

Letter from the Editor

Issue 56 of *Economía Teoría y Práctica* comes out nearly two years into a global pandemic that has led to disastrous outcomes for millions of people in nations the world over, and far from ending, the health crisis has spread with new mutations. Over 335 million people have contracted at least one of the Covid-19 variants, with 5.6 million succumbing to the disease, even though vaccines were developed at breakneck speed, thanks to advances in and the merging of various scientific and technological fields, particularly biotechnology and artificial intelligence. The magnitude and severity of the pandemic has spotlighted the huge discrepancies in health and well-being in various regions around the globe. Vaccinated population percentages vary greatly from country to country, despite the fact that over nine billion 707 million doses of vaccines have been administered. Statistics reflecting the damaging impacts of the virus abound, one of them being average mortality vis-à-vis number of confirmed cases, with Mexico heading the list at 6.9 percent, (Johns Hopkins Coronavirus Resource Center, 2022). The global observatory that tracks SARS-COV2 underscores the need to carry out policies that strengthen and expand health systems, reducing inequalities among the peoples of the world and leading to improving levels of living.

Within this health crisis context, wealth and poverty concentration phenomena have been notably accentuated, as presented in the January 2022 Oxfam report. Between March 2020 and November 2021, while the fortunes of the ten wealthiest people in the world doubled, 99 percent of the world population suffered shrinking incomes, with a huge decline in quality of life. What is involved in the growth of inequalities during the pandemic comes through clearly in the following reflection: “A one-off 99 percent tax on the ten richest men’s pandemic windfalls could pay to make enough vaccines for the world, provide universal healthcare and social protection, fund climate adaptation and reduce gender-based violence in over 80 countries. All this, while still leaving these men \$8 billion better off than they were before the pandemic.” “Ten richest men double their fortunes in pandemic while incomes of 99 percent of humanity fall,” <https://www.oxfam.org/en/press-releases/ten-richest-men-double-their-fortunes-pandemic-while-incomes-99-percent-humanity>, Oxfam (2022).

Inequality is a phenomenon that can be observed in various economic and social spheres within countries. Amartya Sen pioneered its measurement, revealing individuals and societies suffering its effects in different parts of the world. By measuring the magnitude of disparities, an array of policy proposals aimed at lowering inequality indices of poverty and hunger, education, health, infant mortality, gender and environmental deterioration have been set in motion. Some have resulted from discussion at global forums and others from specialized academic research carried out by international institutions within the United Nations, such as the Unesco, FAO and WHO. The proposals have led to commitments by nations, in addition to the World Bank, the International Monetary Fund and other organisms joining the effort.

Other proposals have been designed according to specific systemic conditions in countries where political, theoretical and institutional focuses, or absence thereof, tip the scale for type of policies applied. The notable contribution of Thomas Piketty shined a light on the huge income concentration and its relation to economic inequality. From a similar angle, fiscal policy is visualized as a considerably useful tool for redistributive goals that governments set for themselves.

Concerned with this topic, Juan Roberto Vargas, Daniel Velázquez and Zeus Salvador Hernández, from the University of Hidalgo and co-authors of the article “A General Equilibrium Model with Redistributive Policy,” ask whether a redistributive fiscal policy could make job salaries less unequal and what effects the policy will have on production level and company profitability. They take on the task of analyzing how a distributive fiscal policy impacts production, net profit rate, total net earnings and worker well-being, considering different contexts and relative technological and institutional development.

An empirical study based on a general equilibrium model with specialized workers and the public sector as theoretically sustained distributive resource allows the authors to produce highly suggestive results, assessing the impact of the institutional agreement or income redistribution among economic agents. Required reading, it will enrich the debate and future contributions aimed at evaluating the efficiency of redistributive fiscal policies that decrease the broad income gaps of the population but at the same time ensure expansion of the economy based on technological progress.

Concern about the current Covid pandemic and its effects has been expressed in numerous investigations in all fields. Miguel Ángel Rivera, Benjamín Lujano, Josué García and Óscar Daniel Araujo, of Mexico’s National Autonomous University, examine the health crisis within a global recession, preceded by the 2008 financial crisis, and the role that income and capital redistribution through State intervention would have as leveler of accumulated social losses.

The article “Epidemiological Crisis and Global Recession: Financialization Breakdown and the Great Leveling” attempts to explain the reason behind the perseverance of overaccumulation of capital, what characterizes the transition to growing decoupling of the techno-economic paradigm and socio-institutional framework and why the so-called second rescue, with “lender of last resort” intervention measures, has been ineffective, even prior to the pandemic, and limited given the current global health crisis. This very intriguing hypothesis leads the authors to develop a thorough analysis ending up with the need for profound changes that envisage a great leveling action. The reflections in this interesting article require rethinking how far enormous income inequalities may be diminished. How to regulate the voracious expectations of vast corporations and worldwide banks to expand their profits, while poverty in all its dimensions spreads to greater population segments in a host of nations.

Salary differentials between industrialized and developing countries have been associated with technological productivity and growth gaps in specialized economic literature. Studies of manufacturing sectors characterized by substantial research and development investment and thus increasingly complex and sustained technological progress, reveal that worker salaries in industrialized countries far surpass that of workers in company headquarters and local firms in countries with lower per capita income. The automotive and car parts industry in Mexico is a highly relevant case to analyze, and Gilberto González, from Mexico’s National Autonomous University, does just that in the article “Labor Market Automation and Dynamics in the Automotive Industry in Mexico.”

A good starting point: a theoretical review that reinforces an understanding of the labor market within a context of global chains particularly associated with cognitive and organizational structures, business skills for decision-making on job training investment and establishing salary and worker pay levels for their emerging learning abilities.

After identifying the sector’s ongoing innovative path with growing technological intensity linked to processes inherent in the 4.0 revolution, the author analyzes the labor market in the context of the productive nature of the automotive plants operating in Mexico by means of an agent-based simulation, using the MESA Python program. This methodology supports the study of processes, relations and decision-making strategies of a heterogeneous cohort of agents associated with a set of simple rules on decisions and a given interaction ecosystem, states González Pérez.

Very suggestive findings help explain a vast market in the automotive and autoparts sector, aimed at automatization and with salaries dropping, a paradox that turns into a substantial gap between productivity and job compensation. Furthermore, it leads to discussing the challenges of the sector to achieve more

complex and homogeneous technological skills and increasing remunerations in keeping with sector productivity and competitiveness and a clear industrial policy. Again, the importance of investing in R&D and human capital are seen as an urgent need for the country to depend less on other countries technologically and stay at the forefront of the technological frontier, especially as electric, hybrid and self-driving car production approaches.

Next, we move on to another study that focuses on the labor market and also connects with productivity and compensation: “Dynamic Effects of Aggregate Supply and Demand and Productivity Shocks on Labor Demand: the Case of Puerto Rico,” by Carlos Rodríguez Ramos and Emanuelle Alemar, of the University of Puerto Rico. This original piece enables understanding the job demand phenomenon in Puerto Rico, which faces the transition of a growing demand for more technologically skilled workers on the part of foreign firms that operated in the country, promoting high levels of both education and productivity, toward a context of companies leaving Puerto Rico, aggregate demand change and, therefore, a drop in the demand for highly trained workers, leading to their unemployment, followed by migration and the lesser trained remaining.

The authors join the theoretical debate on the effect of aggregate demand stimulation on labor demand dynamics. In particular, they reexamine Blanchard and Quah’s (1988) idea of assessing the unemployment rate response to positive technological stimulus on time and the effects on productivity and salaries. Interest is in finding out what happens given unexpected supply and demand stimuli, as well, too, in analyzing the conditional job demand response measured by total employment in number of workers, in the situation of a technologically dependent country, such as Puerto Rico. The study has much to offer and can be applied to other Latin American economies.

The next two articles pose problems related with agriculture, an essential sector in the supply of input and other products for nations’ food industries. The first, “Impact of Exchange Rate Volatility on Agricultural Trade between the U.S. and Mexico (1990-2017),” was contributed by Guillermo Benavides and Francisco Venegas, of the Panamericana University and the National Polytechnic Institute, respectively.

Considering the transition from a fixed to a floating exchange rate regime within a context of currency crisis and commercial liberalization, including the prices of agricultural “commodities,” with NAFTA starting up, the study centers on whether currency crises in Mexico have a statistically significant influence on corn exports and wheat imports. A thorough review of contributions indicates that exchange rate volatility affects agricultural trade in general yet detects the absence of analysis on the impact on corn transactions and wheat imports in

the case of Mexico and its northern commercial partner. This motivated the authors to empirically test hypotheses using an export model followed with methodological rigor and incorporating exchange rate volatility. We recommend reading it to learn about the authors' findings, especially given the importance of these grains for NAFTA countries.

The other article regarding agriculture, "Specialization and Comparative Advantage of the Citrus Sector in Mexico: 1990-2018," is co-authored by Fermín Rincónada, Francisco García and José Antonio Serna from the Autónoma de Tamaulipas University. The purpose of the research is reflected in the title itself, as the study is not limited to limes but covers such other citrus fruit as oranges, tangerines and grapefruit. The key questions are aimed at finding out specialization level in different regions and the level of export competitiveness in the citrus sector in Mexico during the period 1990-2018.

With methodology based on the Localization Coefficient, Lafay Index and Revealed Comparative Advantage Index, and due to the weight of the sector among exports, the specialization and competitive advantage estimations by state are extremely interesting. The findings are highly useful for policy design and decision-making by citrus growers and the related business sector.

Among the topics that Greek philosophers tended to ponder was well-being, something that humanity continues to yearn for, although its conception and range have other dimensions and configurations. Amilcar Orlián Fernández, of the Autónoma de Chihuahua University addresses this in "Sustainable Development Goals in a Multidimensional Well-being Framework". Why, despite a relative decrease in poverty levels in several nations, was it insufficient in others? Furthermore, in relation to the other goals encompassed by the Millennium Development Goals, were the indicators adequate for such objectives, based on pertinent theories for societies to develop and achieve individual and social well-being?

Concerned with the progress and limitations of the Millennium Development Goals vis-à-vis increasing well-being indicators for the world population and hence reducing inequalities, Amilcar Orlián Fernández reviews critiques and reconsiderations in terms of conceptions, indicators, measurements and dimensions, both objective and subjective, of well-being posed in a number of recent relevant articles. For example, the piece by Stiglitz, Sen and Fitoussi (2009) clearly affects three aspects: inequality, sustainability and joint consideration of the objective and subjective dimensions for measuring multidimensional well-being and consequently involves analysis of the Sustainable Development Goals. A text that should be read.

Considering education as a key to gaining greater well-being and improving quality of life, Kristiano Raccanello, from Las Américas University in Puebla, takes on the task of evaluating a program aimed at contributing to education continuity with her work titled “Quality of Life for Beneficiaries of an Unconditional Transfer Education Program in Mexico City.” Given the serious school dropout problem at different scholastic levels in Mexico and at a higher proportion in Mexico City, in 2007 the city government instituted a Guaranteed Education Program to prevent kids from dropping out of school when they lose parental support through death.

Recognizing education as a universal right of individuals and based on the Guaranteed Education Program, as well as reviewing theory and empirical studies on school dropout and its repercussion on well-being, the author analyzes quality of life of beneficiaries at three points in time: *i*) before the event; *ii*) immediately after the event, and *iii*) after receiving program support. A very rich qualitative study, it reports on program scope and also provides evaluation suggestions that should consider perceptive adaptation processes according to a hedonic focus. The evidence shown in this study is a precedent to consider when launching agendas meant to ensure education continuity at different levels, especially when thousands of children and youth have been orphaned by the pandemic. It must also be taken into account that given the loss of their parents’ source of work, those children and young people enter the world of work, thus leaving their schooling behind.

Finally, the issue wraps up with a review by Daniela Arias Torres of the book *Determinantes del crecimiento del tamaño del Estado. El caso de Michoacán, México, 2003-2015* (State size Growth Determinants. The Case of Michoacan, 2003-2015), by Hugo Amador Herrera Torres, published in 2020 by the Michoacana de San Nicolás de Hidalgo University.

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