Mexican oligarchs rush to dictatorship

by Héctor Apolinar

Outgoing Mexican President Miguel de la Madrid is persisting in his campaign to consolidate an economic regimen of brutal austerity, despite the Mexican population's overwhelming vote July 6 against an International Monetary Fund dictatorship over their country.

In the days following the election, it was announced that de la Madrid has given instructions for a new 3.5 billion peso cutback in the government budget, an austerity measure which will seriously affect such vital national resources as the state oil company Pemex (Petróleos Mexicanos), the Federal Electricity Commission, Communications and Transport, Agriculture and Water Resources, and the department of the Federal District (Mexico City).

The announcement was made by Planning and Budget Minister Pedro Aspe Armella, during a meeting of finance secretaries of all 31 Mexican states, as well as at several other meetings Aspe has held with the directors of the semi-public companies and cabinet ministries.

Stifling credit

Added to the above is the announcement made on election day, July 6, that only 41% of the total resources available to Mexico's banking system were channeled as credit into private or public production. Statistics indicate that the private sector has received 4 billion pesos in credit this year to date, representing a reduction of 1.2 billion pesos over the same period in 1987. The de la Madrid government has given orders to reduce credit still further, with the intention of keeping the economy stifled.

This brutal "freeze" of nearly all productive economic activity is part of the agreement struck between the Mexican President and the so-called "Group of 300," the most powerful businessmen in the country headed by former banker and speculator Agustín Legorreta. It is no accident that Legorreta was one of the businessmen who gave the most money to de la Madrid's presidential campaign in 1981 and 1982.

With such severe economic measures, so late in de la Madrid's administration, it is clear that the Group of 300 intends not only to determine the direction of the economy for the rest of this year, but for the future government as well.

On July 13, an economic surveying team from the Bureau of Market Research (BIMSA) called upon the next government to "postpone a growth policy for at least the first six months of the next six-year term," for the alleged purpose of "consolidating" the anti-inflationary measures initiated by de la Madrid. Such measures, including a maximum reduction in public spending, and a freeze in exchange rates, prices, and wages, are part of the monetarist creature that has been baptized with the name, Economic Solidarity Pact.

Private sector economic advisers have announced that the budget cuts the government will be announcing over the course of July and August will produce a 1.4% decline in the Gross National Product, which will shrink the growth rate of general economic activity in 1988 down to a mere 0.8%. At the same time, they warn that the next government should "avoid pressures to abandon . . . the stabilization policy because of the costs of adjustment," according to a report in the daily *El Universal.* Clearly, those "costs of adjustment" refer to the population's growing resistance to such austerity measures, so starkly demonstrated at the polls.

Capital flight

Pressure from the group of financiers headed by Legorreta to keep the economy from growing and the population's living standards from rising, had unleashed a wave of pre-election rumors about an imminent and drastic peso devaluation, rumors which quickly made it to the front pages of newspapers controlled by Legorreta's group.

On July 12, the daily *Novedades,* owned by Miguel Alemán Velazco, ran as the lead headline of its financial section: "Excessive Dollar Purchases in the Last Two Weeks." The article attributes the panicked buying of dollars at exchange houses across the country to "political uncertainty." That article was, however, nothing more than a message to the de la Madrid government, warning that recognition of nationalist candidate Cuauhtémoc Cárdenas's anticipated election victory would trigger enormous—and deliberate—capital flight.

According to trustworthy sources, the capital flight far surpassed the $1 billion mentioned by *Novedades,* and came closer to $3 billion. In just the week prior to the elections, the "dollarization" reached nearly $900 million, forcing the Bank of Mexico to intervene to cover the deficit.

On July 14, the daily *Financiero* revealed that the machinations of the exchange houses were so outrageous that some state ministers (Finance Minister Gustavo Petricioli, for example) were forced to call in the exchange houses' treasurers to ask them to stop their mass dollar purchases. More than likely, Petricioli, et al. offered in return to guarantee that the government would not recognize the vote for Cárdenas and his coalition partners.