

The Harvard dynasty

The choice of the most anti-popular contender shocked Mexican political insiders, who knew he was vetoed by the labor section of the PRI. The choice was clearly imposed by President de la Madrid, whose mark on Mexican history is precisely the disastrous impact of the "structural reforms" designed by his planning and budget secretary. The *New York Times* describes Salinas as "an atomic ant," organizing and accomplishing the task of dismantling the structures which Mexican nationalists have built to protect their economy from foreign looting.

If Salinas continues on the same track, he will brush aside PRI resistance to weakening the state companies which have invested tens of billions of dollars in unlocking Mexico's immense mineral potential and building basic industry and infrastructure.

In converting debt principal, which could never be repaid, into equity ownership of Mexico's above- and underground wealth, Salinas would help out creditor banks at the expense of Mexico's future.

Salinas's trump card was Mexico's stock market bubble. Since the beginning of the year, the stock market has more than quadrupled in dollar terms. Official propaganda attributed it to business confidence in Salinas and de la Madrid, attracting back some of the \$50 billion in flight capital which was pumped out of Mexico under previous presidencies through organized flight-capital operations.

It is also likely that much of the hot money which poured into Mexico was narcotics dollars whose Panama haven had been interrupted by Gen. Manuel Noriega's "Operation Pisces," and for whom even Switzerland was no longer totally safe. Salinas and central bank president Manuel Mancera, in contrast, had stimulated the meteoric rise in Mexico of a free-wheeling underground economy of unregulated finance companies and quasi-banks. Such wanton economic liberalism provides an ideal environment for laundering and storing part of the world's \$500 billion in narcotics money flows.

Salinas's ministry has just suggested that Mexico open up an "offshore banking center," which could provide a permanent framework for such hot-money flows.

This hot-money inflow, combined with billions of dollars saved from years of cutbacks in vitally necessary imports, brought de la Madrid a \$15 billion foreign reserve nest egg. This is about the only thing he could point to as evidence that Mexico's economic situation has improved. During recent months, Mexico's dirty money circuits and foreign advisers, such as the Wharton School, have used the reserves and stock market bubble as blackmail for the Salinas nomination. They warned that if de la Madrid chose a nationalist successor who would use Mexico's reserves and Mexico's resources for the dramatically unmet needs of domestic development, they would prick the bubble, cause massive capital flight, and destroy the last 14 months of his presidency.

Carlos Salinas de Gortari

Author of Mexican 'perestroika'

by Carlos Cota Meza

Carlos Salinas de Gortari, 39, official candidate for the Mexican presidency in 1988 of the ruling Revolutionary Institutional Party, has for the past five years directed the Miguel de la Madrid government's economic policies, which have plunged the country into its worst crisis since the Mexican Revolution. As labor leader Fidel Velázquez once noted caustically, "He is a very intelligent man who knows the country's problems and would surely know how to solve them."

During his five years as Secretary of Planning and Budget (SPP), he created and put into action the National Development Plan and 10 other new programs, all of which failed to achieve the objectives which they claimed to pursue. He presented all those plans as variations on his theme, the pursuit of structural change of the Mexican economy, which have invariably consisted of:

- shrinking the state-owned sector of the economy by selling, closing or merging entities;
- "sanitizing" public finances by reducing the federal budget, cutting current expenses and investments;
- controlling inflation through wage freezes.

Thanks to this conception of "structural change" in public finances, in five years, social spending per capita was cut by one-third. Current spending was cut at the cost of state employees' jobs and salaries. Financing of the state sector was reduced by selling or closing companies. Despite this, the public deficit has not been cut because of his high interest rates for financing budget deficits.

After five years of "structural change" and "fighting inflation" (which is still out of control), according to figures from the Mexican Workers Confederation (CTM), the buying power of wages has fallen 40% in comparison with 1982. This has brutally contracted the internal market, wiping out the national industrial sector which supplies wage-earners.

The structural change suffered across the board by the national economy is no less dramatic. If the Gross Domestic Product (GDP) were to grow 2% this year and next year, the GDP per inhabitant would barely equal that obtained in 1976. In general terms, Salinas de Gortari will begin his government having achieved zero economic growth during the de la

Madrid regime (1982-88).

This is what will most challenge Salinas de Gortari. According to his own ministry's projections, 12.5 million new jobs will be needed during the coming years, counting the current official unemployment of 16% of the economically active population. The Miguel de la Madrid administration set the creation of 1 million jobs for its six-year term, while Mexico in fact needs 1 million new jobs every year.

AIDS—another problem for Salinas

A recent study published by the Health Ministry, ironically entitled, "Structural Change in Health," reveals the dramatic situation of public health in Mexico. "The country's hospital infrastructure presently faces a severe crisis, since it lacks the technology which the population requires for treating its health problems," says the study. Comparing public health spending to total federal expenditures, it was found that health fell from 10.1% of the total in 1978 to 6.2% in 1982. In 1983, it bottomed at 6.3%; in 1985 and 1986 it increased to 8.2% and 8.6%, respectively. Yet, the analysis adds that when inflation is taken into account, health expenditures during the 1982-86 period were 47.1% lower in real terms than in 1978.

This situation has set up a time bomb which will explode during Salinas's 1988-94 presidency. Dr. Jaime Sepúlveda Amor, epidemiology director of the Health Ministry, projects there will be 22,000-33,000 active AIDS cases in Mexico in 1991. Health authorities also recognize that active cases have been doubling every eight months and that for every known case, there are between 50 and 100 asymptomatic AIDS carriers.

On top of this comes the acceleration of diseases typical of malnutrition and economic deterioration. Mexico's economic crisis has caused a sharp deterioration in nutritional levels and quality. According to Food and Agricultural Organization economist Jacobo Schatan, more than 70% of the families who earn less than two minimum wages reduced their consumption of edible oils, rice, beans, eggs, fruit, vegetables, milk and pasta. Middle class families earning five to eight times the minimum wage reduced their meat consumption by 32%, fish by 65% and bottled beverages by 55%.

This "structural change" in the Mexican diet, strange as it may sound, was the conscious goal sought by Salinas de Gortari. He called it "changes in the population's consumption norms."

Renegotiating the foreign debt

All of those problems can be attributed to the "crisis management" which the International Monetary Fund (IMF) imposed on the Miguel de la Madrid government as the price of servicing the foreign debt. The current government promised the IMF it would apply adjustment programs, austerity, and "stabilization" and certainly not declare a moratorium—

in return for "adjusting payment schedules." Salinas has been in the midst of all the negotiations with foreign creditors. If, as President, he were to want to solve grave national problems, the IMF would become his own straitjacket and rob him of vital political maneuvering room.

Long before the *destape*, the unveiling of the PRI candidate, it was known that the creditors would demand a new foreign debt renegotiation for 1988, in which the presumed next President would participate. Any renegotiation which Salinas de Gortari might attempt, would be based on the \$112 billion foreign debt, with an international financial system plunging toward collapse, and in the face of the suicidal intransigence of the creditors, as demonstrated at the recent IMF annual meeting where, despite everything, Mexico was no longer feted as the bankers' "pretty boy."

Mexico paid \$6.5 billion in debt service in the first half of 1987 alone. At this rate, it would pay, during the eight years from now to the end of Salinas's term, the equivalent of today's \$112 billion debt. During the 1975 to 1985 period, Mexico had already paid \$115 billion in debt service. And the amount owed keeps growing.

He made Harvard notorious

Salinas's economic policies have not only made him famous for the various disasters they wrought, but have given notoriety in Mexico to Harvard University, the place where he received his doctorate in economics and government, although many Mexicans do not even know where Harvard is. In his Harvard days, as he himself recognizes, he was under the influence of John Womack.

In the introduction to his doctoral thesis, Salinas wrote, "At Harvard, the presence and conversations with John Womack made a permanent impression on my professional and personal life. I hope to be able to transmit (although not in this work) his conception on behavior and social change to those who are interested in transforming it."

Womack is a theoretician of "ruralism" in the economy. In his study of agrarian revolutionary Emilio Zapata, Womack exalts the virtues of primitive ruralism, of the impotent fatalism of backward masses, whose attraction to the soil they were born on is stronger than their will to master and perfect Western civilization. What little political machinery Salinas secretly controls, tends to be quasi-Maoist peasant groups, which fight the peasants who want the capital-intensive modernization of agriculture that costs money.

Womack belongs to a political circle whose leading lights are Henry Kissinger, and Prof. Norman Podhoretz (father-in-law of Assistant Secretary of State Elliott Abrams, who is known throughout Ibero-America for his campaign against sovereign states). Other teachers of Salinas de Gortari included Samuel P. Huntington, the theoretician of the Trilateral Commission on the "ungovernability of democracies" on which a "desired limit" has to be placed; and Richard Falk, proponent of the destruction of the concept and exist-

tence of the nation-state.

This was the group which, during the Carter regime, directed the overthrow of the Shah of Iran and imposed the bloody Khomeini dictatorship.

Modern politics

When Salinas gave his election pitch to the PRI leadership this summer, he insisted, "Today is the wrong time to change direction," adding, "We cannot sacrifice the work that has been done. The lasting solution to our economic problems is in the continuity of structural changes." To achieve this, Salinas proposed that the PRI take up "a modern political way," a term which he repeated a dozen times in that short speech and then reiterated in his first speech after the nomination. He urged his party-mates, "make politics, more and more modern politics."

Rolando Cordera, former federal congressman for the Unified Socialist Party of Mexico and today "theoretician" of the newly formed PMS (the party formed by mergers of the left parties) clarified this statement somewhat by explaining, "The Planning and Budget Secretariat has been the source of the clearest signals on the need for the Mexican political system to modernize." Others make parallels between Salinas de Gortari's "modern politics" and Mikhail Gorbachov's *glasnost* and *perestroika* in the Soviet Union.

No honeymoon

Foreign bankers and their newspapers, like the *New York Times*, the *Washington Post*, and the *Wall Street Journal*, see Carlos Salinas de Gortari as their Great White Hope for innovating new political schemes to keep the brewing political explosion in Mexico from interfering with the transference of the country's wealth to creditors, because he is a "modern politician."

But the Mexican electorate is beginning to get the idea that maybe the PRI, after 50 years of government, has lost the political will to independently face the problems of the nation, and has turned its back on reality. The party's selection of a presidential candidate, in any case, reinforces this conviction, which up to now was only a hunch.

What the electorate wants is not "modern politics," or "politics and more politics," but action. It would prefer old-fashioned, but effective policies.

The example, model, and guide for the majority of Mexicans continues to be the peasant-born President Benito Juárez, who, in 1861, on declaring a moratorium on the foreign debt, proclaimed,

"We have taken this measure and we are resolved to implement it with our spirits firm in the face of the risks it could entail, which will always be less disastrous than the suicide which soon threatens us."

When a guy who runs guns to Khomeini looks downright patriotic compared to Congress and the media—you know America needs . . .



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