015:1). It is important to note that in the OECD's formulation of this variable it has been adjusted using Purchasing Power Parity (PPP) to account for inflation. This was chosen, because it is a tremendous equalizer among the entirety of the lower or disadvantaged class in Mexico. No matter what the conditions for Functionings or Capabilities, minimum wage is a binding element. Those sectors of Mexican society that earn minimum wage, such as the labor sector, are especially bound to this variable.

Despite being a political decision, the relationship between the two is relevant due to the large impact the free trade agreement has had on Mexican politics. This is a relationship that is justified by the previous studies mentioned as well as the chapter on the history surrounding the economic liberalization period in Mexico. When a Bivariate correlation is performed between the variables Per Capita GDP Adjusted and Real Minimum Wage, it shows a significant, strong negative relationship between the two variables giving a Pearson Correlation value of $-.788$. Following the Bivariate correlation, a Linear regression performed between the two data, using Per Capita GDP as the independent variable is able to register its effects on Real Minimum Wage. The Adjusted R Square value came to $.608$, showing that 60.8 percent of the variation in real minimum wage is explained by Per Capita GDP. However, the interesting fact is that the relationship as stated above is negative meaning that as Per Capita GDP increased

Real Minimum Wage decreased by a standardized correlation coefficient of $-.788$, meaning that for every 1 unit of increase in Per Capita GDP, it is accompanied by a loss of $.788$ units of real minimum wage. This relationship is pictured in the following Scatter plot:

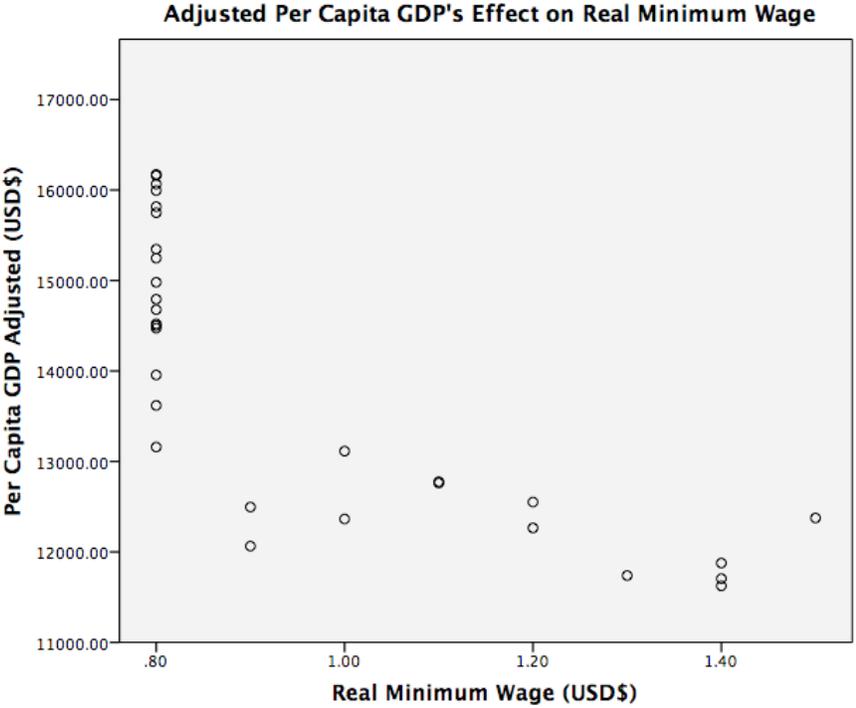


Figure 3.

As stated above, the issue with this particular method of approach still leaves a lot to be desired. The Human Development Index (HDI) is collecting tremendously beneficial data in regards to basic access to Functionings to equalize Capabilities such as “Health, education, and income” (HDI, 2015:1). However, for many of their variables of calculation the data does not go back far enough to render an accurate score and as estimates are unreliable, the HDI data does not go back far enough for utilization in a linear regression (HDI, 2015:1).

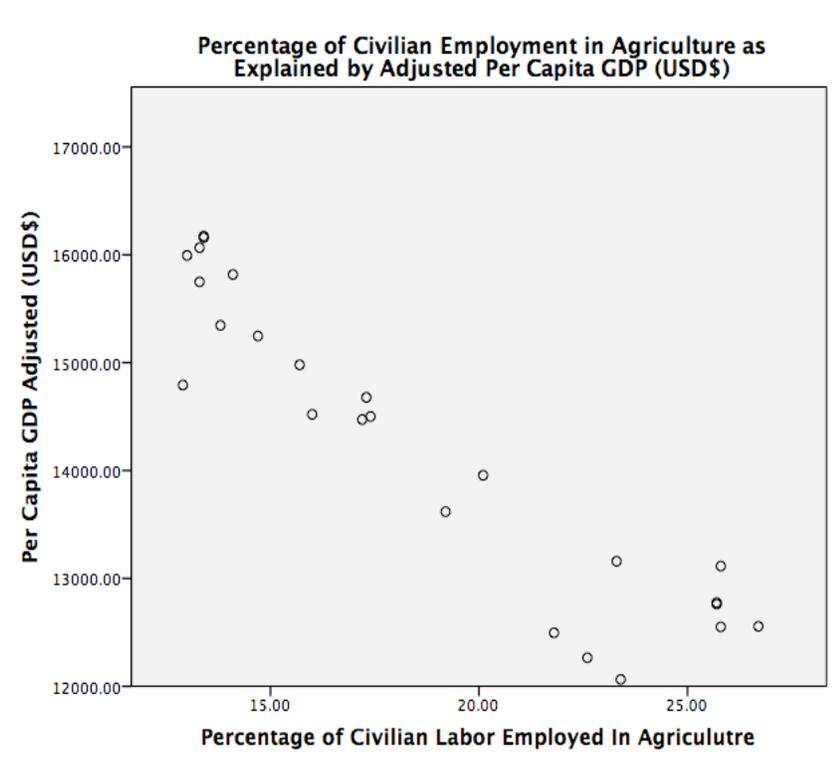
The second evaluation principle based on Sen's Capability approach is based on local environmental diversities. This approach is in its simplest form to explain the changes in Capabilities expressed by conditions in environment. The variable chosen to test this is Civilian Employment in Agriculture as Percentage of Civilian Employment (ALFS OECD, 2015). The subsequent regression run will be Civilian Employment in Industry as Percentage of Civilian Employment (ALFS OECD, 2015). The reason these two variables are being examined is because they embody different environmental zones. Agriculture as percentage of civilian employment embodies rural areas of Mexico and what will be shown is a decline in employment in relation to adjusted Per Capita GDP. This relationship is indicative of a shift of economic resources away from the rural areas of Mexico. The reason industry is the second variable to be chosen is because it will show a shift in jobs towards areas of industry.

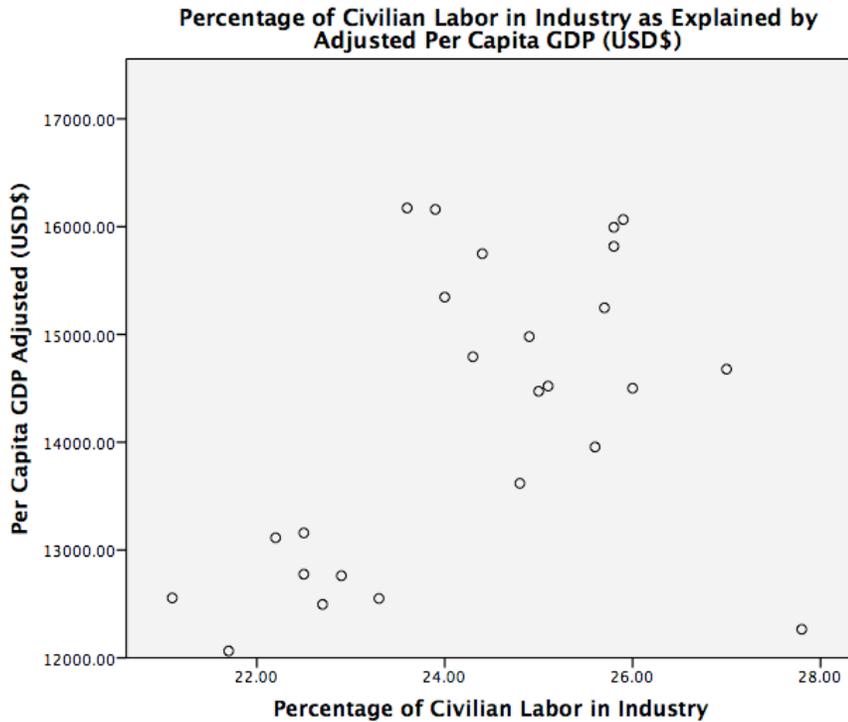
The shortcoming associated with choosing these two variables are that they do not directly represent local environmental disparity in capabilities it is more an indicator of urbanization. The relationship does however show the shift in industry as per capita GDP has increased. What this shows in relationship to environmental disparity for Capabilities is the shift in employment away from agriculture towards industry can also be seen as a shift in economic opportunity which no longer is in rural areas of Mexico due to the impact of the free trade agreement, which is shown very well by the relationship of these two variables when compared together.

First a Bivariate correlation analysis was run to test if the variables were related. Both variables in question were related to Adjusted Per Capita GDP. Percentage of civilian employment in agriculture showed a very strong negative relationship with a

Pearson Correlation Coefficient of $-.933$. Percentage of civilian employment in industry showed a moderate negative relationship with adjusted per capita GDP giving a Pearson Correlation Coefficient of $.466$.

A Linear regression was applied using Adjusted Per Capita GDP as the independent variable in both cases. In the first case, agriculture as percentage of civilian employment, an Adjusted R Square value of $.864$ was observed, which means that 86.4 percent of the variation in the percentage of the civilian employment in agriculture can be explained by Adjusted Per Capita GDP. When the Linear regression was run replacing the agriculture variable with the industry variable an Adjusted R Square value of $.183$, which means that 18.3 percent of the variation in percentage of civilian employment in industry can be explained by the adjusted Per Capita GDP.





Figures 4 & 5.

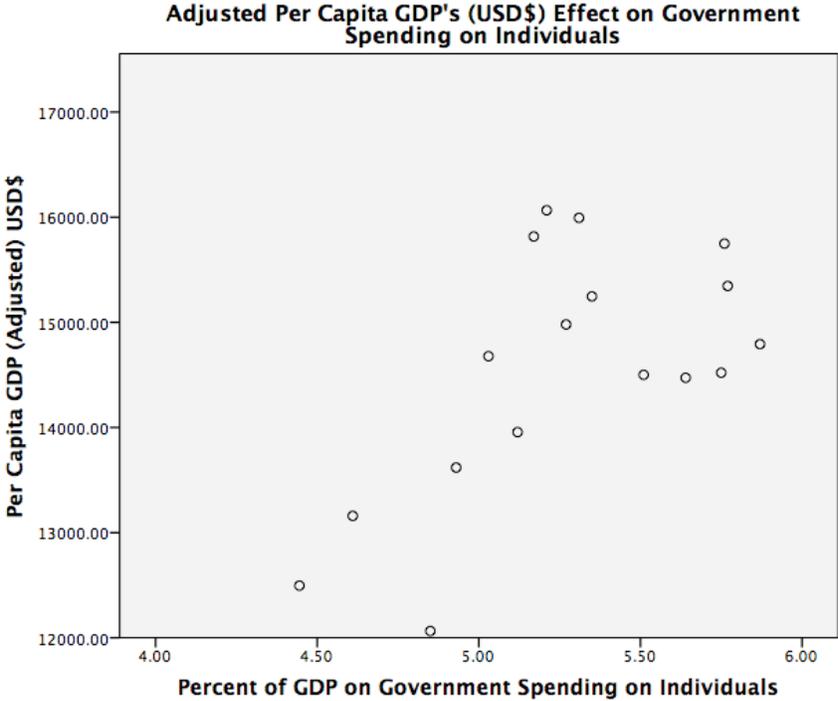
The shortcoming of evaluating the effects of economic liberalization in this way is that it is an indirect way of getting at the true central cause of the issue. However, with there being no way to represent the flow of capital in Mexico regionally, evaluations of patterns of employment will have to suffice. Another issue with this particular study is that the number of cases represented by the data was lower than is usually desirable (n=30).

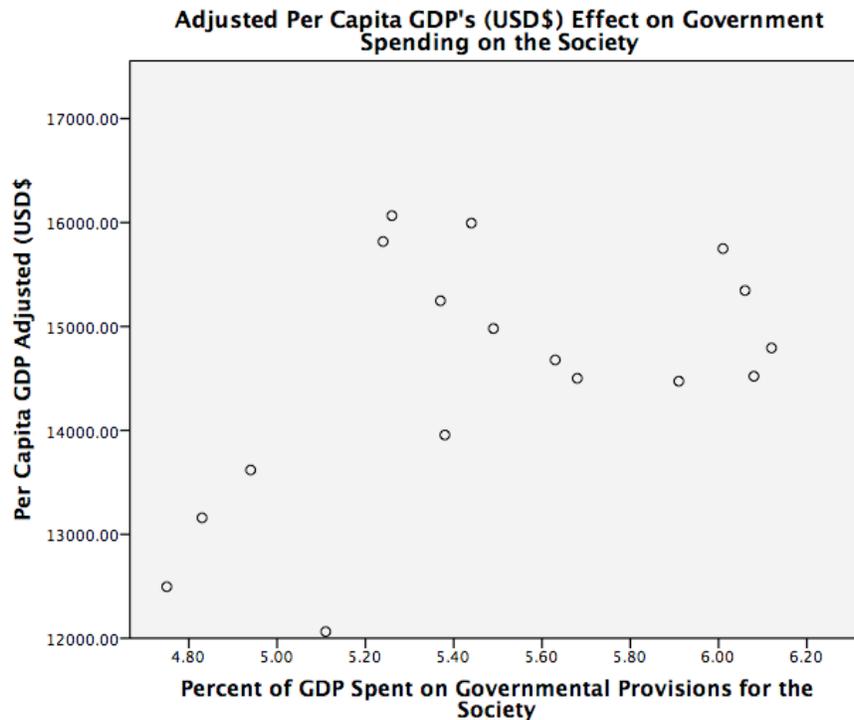
The next of Sen’s modified evaluation principles is the evaluation of government provisions for social conditions. Essentially what Sen expresses in this area is how the government of a country has provided institutions, which allow for the allocation of a person’s resources. This is also difficult to try and represent with just one variable. There are so many degrees and institutions to which this applies such as education,

security, healthcare, and et cetera. The OECD provides two data sets one for governmental spending as a percent of GDP on society, which includes defense and justice. The second data set they provide is governmental spending on the individual, which includes healthcare housing and education (Governmental Spending OECD, 2015). As variables these two are directly indicative of Sen's governmental provisions for social conditions.

When running the Bivariate correlation on both variables we find that both are statistically significant in relation to the Adjusted Per Capita GDP measurement. They also both hold positive relationships in their relationship to the Adjusted Per Capita GDP measurement registering Pearson's Correlation Coefficient numbers of .634 for government spending on the individual and .516 for government spending on the society, respectively. When the Linear regression is run the adjusted R square value comes out to .362 in the regression showing the affect of Per Capita GDP spending on governmental spending on individuals. This means that 36.2 percent of the variations in governmental spending on individual programs can be explained by the Adjusted Per Capita GDP value. However, due to a low number of cases (16 cases) the results of this regression are questionable. In the regression explaining the effects of the Adjusted Per Capita GDP values effects on governmental spending on society the Adjusted R Value came out to .217, meaning that 21.7 percent of the variations in governmental spending were explainable by the adjusted Per Capita GDP value. This part of the study is also questionable for the next few years until increased numbers of cases are available.

Despite the questionable results due to the low case number in the study, the results depict at least a small amount of improvement for governmental provisions for social conditions as a whole. This however makes sense as the government has a lot more capital available as the economy has increased. There is definitely room to improve as far as the statistics and the government's performance is concerned. As far as evaluating the effect of economic liberalization, by the parameters of this study, it has shown that increases in per capita GDP have had a positive effect on governmental provisions for social conditions. There is one other unanswered critique remaining, which is that the growth in proportion to GDP spending may not be keeping pace with the needs of the society.





Figures 6 & 7.

The fourth principle on evaluating the effectiveness of Neoliberal economic theory as set up by this study, based on Sen’s Capability approach, refers to differences in relational perspective. This is basically an individual’s ability to exist in a specific area. An example of this would be a person living in a cost-high area where the minimum wage may put them below the regions level of poverty. The variable that this study will use is the data from World Bank combined data from the OECD both pertaining to the Gini Coefficient. The Gini Coefficient is a measurement that is representative of income inequality. The World Bank defines it by stating: “Gini index measures the extent to which the distribution of income or consumption expenditure among individuals or households within an economy deviates from a perfectly equal distribution” (World Bank Gini, 2015). The OECD defines it as: “based on the comparison of cumulative proportions of the population against cumulative proportions

of income they receive” (OECD Gini, 2015). The reason that data from both sources needs to be utilized is to achieve the highest number of cases possible for the regression analysis. The data for Gini from both sources is gathered in a very similar way. The OECD gets its numbers for the Gini Coefficient by: “S90/S10 is the ratio of the average income of the 10% richest to the 10% poorest; P90/P10 is the ratio of the upper bound value of the ninth decile (i.e. the 10% of people with highest income) to that of the first decile; P90/P50 of the upper bound value of the ninth decile to the median income; and P50/P10 of median income to the upper bound value of the first decile” (OECD Gini, 2015). The World Bank gets its values for the Gini Coefficient by: “A Lorenz curve plots the cumulative percentages of total income received against the cumulative number of recipients, starting with the poorest individual or household” (World Bank Gini, 2015). The only difference between the two studies is that the World Bank takes its data on a case by case comparison and the OECD takes its data by doing group comparisons. They are both measured in ratio form (0-100 and 0-1) so both the data and the values are comparable.

When the Bivariate correlation study results were obtained it was shown that there is not a statistically significant relationship between the two variables. The Pearson’s Correlation value is $-.369$ which signifies a weak negative relationship. One major shortcoming as to why it may not be statistically significant is because even when combining the data from the World Bank and the OECD there were still only 16 values for the Gini Coefficient, which is significantly less than 30. As can be seen by the following scatter plot it is very difficult to notice any relationship between the two variables at all.

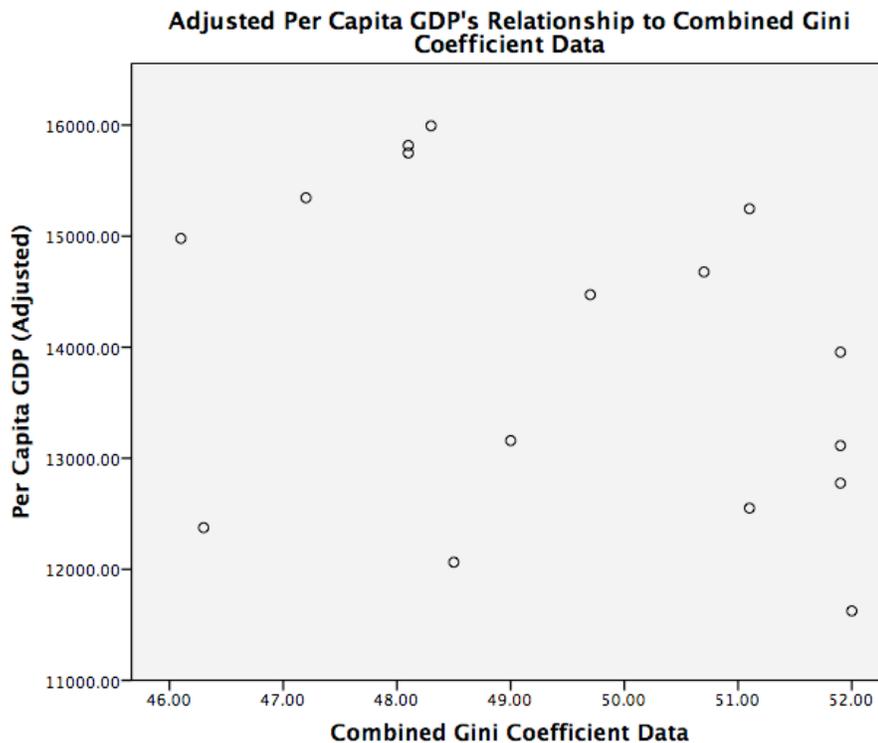


Figure 8.

This means until the availability of a more complete data set immerges Per Capita GDP has no statistically significant effect on the Gini Coefficient (income inequality). In the case of this specific variable this evaluation criterion has not been influenced by economic liberalization. It is mixed results because it shows that increase in Per Capita GDP do not reduce the income inequality but it also does not increase it meaning that as the data stands Per Capita GDP does not alleviate the problems associated with income inequality. While the data has weaknesses this is a point marked against economic liberalization's ability to solve problems of income disparity.

The last evaluation measure of Capabilities adopted by this thesis pertains to distribution of resources within the family. One thing that Sen mentions in this category is allocation of resources for girls. The variable chosen to evaluate Neoliberalism's

effect on Sen's fifth principle is children out of school, females. For the scope of this project it has been adapted to display the reduction of Capabilities caused by the disruption of the family structure within Mexico caused by Neoliberal economic theory and NAFTA as an extension of that. This is representative of Sen's fifth variable because it deals directly with access to educational opportunity (guided by the family) for girls.

The Bivariate correlation analysis shows again that there is no statistically significant relationship between the two variables. The relationship between the two variables yields a Pearson's Coefficient of $-.383$. This means that if it were statistically significant a weak negative relationship would be observed. Like the last variable this is difficult to interpret. There is also a lack of data for the early years of economic liberalization, which may be a factor leading to the statistical insignificance of the Bivariate Correlation test. However, what it could also mean is that there is no relationship between the two variables, meaning that Neoliberalism may have no improving effect in relationship to the distribution of goods within the family structure. Like the fourth principle the lack of data skews the validity of this specific regression. Just to a quick visual reference to the slight negative trend (Pg. 86). When more data is revealed what is indicated is that there may be a relationship between the two showing that as Per Capita GDP increases girl's enrollment in school also increases. As implied this may be a victory for Neoliberalism, more data is required to make a valid assessment.

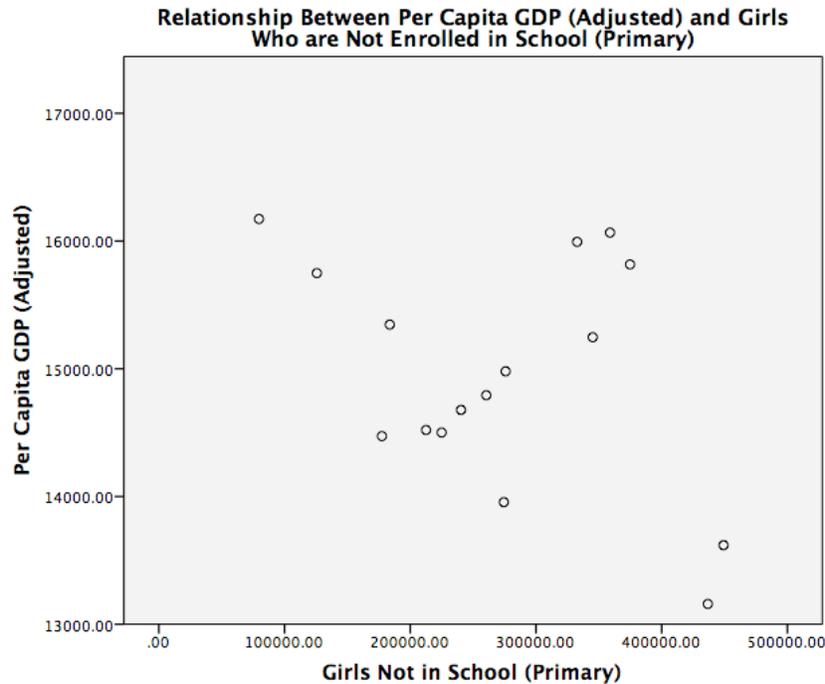


Figure 9.

Chapter Conclusions:

Looking at the Human Development Index, which is geared specifically towards satisfying the quantitative aspect of Sen’s approach, there is improvement in Mexico over the economic liberalization time period. After looking at the numbers, the general trend is that as time has gone on under an economic regime of liberalization, coincides with improvements in HDI scores. However this is complicated because straight HDI is not geared to evaluating economic achievement’s relationship to human development. This is why when adjusted for inequality the actual HDI score is much lower.

After examining several interesting statistical models, the final sum of the evaluation principles that show economic liberalization’s positive effects as evaluated by this study are mixed in their results. The first variable relationship between the adjusted

Per Capita GDP and real minimum wage shows a regressive effect on Capabilities. The second variable, depicting environmental disparities, was a more indirect study. Using data of employment in two industries the statistically significant switch in both, in relationship to Neoliberalism's economic effects, embodies the shift in capital from rural to urban. The third principle showed that government spending has increased on the individual and in society as a result of Neoliberalism. This does bear a warning however because the simple fact of increased spending does not mean necessarily mean increased Capabilities. For this chapter it still must be counted as improved because of Neoliberal economic principles. This leads to the last two relationships examined. Neither were statistically significant, but the fourth shows what may be a reduction in Capabilities and the fifth may show an increase in Capabilities. When the data comes in from the sources referenced this section of the thesis must be revisited.

According to the statistical models set up by this chapter economic liberalization has shown a clear regressive relationship on two of Sen's five evaluation principles. It shows a positive relationship on 1, and two not statistically significant relationships. The main conclusions that can be drawn from this section is that in two of five evaluation principles, Neoliberalism showed regressive effects. This means as an economic policy that whole benefits all sectors of society in every nation, including developing ones, it has some shortcomings. It does, in the case of Mexico, increase government spending. When more data comes to light from the specific bodies referenced the study can be revisited, but for now there is at least marginal evidence as to the regressive effects of Neoliberal economic free trade theory in Mexico.

Conclusion

There are some glaring issues involved in the application of Neoliberal theory in the real world, particularly in the case of Mexico. In the first chapter of this thesis, the problems faced by Mexico in conjunction with the policies implemented by the various administrations in power, from President Salinas to the current President, Nieto, have shown a clear trend of increasing the application of Neoliberal theory. The crowning piece of Neoliberal economic theory and these administrations' achievement is the application of the North American Free Trade Agreement. Arguably, the trade relationship between NAFTA nations, such as Mexico and the United States, is the greatest triumph of Neoliberalism. Mexico was chosen for this study, because of the strong entanglement of NAFTA and Neoliberal theory in Mexican politics and the obvious effects the two have had and continue to have on the Mexican people.

Roderic Camp's work describes the most important economic issues to Mexican voters as employment and level of income (Camp 2014:295). Another other issue, personal security, is arguably a by-product of the economy via the desperation of the poor causing them to turn towards crime. As 2010 arrived, Mexico had the 12th largest economy in the world. Its per capita GDP, was a respectable \$9,243, and its Purchasing Power Parity in relation to other nations was at \$14,265 (Camp 2014:296). What is important to note is those figures place Mexico at 60th in the world for per capita GDP. Together, these figures are significant, especially when the role of NAFTA and

Neoliberal theory are considered. The 12th largest economy in the world, Mexico, has a per capita GDP, which barely breaks into the top third of nations in the world. This phenomenon is indicative of Neoliberalism as a whole. Neoliberal economic theory does, in fact, grow an economy through traditional measures, as seen with the implementation of NAFTA, there is no argument about that. The fact that Neoliberalism and NAFTA as a means of application, are *always* sold as a vehicle for improving the standard of living across the board is dubious, if not false.

If there is one thing that can be said of President Salinas and his administration, it is that during his time in office, the Mexican economy did grow. Foreign direct investment surged forward and GDP increased, propelling Mexico towards the upper echelon of States in the category of highest GDP. During his presidency, direct foreign investment increased by a multiple of four and only continued to increase after the implementation of NAFTA. In the time span of 2007 to 2011, the United States alone represented 26 percent of that investment (Camp 2014:298). It is interesting to note that the money sent home to Mexico by legal and undocumented immigrants from within the United States usually exceeds that amount. President Salinas's close relationship to former U.S. President Bush Sr., as well as his host of economic advisors who studied in the United States started this trend of economic liberalization.

The issue of influence on policy that the average voter in Mexico has, as explained previously, shows that the lower class in Mexico has little to no influence on a policy, allowing economic liberalization to run rampant. Politicians favoring Neoliberal theory have run nearly unopposed from 1988 to present day, minus the controversial 2006 elections. The Mexican economy's inability to create new jobs to meet the

demands of the growing population has tremendously increased the attractiveness of the cartels as employers, vis-à-vis desperation for economic autonomy, and hugely increased undocumented emigration into surrounding countries, primary the United States, for the same reasons. The reasons behind these two phenomena are very simple. In a country where absolute poverty is a very tangible occurrence and with an economy struggling to provide opportunities for employment in any sector besides labor, which are also scarce, turning to the cartels and undocumented immigration has become the only options for many in desperation, especially those with family's support.

Many Mexican small businesses and the majority of the agricultural sector were not able to survive the influx of United States subsidized imports. The unique relationship of one-sided integration, with the United States buying a large portion of Mexico's exports due to NAFTA, meant that when the recession hit, Mexico was hit especially hard. This is because with the decrease in the U.S. economy, Mexico experienced even greater losses due to lack of trade diversification. This is one of the many reasons, which when evaluated independently of each other or together, should be more than enough evidence to call into question the validity of the claims made by Neoliberal economic theory and supporters of NAFTA, including the governments of the United States and Mexico. It should be apparent to all involved that the quality of life for the Mexican people is greatly being affected by the implementation of such policies and standard measure of economic success is not enough to justify the negative effects.

There are numerous studies, which point to NAFTA's negative effects and more substantially, indicate that these negative effects are an outcome of Neoliberalism. The

voices enumerated throughout this study are just a small sample of the overall literature. They continue to underline the fact that Neoliberal economic theory and the North American Free Trade Agreement are not beneficial to all sectors of society as repeatedly enumerated by the WTO. Briefly returning to Litonjua's work, his identification of the role and responsibility of the WTO in reference to developing nations, i.e. that it should aid in raising the standards of living for developing nations, and not ultimately do more damage, supports this statement. Any of the literature noted in this study, makes it apparent that Neoliberalism clearly does not improve the standard of living, particularly in the case of the Mexican lower classes. The preponderance of literature pointing to the fact that Neoliberalism, if left unchecked, as it has been, has detrimental effects on many in the developing world. Litonjua cites many examples highlighting the problems of globalized trade, one of which is the case of Mexico, is higher income disparity, leaving family incomes stagnated, while corporate gains have soared. This study indirectly shows how developing nations in need of economic aid, are forced to accept it in exchange for adopting Neoliberal economic principles established by governments favoring trade liberalization. This is especially important in the case of Mexico, because it shows how a free trade agreement can affect the policies of developing nations, particularly in times of desperation.

Each study referenced above could be applied to any of Sen's five major points for evaluating Capabilities. They were however applied to their most significant contributions to the theoretical framework of the Capability approach. From this perspective there is a significant amount of evidence that cannot be ignored pointing to the reduction of Capabilities of many large sections of Mexican society due to Neoliberal

economic theory and the implementation of the North American Free Trade Agreement. Turning to the quantitative evaluation set up by this study, the Human Development Index shows gradual improvement in Mexico. When adjusted for inequality however the number plummets to near 1980 levels of traditional measurement, lending strength the argument that economic liberalization has not had the effect promised by administrations on both sides as well as those of the international governing bodies in place. The evaluation principles that show economic liberalization's positive effects are statistically significant in one of Sen's categories: governmental provisions for social conditions. As stated above, the true effects of this are dubious as to the affect of the percentage of GDP being applied to improving public life. However, when it comes down to the statistical model applied in this study it was found that increased per capita GDP does have a positive relationship with governmental provisions for social conditions. The first two criterion of Sen's evaluation principles point towards the reduction of capabilities in a Neoliberal economic model in providing improved quality of life for all aspects of Mexican society. In the first model, embodying individual physiology, there was an observed negative relationship between per capita GDP and real minimum wage, showing that as per capita GDP increased while real minimum wage decreased. The second model showed a clear negative relationship between per capita GDP and percentage of the civilian labor force employed in agriculture, therefore representing the effects on environmental disparity from Neoliberalism. The fourth model, representing an individual's ability to appear in public without shame, provided a statistically insignificant relationship between per capita GDP and the representative dependent variable for Gini Coefficient. The final study, representing allocation of family

resources, also yielded somewhat mixed results, also being statistically insignificant. According to the statistical models set up by this study economic liberalization has shown a clear regressive relationship on 2 of 5 of Sen's evaluation principles. It further shows a positive relationship on one principle and a confounding relationship on the other two of the principles. Overall these results lead to the conclusion that economic liberalization has had shortcomings in its professed goal of increasing the quality of life for all individuals in Mexico, despite any greater national economic gains.

In the end, despite all of the literature on either side, despite all of the various statistical studies that have been or could be run, and despite all the political interests, the truly most important issue is that there are people in Mexico and globally suffering because of Neoliberalism. The governments of developed nations around the world seem to turn a blind-eye to the glaring and obvious shortcomings of Neoliberalism's practical application. Often times, through evaluation of the data, it becomes easy to dehumanize an issue. Governments are always tasked with the goal of improving the standard of living for all of their citizens, which can be a task greater than there are easy policies or means by which it can be done. This should be where international governmental organizations such as the WTO, the IMF, and the World Bank become involved; for the purpose of reaching the same goal. However, this has not been the case. Neoliberalism, as it stands, has been shown to have serious detrimental effects on many large groups of Mexican people. This cannot continue. There is no alternative offered at this point, which is an issue that reaches far beyond the scope of this thesis. With the evidence provided in this thesis and in the works of others, it is with hope that, the argument against completely deregulated Neoliberalism, will eventually amass so

many voices its shortcomings must be addressed. This cannot happen soon enough, nor can the people of Mexico continue to suffer waiting for other solutions.

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