# Economic Growth, Social Class Inequality and Poverty in Mexico: A Multisectorial Dynamic Model

Topic: Input-output analysis for policy making II
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The document presents a dynamic multisectoral model that attempts to describe the relevant connections between economic growth, dynamics of social classes, and levels of poverty in Mexico's case.The simulation model focuses on two critical aspects of economic development, such as, the sectoral composition of the product and the structure of income distribution. The model for evaluating the effects of different economic strategies of poverty reduction and the dynamics of the different social classes, introduces three crucial variables; public investment policy, distributive income policy, and the policy of external indebtedness. The combination of these three policies constitutes a strategy of economic development.

The model (based on Buzaglo y Calzadilla, 2010) evaluates the impact of three different neo-liberal economic development strategies implemented in Mexico: 1) the renegotiation of the external debt that would reduce the amount and service, would provide certainty to the economy, leading to the entry of external resources in the form of foreign direct investment and portfolio, and would have bearing directly on production growth and indirectly on the distribution of income; 2) the privatization of public enterprises that would improve public finances and raise social spending by the Government; and, 3) the trade liberalization that would allow a greater dynamism of exports and imports (trade balance), and a benefit of the labor sector. These different strategies of development produced heterogeneous effects among economic sectors, the dynamics of social classes, and levels of poverty.

Key words: Economic Growth, Poverty, Dynamic Simulation.