

# Mexican businessmen rebel against IMF shock package

by Rubén Cota Meza

The Mexican government's announcement of a new creditor-dictated package of economic measures that will condemn thousands of companies to extinction and millions of workers to unemployment and desperation, has set the stage for an unprecedented business rebellion in Mexico. In the search for explanations and alternatives to the economic crisis that is grinding down the real productive capacities of the economy, new leaders are beginning to emerge who are looking increasingly to the ideas of U.S. economist and statesman Lyndon LaRouche.

Exemplary is the recent flurry of press coverage of LaRouche's analysis on Mexico, as well as invitations to his spokesmen to address business associations on the causes—and cures—for Mexico's worsening crisis. As LaRouche has insisted repeatedly, this is not a Mexican problem, but a New York and London one. What we are dealing with, insists LaRouche, "is a global sickness centered in the bloated financial bubble of speculation in so-called derivatives." The only solution, says LaRouche, is a total restructuring of the world monetary system.

## Building 'investor confidence'

On March 9, Mexican Treasury Secretary Guillermo Ortiz announced that, in order to confront the "financial emergency" facing the country and rebuild "investor confidence," the value-added tax would be raised from 10% to 15%; gasoline prices would be hiked 35% in one stroke, and an additional 0.8% a month after that; and gas and electricity prices would be raised 20% in one blow, to be followed by monthly increments of 0.8%. By contrast, the minimum wage would be raised a maximum of 10%. Meanwhile, the Bank of Mexico (central bank) announced that it would keep a ceiling on issuing of new credit to 10 billion new pesos, with an average annual interest rate of 40%.

At the same time, the government revised its estimates on the yearly inflation rate for 1995, raising it from 19% to a highly optimistic 42%. The parity of the peso to the dollar, which had previously been targeted at around 4.5 pesos to the dollar, will now fluctuate at around 6 pesos to the dollar, although it is currently moving toward 8 pesos to the dollar. The earlier estimates of a 1.5% growth in the economy this year have been revised to a *negative 2%*.

On March 15, with the stated intention of further tightening credit—an International Monetary Fund (IMF) precondition for restoring "investor confidence"—the government drove interest rates on treasury bills as high as 92%. Interbank lending rates soared immediately to 110%. The immediate effect has been to accelerate the wave of bankruptcies. Financial analysts are now using the word "catastrophe" to describe the Mexican economy. A sector-wide banking collapse is universally predicted, while Wall Street investors are reported to be taking a "wait-and-see" approach. In vain has Mexican Finance Secretary Guillermo Ortiz staked out lower Manhattan to plead his case.

Through this new austerity package, the Zedillo government has opted to unload on Mexico's businesses and workers the full burden of providing the funds that will maintain payments on the country's soaring foreign debt. To start with, the 10% ceiling on wage increases, coupled with the government's acknowledgment that inflation will be at least 42% this year, automatically implies that the average contraction in workers' buying power will be 32%. The Mexican Workers Federation (CTM), linked to the ruling PRI party, has already announced its rejection of the 10% wage increase.

Because of the opposition of business and union leaders to the new package, the government has abandoned its own decade-long practice of reaching a tripartite "pact" or consensus among government, business, and labor on economic policy. The result is that the political mobilizations of the Mexican business sector will have a significant and growing influence on national affairs.

## Businessmen take to the streets

"The common enemy is the International Monetary Fund!" "We're fed up with always having to pay the tab!" and "Let's go with moratorium!" were the slogans of hundreds of businessmen, industrialists, and shopkeepers in the industrial city of Monterrey, Nuevo León, in a series of demonstrations just prior to the announcement of the new austerity package. During one of those days of intense political agitation, the shopkeepers and industrialists held a march and a rally in front of the governor's palace to demand a change in government economic policy. That march was possibly the first time