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Paying without growing: 1986 budget

The government announces a more austere budget even without signing with the IMF.

In the midst of the big national discussion on the grave problem of the foreign debt, and with a strong popular reaction against continued subjection to the International Monetary Fund, the Mexican government recently announced the new federal budget for 1986. President Miguel de la Madrid proposes to dedicate 51% of the government's resources to domestic spending, and 49% to payments on external and internal public debt, at the same time that he is announcing general increases in taxes and tariffs and the prices of goods and services produced by the public sector.

The consensus is that this budget, rather than reflecting government or popular demand, has as its real interlocutors the International Monetary Fund and the "James Baker Plan" for bailing out the banks.

The Mexican budget for 1986 proposes a growth rate of at most 1%, which means in real terms a contraction of the national economy of nearly 5%. This is supposedly to cure runaway inflation, which according to the financial authorities, is due to the fact that the Gross Domestic Product this year showed a 4% growth, and the solution is simply to cut it back.

They don't consider that in reality, the runaway inflation was due more than anything else to skyrocketing bank interest rates which encouraged the speculative process. Of the total increase reported in the GDP, most of it was in the speculative sectors. This month, bank interest rates for fixed-term deposits were quoted at as much as 73%. And how could it be otherwise, when workers' wages, are at their lowest in 15 years. According to the production indexes published by the National Institute of Geography and Statistics, during 1985 slightly fewer goods were produced than in 1981.

The financial authorities' theory of "growing to pay" to support the new budget, is really something else: "paying without growing." Indeed, for 1986 a spending budget is proposed of 15.4 billion pesos, while payments on domestic and foreign public debt are to be 14.8 billion pesos—51% and 49% respectively! At an average annual value of 600 pesos per controlled dollar (at present, the rate is 325), Mexico will add some $12 billion to the domestic debt and as much to the foreign debt. The country will receive foreign credit only for $4 billion (2.5 million pesos), which means a net bleeding of $8 billion, without taking into account growing flight capital, which is being encouraged from the management level of the Bank of Mexico. Domestically the government will acquire a debt of 1.6 billion pesos ($3.7 billion).

In the priority budget lines of health, education, and welfare, heavily hit by the earthquakes of September, increases can be detected barely above the inflation rate, calculated for next year at 45% to 50%. For the labor sector, in turn, a real growth of less than 30% is being considered. This budget item includes the wage increases of bureaucrats and general labor payments.

To cover this unusual bloodletting, the government proposes a general increase in the prices and tariffs of public goods and services. For 1986 price rises for gasoline and other products of Pemex, the national oil firm, have been announced, along with hikes in the already exorbitant electricity bills and increases in various tax categories. At the same time as Mexico continues to generously subsidize the U.S. economy by underselling its own products and paying an unjust debt, the reduction of public subsidies to electricity for irrigation of agriculture and increase in water rates has been announced for this priority item of infrastructure. The same will occur with numerous items in the agricultural branch, which is already extremely de-capitalized because of high financing costs (estimated at 30% of the total costs of the producer) and with the dramatic drop in sales caused by the deterioriation in workers' buying power.

As is obvious, the new bill for income and outlays signed by the national executive, announcing total submission to the genocidal conditions of the International Monetary Fund without having signed a new letter of intent (which is under discussion) will put the country into bankruptcy. Yet this budget has been considered by the anti-nationalist business clique as "excessive," and they are demanding even more cuts and less spending.

The Mexican Labor Congress and the Congress of Labor who set up Forums on the Public Debt, where many speeches demanded a "Peru-style solution," are not likely to keep quiet and support this bloodletting. The growing opposition to such plans will have to have an answer from the federal government.