

Mexico Must Come to Grips With López Portillo's Legacy

by Dennis Small and Gretchen Small

It is over a month since Mexico's July 2 Presidential election, and the country still has no President-elect. The announced leader of the vote count, by a minuscule 0.6% of the vote, is Felipe Calderón of the Synarchist-spawned PAN party. But Andrés Manuel López Obrador—universally known in Mexico as AMLO—the candidate of the For the Good of All coalition, has contested the election before the Federal Electoral Court, and is demanding a full vote-by-vote recount, charging that massive, documented fraud occurred. The court has yet to issue its ruling. Meanwhile, AMLO mobilized a half-million people in support of a recount on July 8, followed by a 1.5-million-person rally in Mexico City on July 16. And he has called for a third such "Informational Assembly" on July 30, which is intended to be twice the size of the last one.

Mexico is indeed in the throes of revolutionary-type ferment.

Perhaps the one thing which both candidates agree on, is what is at stake in this election. As Calderón put it, in his final campaign speech on June 25: "In this election, the future of the country for decades to come will be decided. We Mexicans will have to choose between two programs of government, two projects which will have radically different consequences in the life of Mexicans."

In that same speech, Calderón took up a highly controversial issue which, in many ways, will shape which of these two courses is taken by Mexico: the legacy of former Mexican President José López Portillo (1976-82). After promising that his government would "attract investments" by "responsibly" holding down wages and government spending, Calderón blasted López Obrador for the "lie" that he could increase

Mexicans' income "by magic." That will bring about debt, devaluation, and economic crises, he charged.

"We have already seen this movie," Calderón raved, "and it is a terror movie for which all Mexicans paid very dearly. Because in 1982, there was another López, López Portillo, who also announced [wage] increases of 10, and of 20, and of 30% for Mexicans; but the result, which must not be repeated, was a disastrous result, because for each 20% increase in workers' salaries, prices and the cost of living also increased for the workers. Not by 20, but by 120% a year. . . . Mexico suffered one of the worst crises ever suffered in its history. The lesson is clear," Calderón warned. Such "economic irresponsibility" cannot be allowed to happen again.

This Calderón speech was only one component of a full-



EIRNS/Philip Ulanowsky

President López Portillo explains the dangers of global speculation, in a speech to the UN General Assembly, Oct. 1, 1982. The global financiers were terrified that his example would spread to the rest of the developing sector.

scale Synarchist campaign to paint AMLO as “a danger to Mexico,” “another Hugo Chávez,” and an “irresponsible populist” like López Portillo. For example, one of Calderón’s TV ads featured a somber-voiced announcer warning about the danger of dictatorial populism, while a mournful solo violin played in the background, and images of various fascist demagogues flashed on the screen—closing with a lingering shot of López Portillo, which slowly grew to fill the screen.

More than the cheap subliminal theatricality, the true scandal of these ads, and of Calderón’s cited speech, is the shameful fact that the majority of Mexicans *have* been suckered by the bankers’ vilification campaign against López Portillo, and that most politicians *do* consider it a liability to be compared with the former President. But if Mexico is to survive and flourish—through this electoral crisis and beyond—the nation is going to have to come to grips with López Portillo and his legacy. Like the cases of Franklin Delano Roosevelt in the United States, and Getulio Vargas in Brazil, these are national leaders which the international Synarchists are determined to wipe off the political map: “Never again,” is their nervous war-cry.

What are the central lies so often repeated about López Portillo? That he destroyed Mexico by provoking capital flight in 1982. That he was a corrupt, big spender, who promised Mexicans the Moon. And that he was an authoritarian who didn’t play by the rules of the game, either nationally or internationally.

And what is the truth of the matter? That López Portillo was the last great President of Mexico, a true nationalist leader, who fought to defend Mexico by helping to build a more just New World Economic Order. That he achieved high rates of economic growth for Mexico (physical output per capita rose by 15% during his term of office), based on a policy of exchanging oil exports for advanced technology, including nuclear energy. And that he was Lyndon LaRouche’s friend. He became so in the 1980s, when he met with LaRouche in the Presidential Palace and discussed strategic issues which LaRouche later elaborated in his famous *Operation Juárez* essay of August 1982. López Portillo stayed so over the dark years of the late 1980s and early 1990s, when he publicly called for LaRouche’s exoneration and release from jail, where George H.W. Bush had banished him as a political prisoner. And he used his towering moral authority, in the waning years of his life, to tell the world—as he did when he and Helga Zepp-LaRouche spoke together at a Dec. 1, 1998 meeting in Mexico City—“It is now necessary for the world to listen to the wise words of Lyndon LaRouche. Let us hope, Doña Helga, that your husband can influence the government of the United States, so that the proposals which you so brilliantly have laid out to us, can, in some way, be realized.”

As President, López Portillo travelled the world to organize for a more just world economic order. He called for a

“New Bretton Woods for energy,” to bring order and justice to an area dominated by speculators. He announced that Mexico would build 20 new industrial cities, and as many nuclear power plants. He travelled to Japan, France, and the Soviet Union to sign nuclear technology accords with those countries—and had hoped to do the same with U.S. President Ronald Reagan.

He was steadfastly opposed to any free trade agreement—such as the NAFTA accord signed years later among Mexico, the United States, and Canada—arguing that it would condemn Mexico to “perpetually extracting and exporting raw materials for their consumption by more advanced societies.”

And in 1982, when Mexico was slammed with economic warfare which sucked \$54 billion in capital flight out of the country, López Portillo met with LaRouche in May of that year, and then adopted leading features of LaRouche’s *Opera-*

‘Whammo,’ Mexico Was Hit

The following excerpt is from remarks made by José López Portillo after the keynote address given by Helga Zepp-LaRouche at the Mexican Society of Geography and Statistics, on Dec. 1, 1998. He was asked what had happened after 1982, after he had implemented LaRouche’s proposed “Operation Juárez.”

López Portillo: It was nothing specific, but simply circumstantial. The hard-headedness of the international bodies left us without any option, and as a consequence, we were trapped. We misbehaved with the international bodies, and we were punished. They accused us of being populists, etc. Other governments behaved themselves, and the result has been the same. This is what is dramatic: We push the rock to the top of the hill, and when we reach the top, it falls down on us. It is always the system, the environment which stubbornly refuses to understand revolutionary values, as I mentioned a moment ago. And perhaps the rejection has made us used to this, and we end up forgetting them; because we became used to this, to being disdained, to being put off, and we began to behave ourselves—and then “whammo,” we get hit again. This is simply the result of the fact that the international system isn’t set up for countries like ours. This is a concrete example of a specific national economy not fitting into that financial order, and hence the necessity for [that order] to be reformed. That is why I am so happy to hear that many people have begun to talk about reform, from which I was shut out. Thank you.

tion Juárez—including the September 1982 nationalization of Mexico's private banks, which had headed up the \$54 billion blood-letting.

López Portillo then turned to Argentina and Brazil to join Mexico in using their combined foreign debt as leverage to force through a reorganization of the international financial system. The policy would have worked, but Argentina and Brazil said no, leaving López Portillo alone in his heroic endeavor.

On Oct. 1, 1982, López Portillo delivered a historic address to the United Nations General Assembly, in which he warned that the world economic system must be changed, or the planet would likely enter "a new medieval Dark Age. . . . We cannot fail," he told the world leaders. "Not only the heritage of civilization is at stake, but also the very survival of our children, of future generations, and of the human species. The place is here, and the time is now."

Was López Portillo wrong to have fought? Did he fail, as most in Mexico now believe? Twenty years later, on Sept. 1, 2002, the Mexican daily *Excelsior* interviewed him about his nationalization of the banks, and other economic measures, with the following exchange:

"Is it difficult to recover the banks?" *Excelsior* asked.

"Of course."

"But, how can they be recovered?"

"With a new expropriation."

"But we don't have a nationalist President, as when you expropriated the banks in 1982. How can it be done now?"

"With balls [*huevos*], my friend. From that standpoint, I do believe I was [a nationalist]."

The question is, will today's Mexican leaders rise to that standard?

1982 State of the Union

'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 economy; 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!

1982 Speech to UN

We Must Stop 'A New Medieval Dark Age'

On Sept. 30, U.S. Secretary of State George Shultz told the UN General Assembly that the days of funds for development were over, and the United States would not tolerate opposition to the IMF. "Immediate debt problems are manageable if we use good sense and avoid destabilizing actions, but the magnitude of external debt will almost inevitably reduce resources available for future lending for development purposes. Economic adjustment is imperative, and the International Monetary Fund can provide critical help and guidance," he intoned.

López Portillo, speaking before the same body the next day, answered Shultz, with a clarion call for a New World Economic Order. The following are brief excerpts from that historic speech.

. . . The most constant concern and activity of Mexico in the international arena, is the transition to a New Economic Order. . . .

We developing countries do not want to be subjugated. We cannot paralyze our economies or plunge our peoples into greater misery in order to pay a debt on which servicing tripled without our participation or responsibility, and with terms that are imposed upon us. We countries of the South are about to run out of playing chips, and were we not able to stay in the game, it would end in defeat for everyone.

I want to be emphatic: We countries of the South have not sinned against the world economy. Our efforts to grow, in order to conquer hunger, disease, ignorance, and dependency, have not caused the international crisis. . . .

After major corrective efforts in economic affairs, my government decided to attack the evil at its root, and to extirpate it once and for all. There was obviously an inconsistency between internal development policies, and an erratic and restrictive international financial structure.

A reasonable growth policy was irreconcilable with freedom to speculate in foreign exchange. That is why we established exchange controls.

Given our 3,000 kilometer border with the United States, exchange controls can only function through a banking system that follows the policies of its country and government, and not its own speculative interests or the fluctuations of international financial chaos. That is why we nationalized the banks.

We have been a living example of what occurs when an enormous, volatile, and speculative mass of capital goes all over the world in search of high interest rates, tax havens, and supposed political and exchange stability. It decapitalizes entire countries and leaves destruction in its wake. The world should be able to control this; it is inconceivable that we cannot find a formula that, without limiting necessary movements and flows, would permit regulation of a phenomenon that damages everyone. It is imperative that the New International Economic Order establish a link between refinancing the development of countries that suffer capital flight, and the capital that has fled. At least they should get the crumbs from their own bread. . . .

The reduction of available credit for developing countries has serious implications, not only for the countries themselves, but also for production and employment in the industrial countries. Let us not continue in this vicious circle: it could be the beginning of a new medieval Dark Age, without the possibility of a Renaissance. . . .

We cannot fail. There is cause to be alarmist. Not only the heritage of civilization is at stake, but also the very survival of our children, of future generations and of the human species.

Let us make what is reasonable possible. Let us recall the tragic conditions in which we created this Organization, and the hopes that were placed in it. The place is here, and the time is now.