

## RESPONSES TO MIGRATION

# Mexico's 1982 Economic Crisis

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### The Eruption of a Protracted Crisis

**T**he Mexican economy suffered a severe breakdown in 1982, which had long-lasting consequences. Before that, from the early 1930s, economic growth was constant (although in 1953, the economy was stagnant at current prices). The GDP in 1982 declined by 0.6 percent and in 1983, the GDP lost an additional 4.2 percent.<sup>1</sup> This deterioration came immediately after a period of economic boom; growth averaged 8.4 percent between 1978 and 1981, a rate of growth that had been achieved only sporadically in the long period of economic growth that prevailed during and following World War II, when annual GDP growth averaged between 6 and 7 percent.<sup>2</sup>

Many observers did not view the 1982 events as the traditional kind of slow-down of the sexennial change of administration. Indeed, the conclusion was that development strategy followed since World War II had run its course. The development strategy, based on import-substituting industrialization (ISI), protection, and government direction, was no longer sustainable. In the 1978-1991 period, the ratio of manufactured imports to exports was roughly 4 to 1. Fundamental disequilibria were present in public finances (the "traditional" or financial deficit in 1982 was 17.7% of the GDP) and in the current account of the balance of payments (in

1981 this deficit amounted to US\$ 12.6 billion). Foreign debt had grown to high proportions (more than US\$ 90 billion in 1982, equivalent to more than 50% of the GDP) and one devaluation was followed by another in 1982. Foreign debt service in 1982 represented almost half the value of total exports and the debt could not be readily serviced. A deep financial crisis exploded in August. On September 1, 1982, the government took control of the banks. By the end of the 1982, inflation was in the three-digit range (December to December). The 1982 crisis certainly turned out to be more than a debt crisis.

Just as the 1982 crisis was exceptional, so were the measures taken to overcome it. The priority was to achieve basic macroeconomic equilibrium. This adjustment meant: a reduction of economic activity in 1983; a substantial decrease in imports (42%); reduction of domestic private consumption (7.5%), which together translated into a net trade surplus to help service the foreign debt (the current account in 1983 was positive by US\$ 5.4 billion). Especially relevant for its potential implications for migration, there was a reduction of domestic wages (depending on the indicator used, wages in 1983 lost between a quarter and a third of their 1982 purchasing power). There was thus an increase in the binational wage differential; the international wage equivalent based on changes in minimum wages using the official exchange rate suffered a depreciation of more than 40 percent in 1982 compared with its 1981 value, and a further depreciation in 1983. Unemployment and underemployment rose in 1982 and 1983. Total employment contracted by 0.3 percent in 1982 and by 2.3 percent in 1983.<sup>3</sup> In summary, GDP per capita in 1983 was about 10 percent below its 1981 level.

### **Reactions: U.S. Immigration Reform Is Strengthened**

U.S. reactions to the Mexican economic events in 1982-1983 took a number of forms. One was that the events in Mexico stimulated U.S. anti-illegal immigration initiatives.<sup>4</sup> Carlos Rico has summarized this point as follows: "During the final stages of the legislative reform process [leading to IRCA], Mexican [migrant] flows once again became an important component in the discussion. This was related to the deepening Mexican economic crisis, which seemed to give credence to those who warned about a veritable flood of people coming into the United States unless something was done to prevent it."<sup>5</sup> The U.S. Executive Branch also reacted and apparently Border Patrol agents were quietly moved from the U.S.-Canada border to the U.S.-Mexico border.

The economic crisis took place amidst a very intense U.S. legislative process with a series of initiatives to control unauthorized immigration. In March 1982, U.S. Senator Simpson and Representative Mazzoli introduced an immigration bill that was passed in the Senate, but was not discussed in the House of Representatives.

The process started again in 1983 and this time the final outcome was close; at the end of 1984, a conference committee could not reach agreement on the Senate and House versions. Data show that in 1983, compared with 1982, apprehensions jumped by 32 percent, from 887,481 to 1,172,306.<sup>6</sup> Line-watch apprehensions also jumped sharply (by almost 46 percent in FY 1983). Line-watch hours also increased, but modestly (by 5.6 percent). Interestingly enough, line-watch apprehensions per hour climbed substantially (by 38 percent), reflecting an increase in attempts to cross the border and, probably, an increase in illegal flows that appear to have resulted from the 1982 decline in the Mexican economy.<sup>7</sup> Apprehensions remained at or above the 1983 level in 1984 and 1985.

In addition to the possibility of new legislative measures subsequent to the Simpson-Mazzoli proposal of 1982 and 1983-1984, there was fear in Mexico that massive expulsions of nationals would take place, and a widespread debate followed on the appropriate countermeasures to deal with this possibility. The extent of this reaction was so important that serious scholars thought it appropriate to calm down the reactions about Mexico's readiness to receive potential expellees.<sup>8</sup>

### **Toward a Resolution: New Economic Policies and Irca**

The resolution of the economic episode that arose in 1982 was achieved through a "new equilibrium" based on measures taken in Mexico and the United States. Although not directly related to the above migratory concerns, the adoption by Mexico of a new development strategy promised to bring an end to the causes of the 1982 economic crisis—the triggering event. The new strategy of opening and liberalizing the economy promised to deliver jobs and wages at least in line with previous patterns and thereby bring migration pressures to more traditional patterns.

The economic adjustment measures of the new Mexican administration (1982-1988) were favorably received by the international financial community. Second, a gradual change of the economic paradigm took hold. Important changes in commercial policy were implemented starting in mid-1985 and were reinforced institutionally by Mexican adherence to GATT in 1986. The change in paradigm was not designed per se to overcome the 1982 economic crisis, but rather to substitute for the old ISI model and to provide high rates of economic growth, making the economy internationally competitive and facilitating a fuller and better allocation of resources, including labor. The promise of the new path was that it would eventually translate into a less unequal structure of rewards and wages, with the obvious migratory implications.

On the U.S. side, the passage of IRCA (also known as Simpson-Rodino law) in 1986 seemed to offer an answer to the phenomenon of unauthorized migration, particularly from Mexico. As a matter of fact, IRCA was not an answer to the

events triggered by the 1982 economic crisis, but it seemed to close a chapter in the U.S. migratory debate initiated in 1971 with the first proposal by Representative Peter W. Rodino. Indeed, IRCA struck a deal between different interests incorporating employer sanctions and a regularization program, but was accompanied by increased resources and personnel for the INS and the Border Patrol to secure better control of the border.

Having reached this resolution to the migratory phenomenon, the situation moved to a different context. The stage was set for a strengthened Border Patrol, a hardening of the official U.S. position, and a modified public debate.<sup>9</sup>

## Notes

1. Pedro Aspe, "Estabilización macroeconómica y cambio estructural. La experiencia de México(1982-1988)," in Carlos Bazdresch, *et. al.* (comp.), *México: auge, crisis y ajuste*, vol. 2, Mexico, FCE, 1993, pp. 67-104.

2. GDP time series, by administrations, since the 1930s are found in Pascual García Alba y Jaime Serra Puche, *Causas y efectos de la crisis económica en México*, México, El Colegio de México, 1984.

3. Nora Lustig, "El efector social del ajuste," in Carlos Bazdresch, *et. al.* (comp.), *México: auge, crisis y ajuste*, vol. 3, México, FCE, 1993, pp. 201-238.

4. The U.S. Congress had debated the issue of illegal immigration since the early 1970s. In 1981, the Select Commission on Immigration and Refugee Policy published its report, *U.S. Immigration Policy and the National Interest*, containing suggestions that influenced the debate when IRCA was enacted in 1986.

5. Carlos Rico, "Migration and U.S.-Mexican Relations, 1966-1986," in Christopher Mitchell (ed), *Western Hemisphere Immigration and United States Foreign Policy*, University Park, PA. Pennsylvania State University Press, 1992, p. 260.

6. For a summary of the legislative debate leading to IRCA and the number of apprehensions of Mexicans, see Manuel García y Griego and Mónica Vereá Campos, *México y Estados Unidos frente a la migración de los indocumentados*, México, UNAM/Miguel Ángel Porrúa, 1988, pp. 91-121.

7. Augustine Escobar, Frank Bean and Sidney Weintraub, "The Dynamics of Mexican Emigration," Policy Workshop on Emigration Dynamics in Mexico, Central America and the Caribbean, Costa Rica, June 17-18, 1996.

8. For arguments that do not support a massive return of migrants, see Manuel García y Griego and Francisco Giner de los Ríos, "¿Es vulnerable la economía mexicana a la aplicación de políticas migratorias estadounidenses?" in Manuel García y Griego and Gustavo Vega (comp.) *México-Estados Unidos 1984*, El Colegio de México, 1985, pp. 221-272.

9. This new political official discourse evolved gradually over the 1970s and 1980s, specifically during the early 1980s. As early as 1982, Manuel García described this new discourse under three political concerns: "aquellas relacionadas (1) con los límites económicos y demográficos de la sociedad norteamericana para absorber sin problemas a nuevos inmigrantes; (2) con los cambios en el origen nacional de los inmigrantes, tanto

documentados como indocumentados; y (3) con la soberanía y buena administración de la ley y la política migratorias norteamericanas” Manuel García y Griego, “La Comisión Selecta, la administración Reagan y la política norteamericana sobre indocumentados: un debate en transición” in Lorenzo Meyer, *México-Estados Unidos, 1982*, El Colegio de México, 1982, p. 108.

