Neoliberalism and Dynamism

Indigenous Innovation and Development

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2 Originally published as an op-ed in Milenio on December 9, 2020.
Recently, Joseph Stiglitz, Nobel Prize in Economics, declared: “The credibility of neoliberalism’s faith in unfettered markets as the surest road to shared prosperity is on life-support these days … elites promised that neoliberal policies would lead to faster economic growth, and that the benefits would trickle down so that everyone, including the poorest, would be better off.”

On the other hand, Edmund Phelps, also a Nobel laureate in economics, explains this period of low growth and inequality by the loss of dynamism that had led the Western world to an unprecedented flourishing from the 19th century to the 1970s. The key at that time, he explains, was a system dedicated to the generation of indigenous innovation, with a solid degree of dynamism defined as the desire, capacity and aspiration to innovate.

Individually, innovating stimulates the mind and exalts us with the emotion of entering the unknown to solve the problems that lead us to our goal, causing great satisfaction in our work.

Phelps blames the inhibition of entrepreneurship on what he calls corporatism, a kind of social contract where everyone has to be protected by the State from companies, peasants and, of course, the most disadvantaged. In its most damaging manifestation, the association of economic and political power has blocked opportunities for those who could advance through their innovative spirit. The Nobel laureate calls for a modern capitalism, where the economy is guided by entrepreneurs who in their businesses want to make a difference, build society, not just make money, because the search for money often competes with the search for innovation.

Recognizing that individual and market freedom, as a necessary condition for innovation and dynamism, does not necessarily generate justice and equity, admits the need for a State to produce them, but without inhibiting dynamism.

Today in Mexico the spirit of entrepreneurship and innovation beats stronger than ever. How to turn them into that dynamism and flourishing will be reflections of my next installment.
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In the last installment, I spoke of Edmund Phelps’ empirical analysis demonstrating the relationship between economic and individual development and indigenous innovation, defined as “the desire, capacity, and aspiration to innovate” of economic agents in general.

Mexico is a country of indigenous innovators, judging by the experience of the “Shark Tank Mexico” program, where thousands of entrepreneurs compete to expose their projects to investors, and where large audiences were generated by their aspirational enthusiasm to learn to attract the investment necessary for their undertakings.

Dozens of universities and business accelerators organize entrepreneurship events to the enthusiastic demand of their students eager to present their ideas and learn to be an entrepreneur. Hundreds of investment proposals for projects and innovative ideas of all kinds reach my networks.

We have to leverage this great innovative-entrepreneurial capital with the widest opportunities to start a business and to access capital.

The government must establish a massive financial awareness and training program, this being the number one obstacle that I have encountered in our entrepreneurs to manage their business and attract capital.

There is an urgent need for the State to facilitate markets that bring investors closer to innovators. We need an entrepreneurship fund in partnership with the State with investors specializing in analyzing and investing in projects with potential for success.

It is also necessary to awaken the innovative spirit of our thousands of entrepreneurs, who bid among our entrepreneurs for products and inputs that improve productivity and who reward innovative initiative among their collaborators.

And a lean and efficient regulatory structure is essential to approve products and patents.

For long-term sustainability we need to strengthen our educational system, which encourages and rewards the curiosity and abilities to innovate in our future professionals.
Our innovative Mexico is ready. It does not take more than effort and commitment from entrepreneurs and the government to catapult it towards the desired growth.