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Is Capitalism Really Inclusive?

**Contribution
by**

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A Better World Economic Order for Justice and Equality Post-2015.
From best policy practices to global transformation

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Latin America in globalization: a step forward and two back?

In a study in 2007, the World Bank made the following observations:

"A newcomer to Mexico might read the basic facts and figures and note the following." Mexico is the sixth largest producer of petroleum in the world. It is a founding member of the North American Free Trade Association (NAFTA). The country is in a privileged geography: two ample coastlines and border shared with the world's largest economy. While oil reserves are diminishing, Mexico possesses other natural resources in abundance. It also is famous for its rich cultural tradition, an important asset for its substantial tourism industry. **So, with all these benign features, why has Mexico's level of economic development failed to approach the level of its NAFTA trading partners, or the level of a typical OECD member state?** (World Bank 2007, bold in the original).

This observation could well be applied to Latin America given the great potential of natural resources and ecological sites rich in nature and the cultural wealth available in the continent. But the fact is that the number of poor in the region continues to grow in absolute terms.

The economic policies implemented in this part of the world, and which have been generically called public policies, have been designed and implemented thinking "for what?", but has not been clearly established the "for whom?". In this context, if we wish to achieve development, then we must improve education, as evidenced by cases of South Korea, China, India, etc.

Public policies and crises

To permit that economic activity be *regulated* by the forces of the free market (the self-regulation of the markets) has proven to be completely ineffective, as taught by the current crisis, caused by the financial turmoil created by the total freedom allowed without preventive regulation (not prohibitive regulation, and even this has been demonstrated, in view of the recent excesses, that it is required), finally favoring further concentration of wealth. And this crisis is so critical that we know when it started, but we don't know yet for sure when will end, and it has been regarded as the deepest recession since the end of the Second World War. According to UNCTAD (2014) "A major reason for the crisis has been the dominance of the financial sector over the real sector. Financial liberalization has resulted in governments being increasingly influenced by the belief that they need to maintain or regain the "confidence" of financial markets...Governments need to control

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financial markets more resolutely than in the past and limit the power of those markets over national, regional and global economies."

The efficiency of the market is not guaranteed by the *laissez faire-laissez passer* rule. We can see now that excessive self-regulation of the markets led the U.S. Government to be the largest owner of companies in the United States, without being socialist of course. This and other crises, as we mentioned, do emphasize the need for the State to look for and guarantee through social welfare, not only individual well-being.

We have seen how even at the global level, the crisis that began in 2008-2009, has resulted in higher proportions of the population being dragged into situations almost of poverty even in many developed countries, so the concentration of income at the level of each country and globally, is a challenge that threatens at times democracy, as we can verify by the growth of racist or segregationist political parties in different Nations.

In addition to the above the enterprises face many times the problem of downward markets or in recession, as a consequence of economic policy measures implemented in each country; or they have to grow in markets where the rule of law is still an aspiration and not a reality, so the business development is slowed. The above without also considering that the technological delay deepens given the low availability of resources for investment (see e.g. World Bank 2013, where Chile is the best-positioned country in Latin America for doing business, ranked 34 among 189 Nations evaluated).

So we must reflect on what might be the alternatives of inclusive and sustainable social development to reverse these trends. We must look for economic policies and concrete measures to develop synergies between the companies, the big ones and Small and Medium Enterprises, SMEs, and this is an area of opportunity that has yet to be explored and exploited. Let's not forget also that the lack of opportunities of development leads to the population, especially the younger, to seek solutions in illegal activities given the lack of hope for social development.

As a conclusion

Examples of measures that can be implemented in the short term to ameliorate the business development are: to insist with large companies not to be financed with suppliers, which are often SMEs; to increase training courses jointly with public universities; streamline and reduce costs so that SMEs can register and patent different designs and patents.

It is necessary to develop plans of great vision, with 20 to 30 years scenarios, selecting specific sectors and carrying out studies to determine the most vulnerable areas of the States and municipalities in each country, identifying the causes of this situation of vulnerability, in such a way that emerging business opportunities for large companies and SMEs can be detected and so these enterprises and local governments can help to overcome this situation of vulnerability providing, in conjunction with local authorities, the necessary funds to SMEs.

But above all, it is essential to ensure the validity of the state of law for the economic and social advancement of an entire country. We are a society, and we must be societies governed by laws. Populist policies have the attraction of being popular policies, especially in the short term, but are little effective in the long term. Capitalism *can be* inclusive; we must take the decision.

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