

MEXICO

'Revolutionary austerity': the IMF creates economic collapse and fascist movements

by Timothy Rush

In back-to-back, day-long presentations to the Mexican Congress on Nov. 22 and 23, Mexico's ministers of finance and planning proclaimed the success of Mexico's economic performance over the year. "There is no option other than a policy of austerity," declared Planning and Budget Minister Carlos Salinas de Gortari. "But there is reactionary austerity and there is revolutionary austerity. The economic re-ordering of the Government of the Republic [is of] a revolutionary character."

A slew of foreign bankers flew into town to sing the praises of this revolutionary austerity. Manufacturer's Hanover president Harry Taylor repeated his now-standard glass-eating act in a visit to Mexico City at the beginning of December. Last August, at a signing ceremony for an \$11.5 billion debt restructuring, Taylor said he had been one of those who had prophesied Mexico would not get through this year without a new financial crisis. "Like many whose crystal ball is cracked, I now have to eat crushed glass," Taylor managed to concede. In Mexico on Dec. 2, the message was the same, if the image a bit more palatable: "I'm glad I have to eat my words."

Walter Wriston flew in Dec. 7 and was immediately escorted by Silva Herzog to extend personal congratulations to President Miguel de la Madrid in the presidential palace. "It is a fact that Mexico and the entire world are much better off economically than two years ago," the Citibanker declaimed to the press afterwards. He told the rest of the developing sector to listen up: "The Mexican government has made a great effort to find a model which can help the [other] countries overcome the economic situation we face."

What's more, crowed Wriston, Mexico has done this being "very careful to maintain a balance, not create ruptures and not bring about very damaging disorders."

If this is success . . .

These statements will echo in the history books like Neville Chamberlain's "Peace in our time" assurance. The Mexican "model" is based on an outpouring of wealth from the country that makes the heyday of 19th century colonialism look mild. The income and skill gains of at least a span of a generation have been wiped out in a little over a year. The only growth industry is illegal drugs, which have resurged in the northwest to levels rivaling the mid-1970s. Capital flight continues to the tune of \$4-5 billion a year, and \$13 billion net has flowed out for debt payments.

Political balance? The country is now facing a full-scale fascist insurrection led by the National Action Party (PAN), and the International Monetary Fund overlords of the debacle are demanding that the PAN be handed election victories as an "escape valve" for discontent with the economic ruin. (See *EIR*, Dateline Mexico, Dec. 13). The Nazi, including anti-Semitic, nature of this threat on the U.S. southern border must not be underestimated. Demands of spokesmen for the PAN and the IMF (see box), just a week after armed PAN squadristi rampaged through Mexico's fourth largest city, Puebla, burning ballot boxes and intimidating voters, paralleled the demands made by the foreign banker backers of Hitler in 1932-33 to prepare the Nazi takeover of Germany.

The wreckage of what was just two years ago one of the world's most promising industrializing economies is told in a very few facts:

- Mexico's trade balance, in deficit for almost all of the postwar period as capital goods, raw materials, and semi-finished goods built up the country's industry and infrastructure, swung into grotesque surplus over the past two years. The surplus was \$6 billion in 1982, over \$12.5 billion in 1983. This outflow of physical wealth and resources did not come from increased exports; these, largely oil, stayed flat, despite a four-fold cheapening of the peso, because of the continuing world depression. Imports dropped an average of 50 percent a year.

- Real wages of the workforce were gouged severely, with few parallels in recent world history. According to a study of the National Autonomous University released December 2, the purchasing power of a minimum salary in Mexico fell 73 percent in the 22-month period from January 1982 to December 1983.

Other facts highlight other facets of the same picture. The undersecretary of Industrial Development of the Ministry of Commerce and Industrial Promotion, Mauricio de María y Campos, revealed Dec. 5 that the government was rushing into place "emergency programs" in the "capital goods, construction and shipbuilding sectors"; in the face of collapsed demand, these steps were necessary "to avoid their disintegration."

On Nov. 28, Vicente Bortoni, president of the National Chamber of Construction Industry, announced that the sector was operating at 35 percent of its capacity, and will soon be laying off close to 900,000 additional workers. He noted that in 1982, only 60 percent of the construction work planned

for that year had actually been put into contract; in 1983, only 36 percent of vastly reduced planned expenditures went into actual construction.

Participants in a Wharton seminar on Mexico late in November revealed the following indications of the devastation in the areas of skilled employment: ICA, Mexico's largest construction firm with projects scattered throughout Ibero-America, had cut its personnel from 90,000 down to 40,000; Tremec, the major producer of transmissions for Mexico's auto industry, has dropped its workforce from 7,000 down to 2,800; Kenworth Mexicana has lowered its highly skilled workforce from 1,800 to 700 workers.

Fallacious figures

The extensive congressional presentations of Salinas de Gortari and Silva Herzog can only be compared to the statistical sleight-of-hand of the U.S. Federal Reserve's Industrial Index in shamelessness of fakery.

The official estimate is that inflation this year was 80 percent, and that next year it will be 50 percent. The 1984 budget is increased 51 percent in nominal terms (to 11.7 trillion pesos, or roughly \$70 billion at current exchange rates), just meeting this projected inflation. Government investment is to increase 2.6 percent in real terms. Silva Herzog announced that imports should rise slightly, by 10 percent; this will constitute a "relatively normal level of imports," he stated. According to some in the government, the sum effect of the budget will be zero growth next year; others say there could be 1 percent growth. For 1983, the official estimate is that the economy shrank roughly 3 percent.

These figures and scores of more detailed computations trotted out before the congress are meaningless. There is not the slightest correspondence between what is programmed and what actually occurs. In 1983, \$14 billion was authorized for necessary imports; only \$7.5 billion was actually released by the Finance Ministry and the Bank of Mexico. As of the middle of the third quarter, only 17 percent of the year's projected state sector investments had been put into effect. The disbursement rate sped up only marginally in the rest of the year. The way a laconic Silva Herzog put it to Congress was that "the results of the adjustment [in 1983] were more accentuated than had been foreseen."

More fundamental, there is no way to square the devastation throughout the economy, and particularly in the purchasing power of the workforce, with the estimates that GDP will fall only 3 percent. By no one's calculations have real salaries lost less than 30 percent this year; official statistics in the government indicate industrial output is down over 10 percent; and the government has raised price guarantee levels in agriculture at a rate far inferior to inflation. Where can there possibly be the demand to keep GDP at almost the same levels as the year before?

One key to the mystery is the government's manipulation of inflation figures. Both labor and business economists calculate inflation at half again greater than the government's estimate of 80 percent. By deliberately undercounting infla-

Mexican anti-Semite attacks LaRouche

One of Mexico's most influential and prominent anti-Semites, José Antonio Pérez Stuart, author of the business column "Portafolios" in the daily *Excelsior*, has renewed a furious campaign of defamation against Lyndon H. LaRouche, the U.S. economist and announced Democratic presidential candidate, and against parties associated with his ideas, such as the Mexican Labor Party (PLM).

Pérez Stuart is a leading defender of the pretensions of the fascist National Action Party (PAN) to destroy the Mexican political system, and a staunch supporter of the PAN's neo-Nazi ideologue José Angel Conchello. Conchello wrote in 1976 that "The economic recovery program of the country needs the idea of a great banker, Hjalmar Schacht, director of the German central bank during the Hitlerian empire. We must invest work to create capital." Two years later he specified that what he had in mind was Hitler's "forced labor service for youth, the *Arbeitsdienst*," which was the forerunner of the Nazi concentration camp system.

The psychological need to label any enemy "Jewish" is the hallmark of both Pérez Stuart and Conchello. Pérez Stuart first erupted with this anti-Semitic rage against LaRouche (who is not Jewish) in an *Excelsior* column Oct. 10, 1982. In an article defending the takeover of the country by the International Monetary Fund, Pérez Stuart denounced "an international group of Labor Committees. . . headed by Lyndon LaRouche Jr.," who were "members of the Jewish community. . . asking for debt moratoria."

Pérez Stuart associate Conchello vented his anti-Semitic spleen on a Mexican Labor Party official in Baja California Norte on Aug. 17, 1983, threatening that "We'll get LaRouche, that filthy Jew from Philadelphia." Another Pérez Stuart intimate, Friedmanite economist Luis Pazos, said in early October that LaRouche was "an eccentric Jewish millionaire" whose associates were "evil and dangerous."

On Sept. 11, 1983, after elections in Baja California Norte, Pérez Stuart charged that the PAN had lost the elections due to groups "inspired by a type of Charles Manson who goes by the name of Lyndon H. LaRouche."

On Nov. 27, and again on Dec. 4, anti-Semite Pérez Stuart declared that the implementation of Mexico's agreements with the IMF necessitated the crushing of "foreign shells such as the Mexican Labor Party," who were resisting IMF dictates and successfully discrediting the PAN in the past months' local elections. Pérez Stuart threatened Mexican President de la Madrid with domestic "discontent and instability" and a withdrawal of confidence "by the international financial community" if the PAN were not given election victories.

tion, the government correspondingly puffs up the figures for real GDP growth.

Revealing trends

However, the budget show provided by the two ministers did reveal significant trends, if not reliable statistics. The percentage of the total budget dedicated to internal and external debt service stayed at 36 percent. For comparison, the United States, even with its enormous deficits in recent years, earmarks 10 percent of its budget to debt. The National Development Plan promulgated with great fanfare just last May stipulated a ceiling on interest payments of 5 percent of GDP; the 1984 budget allocates \$18 billion to interest payments, 10 percent of GDP.

The budget likewise slants the economy into heightened de-industrialization. Salinas de Gortari classified debt payments, revenue sharing with states and local governments, and the basic government wages bill as fixed costs in the budget. Of the remaining "programmable expenditure," education, health, and social security stays roughly the same, at 24 percent; ditto agriculture and fishing, at 20 percent. But the energy sector drops two percentage points, to 26 percent, and other state sector industry, 2 percentage points, to 8 percent. Salinas de Gortari announced an increase in expenditure in communications and transport explicitly because the pick-and-shovel work crews put to work on the country's back roads "use manpower in a labor-intensive way."

The political devastation

The leftist, Jesuit-run daily *Uno mas uno*, sighed that the government figures could not be trusted, but celebrated that at least they were presented amid spirited congressional debate in which all of Mexico's 7 registered parties participated.

This is the bad joke of Education Minister Jesús Reyes Heróles, who as interior minister from 1976-79 designed Mexico's "political reform" for exactly this kind of parliamentary cretinism. Reyes emerged early this year as the "inside" ideological capo in the government behind the IMF program; he is the author of a strategy, with the PAN as his shocktroops, to pin the "populist" regimes of the past two presidents, Luis Echeverría and José López Portillo, with the blame for Mexico's current woes.

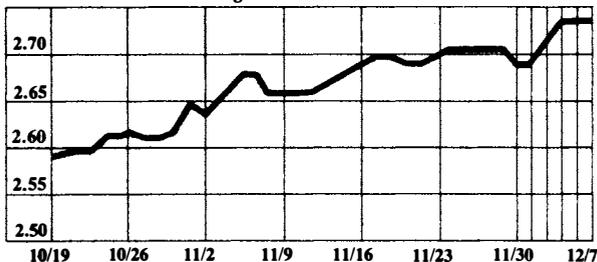
The continuing political base of Echeverría and López Portillo, the labor movement and the peasant sector, is slated for destruction in the witchhunt against the former presidents. Removing the resistance of these layers would clear the way for disintegration of the long-ruling PRI party and for a "dual power" situation with the fascist PAN faster than almost any observers, except perhaps those in the inner IMF circles, yet recognize.

On Nov. 25, Fidel Velásquez, head of the PRI's powerful labor wing, left few in doubt where he stood when asked about Salinas de Gortari's congressional presentation. Raising his voice to be heard by Silva Herzog, standing nearby, he declared: "This year's austerity was reactionary."

Currency Rates

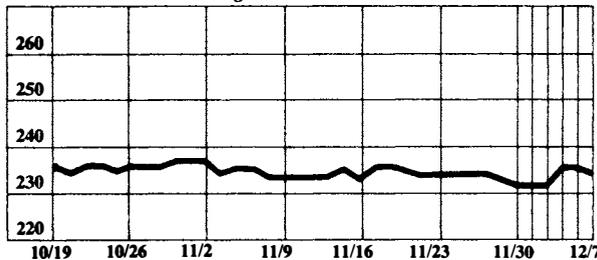
The dollar in deutschemarks

New York late afternoon fixing



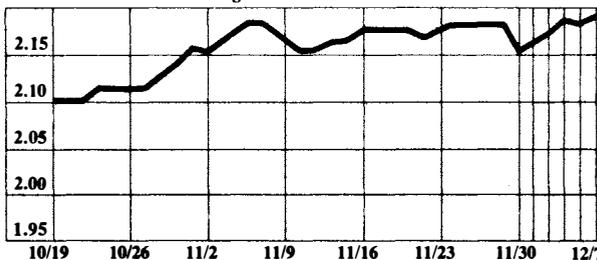
The dollar in yen

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing

