

## ‘A New Order, If We Want a Better World’

*This message to the Guadalajara “Integration Now” conference was sent by former Mexican President (1976-82) José López Portillo, and delivered to the conference on Aug. 22.*

I send my greetings, with all my affection, to the Ibero-American Solidarity Movement, on the occasion of its “Mexico-Brazil-Argentina” international seminar, in its effort at integration for a “March Toward a New Bretton Woods.” Being unable to attend physically, due to serious health problems, I shall tell you, based on the experiences I had as President of this Republic of Mexico, of the problems which are without doubt common to us all.

We all know the shortcomings and problems accumulated by the financial and monetary institutions created by the states which won the Second World War, and which, in Bretton Woods, agreed upon a New World Order, created in the image and likeness, and to the advantage, of the victors of that war. And we know that these institutions are today insufficient or not suitable, and that a change is required that will make them able to resolve the problems of all the nations of the world, the powerful and the dependent developing countries alike.

Thus, it is known that the Bretton Woods treaties succeeded in stabilizing the post-war world, when the principal economic problems were currency exchange rates and competition among the most powerful countries of the globe, and the reconstruction of the defeated countries which had been in the capitalist system. But they began to be inadequate when it came to resolving the problems of other countries, especially dependent developing countries; because when the International Monetary Fund or World Bank took on financing their development—which was the fundamental problem faced by the so-called Third World countries—the system could not come up with a workable way to resolve the urgent requirements of these countries.

And what is worse, that inadequacy extended to the financing ability of the rich countries, which had that ability, but dedicated it all to usury, as a matter of efficiency, of unilateral interests, or of the advantages of an already obsolete political geometry. The East-West poles are dysfunctional, and the evident requirements of globalization cloak the imperial ambitions of the nations bent on globalization—which keep deploying hegemonic efforts, while paradoxically preaching about the incompetence of nations to implement a



*President José López Portillo addressed the Mexican Congress in September 1982, immediately after his measures nationalizing the nation's banks.*

healthy and efficient economy, which is obstructed by the policies which they practice and dissemble.

## **The Experience of Mexico**

If we want a better world, and we do, we must march toward a New International Financial Order which serves the needs of the powerful countries, and of those which, not being so, wish to resolve their national populations' social problems, which are expressed politically. Both are beyond resolving by the ability of the already-obsolete Bretton Woods institutions, which, to my mind, should be not only modified, but radically transformed.

My personal experience, as one responsible for the development of a nation, is, surely, representative of a country which, having resources, lacks the resources to develop them, and took recourse, in order to gather those resources, first to the international financial system, because it needed to import machinery, spare parts, and inputs for its development, technology. After that, we went to the international banks, and not finding that satisfactory or sufficient, had to take recourse—as is natural, and we did repeatedly—to domestic savings, meaning the private banks allowed by the international system.

This is my experience: When we went to the international financing system, which we unavoidably joined after the Second World War, we came up against methods totally inade-

quate for resolving the problems of our condition. We came up against a system which cloaked an imperial and hegemonic reality, typified not only by its directives, policies, and interests, but which had not even seen fit to create a currency, since it depended on the dollar as such.

This, on top of the conditionalities and insufficiencies of credit, the gravest of which was the unwillingness, or, better, the inability to consider the social and political problems which we wanted to resolve, and which were obstructed by the terrifying so-called “locks,” or conditionalities, limitations—no increase either of employment or of wages—which prevented solutions for what were fundamentally our problems, and whose solution was important. . . . The so-called “locks” were frequently based on economic orthodoxy which purported to be anti-inflationary, but which in reality violated national sovereignty. These were modalities related to the orthodoxy of rich countries, which functioned under conditions of abundance, but which, for us, were deemed unacceptable. So when we took recourse to the banks of the powerful countries, we were left at the mercy of their economic or political conditions.

For that reason, we took recourse to domestic savings [and domestic banks]—the which is the healthy thing to do in a country which has already built them up, which is not often the case in dependent countries of our condition, and where, if sufficient savings exist, they have such flaws, defects, or inadequacies that they have to be modified. And in my case I did, even going so far as nationalization, which earned the repudiation of the economic world, implied in the obvious political commentary (communist implications, etc.).

## **Nationalization of the Banks, 1982**

I carried out the expropriation based on the powers which Clause I of Article 69 of the General Constitution of the Republic granted me; and implementation was based on Article 27 of the same Constitution and [other laws].

I based it upon sufficient juridical considerations, some regarding the nature of all administrative concessions; others specific to those related to credit; others to the economic crisis that the country was experiencing; and still others to the public interest. All were sufficient to decree the expropriation. The decree was so well founded, that, tested by injunctions sought by those affected, the decree held firm, and it has not been possible to juridically find inadequacies, invalidity, or fraud, influences, etc.

However, in addition to the causes which were laid out in the decree, the—shall we say—anecdotal reasons which explain it, were, among others, the following: The chartered banks had lost, due to the international and national situation, their ability to issue credit instruments which had provided them with profits at the expense of the State (which alone brought dollars into the country). They turned to trading this foreign currency, by every means they could, including induc-

ing the purchase of property abroad. As a result, they became the fundamental instrument for the devaluation of our currency, worsening and taking advantage of the country's bad economic situation, directly convincing the public of the need to convert the national wealth into dollars and taking it out of the country—whether by pre-payment of bills, by the composition of their portfolios, as they did with their own companies, becoming a prestigious example for other companies.

All of this contributed to the capital flight, and to the fostering of what was called “hot” capital, which they had been encouraging before. It was the principal center of the lies which led to the dollarization of our economy. Their own multiple companies contributed to this, since they dedicated themselves primarily to lending to themselves, thereby undermining real credit. In addition, they had become the actual administrators of the national wealth, and they used a system of double-accounting in their companies: one set of books for granting loans, and another for tax evasion.

These are the reasons, among others not stated in the decree, upon which I based my decision to nationalize, given that the system established since President [Adolfo] López Mateos [1958-64], of Mexicanizing the economy, was insufficient, based as it was upon the presumption that Mexicans, because they were born here, would show solidarity with the Nation in moments of crisis, and not pull their capital out. And it did not turn out that way, because the Mexicanization expressed in the regulations—that there were activities reserved for Mexican nationals or for majority Mexican capital—became a system of privileges, with, on the one side, serious deficiencies and loopholes, through frontmen, and on the other . . . without corresponding obligations.

When Mexicanization failed on me, I had to take recourse to nationalization, since I believed that the State, not being able to betray itself, would be the best instrument to manage the savings of the nation, with the intelligence that we did not expropriate the depositors, but only the system itself, with its buildings which facilitated its operation. Naturally, the indemnization owed them by law was agreed on.

## **To a New Bretton Woods**

My intention was not fully followed through on, because my successors, first, created a variable financing system, based on the stock market; and they later overturned the expropriation decree, chartering the banks to whomever they saw fit, after having paid more than generously for the expropriated property.

[But] I have to tell you, that the nationalized banks functioned satisfactorily well in the hands of the State.

Having thus laid out the matter, I only hope to have conveyed an experience to be taken into account, in the obvious efforts which must be undertaken, not only to modify, but to optimize the functioning of the Bretton Woods treaties, shaping them not only for the convenience of their victorious founders, but according to the needs of a globalization which

must respect the interests of nations, avoiding the formation of disguised empires.

Always keeping in mind the immediacy of the nations with the problems of the world's population, and in the belief that the best way of being universal men is to fulfill oneself within a nation. I am sorry that Mr. LaRouche is not present at this seminar to enlighten us with his expert teaching, although I am happy to send my greetings to his worthy spouse, Helga Zepp.