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## 1982 State of the Union

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# ‘Mexico Shall Live’

*Excerpts from President José López Portillo’s Sept. 1, 1982 State of the Union address, explaining his decree nationalizing the banks.*

The world’s productive capacity has been increasingly subjected to contraction and unemployment by an unjust and obsolete financial system that claims those policies are the only remedy to the growing crisis. . . .

The lack of coherence between industrial progress, whose technology advances by ever more astonishing leaps, and a world financial structure that has responded to the technological challenge primarily by attempting to stop it, is increasingly evident. The financial plague wreaks more and more havoc around the globe. As during the medieval era, it plunders country after country. It is transmitted by rats, and in its wake lie unemployment, misery, industrial bankruptcy, and speculative enrichment. The remedy of the witchdoctors is to deprive the patient of food and submit him to forced rest. . . .

What we could not deal with was the loss of confidence in our peso, aggravated by those—inside and outside the country—who could manipulate expectations, and cause what they pronounced, by the mere pronouncements themselves. . . . Against this, the vigor of our economy simply could not hold out. . . .

One of the unavoidable decisions that the New World Economic Order must take before the current system collapses in an untimely and perhaps catastrophic manner, is the formation of a system of compensation, so those nations that are victims of capital flight can have access to some form of credit originating in those resources, through a special recycling mechanism. . . .

We would like to discuss this with representatives of the financial system of the United States, and, I emphasize, to convince the generous American people that in the solution to our respective problems, we are not trying to harm the American taxpayer, but rather to make accessible to Mexico the credit represented by extensive Mexican resources that have left our country in a way that creates economic and trade problems on both sides of the border. . . .

The Mexican state has never expropriated for the sake of expropriating, but rather for the public good. What we now do liberates the free initiative and the free productive impulse of Mexicans from free trade and the straitjacket imposed by a parasitic system. . . .

[W]e can conservatively affirm that within the past two or three years, at least \$22 billion has left the Mexican econ-

omy; and an unregistered private debt . . . of around \$17 billion more has been generated, adding to the country's foreign debt. These figures, when added to the \$12 billion in Mexdollars [accounts in Mexican banks denominated in dollars but originally funded mostly by pesos]—in other words, a total of \$54 billion—are the equivalent of half of all the deposits in the Mexican banking system at this moment, or about two-thirds of the entire recorded public and private debt of the country. . . . [I]n the past two years, Mexican rentiers have made more investments in the United States than all of the foreign investment in Mexico in all of history. The book value of the foreign investment in Mexico is approximately \$11 billion, 70% from the United States. The net income to our country in 1981 from foreign investment was \$1.7 billion. A ridiculous sum in light of what flowed out of here. . . .

It has been a certain group of Mexicans . . . counselled and supported by the private banks, that has taken more money out of the country than all the empires that have exploited us since the beginning of our history. . . .

The fundamental question is determined by the difference between an economy increasingly dominated by absenteeism, by speculation, and rentier finance, versus an economy vigorously oriented toward production and employment. Speculation and rentierism translate into a multiplication of the wealth of a few without producing anything, and is necessarily derived by the simple plundering of those who produce. And over the long run, it inevitably leads to ruin.

In effect, our country, given its total shortcomings and its social dynamic, cannot afford to allow the development of speculative activities. Our nation has the imperative of dedicating all its resources to production. . . . Mexico cannot permit financial speculation to dominate its economy without betraying the very essence of the system established by the Constitution: democracy as the constant economic, social, and cultural betterment of the people. . . .

We must organize to save our productive capacity and provide it with the financial resources to move forward. . . . In response to these priorities, I have expedited two decrees: one that nationalizes the country's private banks, and another that establishes general exchange controls. . . . It is now or never. They have looted us; Mexico is not dead. They will never loot us again. . . . Let joy and excitement in the battle reign in every Mexican home. . . . We have shut down the capital flight.

Mexico has lived. Mexico lives. Mexico shall live.

*Viva México!*