

What a Difference A Generation Makes

by Dennis Small

There was plenty of lunacy in the air at the June 3-5 FAO (UN Food and Agriculture Organization) conference in Rome, but the policy position of the Mexican government of Felipe Calderón—as issued on June 4, through the mouth of his synarchist Agriculture Minister, Alberto Cárdenas Jiménez—stood out for its sheer suicidal stupidity. One commentator rightly noted that Mexico's current food policy has all the scientific merits of the Aztec school of cardiology.

Cárdenas proudly told the assembled heads of state and other top representatives of 180 nations and international agencies, that the Mexican government would respond to skyrocketing domestic food prices—corn is up by 31%, rice by 80%, and wheat by a staggering 140%, so far this year—by “drastically reducing the high tariffs on white and yellow corn, rice, beans, wheat, soy, and powdered milk.” He explained that, “in international trade, we are one of the most open countries ... which helps us to have a reliable supply of those agricultural products which we don't produce.”

Cárdenas's speech merely parroted what Calderón himself had announced in an emergency press briefing on May 25. In the weeks since then, a number of desperate, lemming-like Central American nations have echoed Calderón's announced policy for themselves.

The Calderón government could not have adopted a worse policy. Its announced measures will immediately produce two results inside Mexico: The price of basic staples like beans and corn will *rise* even further and faster, as the global hyperinflationary tsunami of food prices sweeps across the country, unimpeded. And these measures will drive the final nail in the coffin of Mexico's moribund agricultural sector, which has been ravaged by 25 years of globalization and free trade.

Not all Mexican governments have been so stunningly suicidal in their policies. One generation ago, the government of Lyndon LaRouche's friend, President José López Portillo (1976-82), adopted a diametrically opposite approach, which stands out even today, as a model of sanity and reality-oriented physical-economic thinking. His government's Mexican Food System (SAM), was outlined in a March 1, 1980 document drafted by the Office of Advisors to the President:

“A policy of self-sufficiency in basic foods, above all ce-

reals and oilseeds, is necessary. ... This strategy breaks the vicious circle of importing agricultural products because they are not produced in sufficient quantities ... but which are then no longer produced, precisely because they are imported. This has been done in order to avoid a rise in domestic prices, although the costs of production have increased. This dynamic shrinks domestic supply, and in fact, promotes high costs, lower employment, and again, more imports. ... It is possible to get out of this trap only through an ambitious policy of production of basic foods.”

Mexico would be a far more developed, and stabler, place today, had López Portillo's SAM prevailed. Instead, each subsequent government bought into the deadly logic of globalization and free trade, which the British have promoted for centuries around the globe, against the American System of political economy. Because it is a microcosm of that global battle, it is useful to contrast these two *methods of thinking* about economics, and food in particular: that of López Portillo's SAM vs. the British free trade and globalization path that Mexico followed instead, especially under NAFTA. The one looks at economy from the standpoint of *physical production*; the other, from the standpoint of *money*.

Money Destroys Self-Sufficiency

Since 1981, per capita production of Mexico's two most essential food staples, corn and beans, has dropped dramatically: by 15% for corn, and by 51% for beans. As domestic production sank, Mexico's food self-sufficiency worsened across the board. Whereas Mexico was nearly food self-sufficient in 1960 (albeit at a poor level of consumption), today, the country imports about 35% of its overall food needs, according to National Autonomous University of Mexico economics professor Carlos Javier Cabrera Adame—with poverty and nutritional deficiencies even worse than 1960. According to Cabrera, 47% of all Mexicans (some 50 million) live under the poverty line today, while 18% endure extreme poverty, or indigence.

In the case of corn, imports rose from a mere 2% of total national consumption in 1960, to 25% in 2005. Rice is an even more dramatic example of how self-sufficiency was destroyed, with imports increasing from 1% of consumption in 1960, to 73% in 2005.

As Mexico became less and less able to feed itself, millions of Mexicans were driven out of their own country to seek survival in the U.S. In fact, the states of heaviest emigration (Jalisco, Michoacán, Guanajuato, Mexico State, Veracruz, and Guerrero) are also the country's major corn belt, and therefore the hardest hit by the collapse of food production.

This is all very good, the free trade ideologues kept trumpeting, as Mexicans grew poorer and hungrier. The economy is measured in *money*, they lied, and Mexico can save money by importing its food from abroad at cheaper prices than it would cost to produce it at home. The money saved over the years, of course, went to pay off the country's debt, many

times over—but the British ideologues don't like to mention that fact.

Some free-trade Malthusians have gone even further. The head of Mexico's National Water Commission, José Luis Luege Tamargo—who is joined at the hip with the British Crown's WWF (Worldwide Fund for Nature) office in Mexico—has explicitly advocated that Mexico further drastically reduce the amount of corn it grows, because it consumes too much water. Better to save water and import corn, Luege argues, and instead grow “high value-added crops” like fruits and vegetables, which can then be exported to make *money*.

Compare this superstitious sophistry with the SAM's *way of thinking* about the economy, as reflected in the summary presented below. It is not that every detail is correct, but the *method* employed—which is reflective of the American System of economy—is a breath of fresh air from the past, which should be adopted again today.

The Mexican Food System

The SAM document begins by reviewing the strategic context of Mexico's battle to achieve food self-sufficiency. Given recent major oil finds, “We have a favorable energy situation which allows us to eliminate restrictions to development and financial sovereignty.... Only by the route of massively producing and distributing basic foods, can the country organize itself to save its agriculture.”

The document immediately addressed the *physical economic* parameters needed to bring all Mexicans up to minimum nutritional standards.

The National Institute of Nutrition (INN) has set recommended levels of per capita consumption at 2,750 calories and 80 grams of protein per day, the document reports. In the rural areas, almost 90% of the population, or 21 million people, fall below these standards. Of these, 9.5 million suffer from serious caloric underconsumption, 25-40% less than the norm. “We have defined a Target Population as a dynamic expression which takes on different modalities over time and by region,” which includes those under the INN standards. In 1979, this was some 35 million Mexicans, out of a total of about 65 million, i.e., 54% of the total population.

Of these, some 19 million (29% of the total population) have a “very low nutritional level,” and are therefore classified as the Preferential Target Population (PTP). Of these, 13 million live in rural areas, 6 million in cities.

The SAM study then looked at the current market basket of consumption and, with an eye to the existing nutritional deficits, derived a Recommended Market Basket (CBR) of consumption of essential staples, with targets for daily per capita consumption of the principal staples. It even had regional-specific CBRs, which took into account cultural food preferences: for the North of the country, relatively more wheat products were included; in the Gulf area, more rice; and in the Southeast, more corn. “It was indispensable to complement the consumption of all these grains with beans,”

the study noted, in order to meet caloric and protein nutritional standards.

Only at this point did any monetary considerations even enter the picture. The prescribed CBR was determined to cost 13 pesos per day per person, but in order to make it accessible to the impoverished PTP, its cost to consumers had to be reduced by about 30%, to 9 pesos per day. The SAM document called for the State to “selectively subsidize” purchases, noting that “subsidies are an essential mechanism for correcting the imperfections of the market system,” and that the desired reduction could be achieved with a relatively modest subsidy of 27 billion pesos, which at the time was only 6% of the total subsidy for the economy.

Technology To Increase Production

Having established the physical consumption goals, the SAM study then turned to the issue of how to produce that level of output: “We need to reverse [present] trends and move towards self-sufficiency in the production of the principal components” of the CBR. To do this, “the results of 5,000 research projects carried out over the last 30 years were studied,” to identify where the productive potential lay.

“It was determined that self-sufficiency can be achieved in corn and beans by 1982, and take firm steps by opening up new land to cultivation to achieve it by 1985 for the other basic products where there are deficits.”

In addition to increasing the land under cultivation, especially in rain-fed areas such as the Gulf southeast, the report emphasized the need to increase capital inputs and technology to raise yields: “We must subsidize, through inputs, research and extension programs, technological change at the level of the farm, which will rapidly increase the productivity of the land.... These are the areas where a subsidy of inputs (above all, fertilizer) will encourage technological change ... [and] can give us the best productive and redistributive results.”

As with the American System, the SAM also advocated the use of parity prices, to make sure that food prices were high enough to encourage future production, and technological advance.

“Parity prices play an important stimulus role, especially in the short run,” it reported, especially since prices actually paid had fallen 34% since 1960, while costs of production had risen, meaning that most farmers were operating at a real loss. The SAM proposal was to increase the parity price for corn by 30% over three years, and by 50% for beans over that same time period.

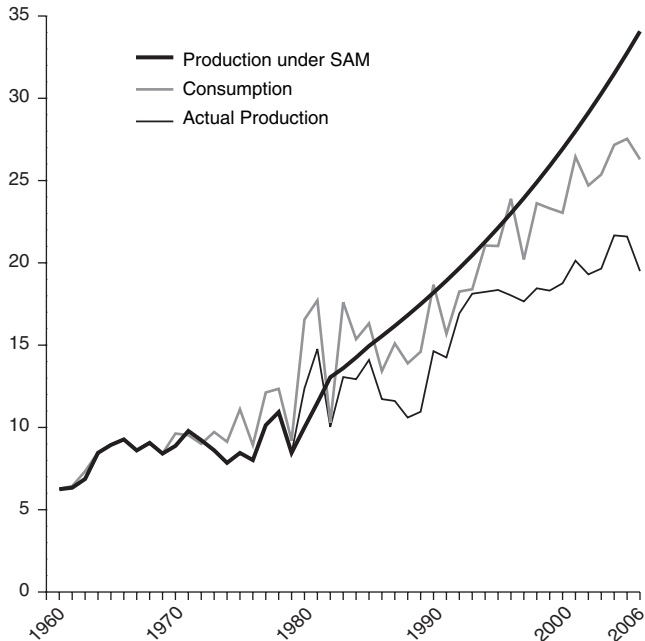
In addition to such short term measures, “We propose a longer term production strategy which must consider as its principal element the increase of the productivity of the land.”

The 1980 SAM document was very specific about its production goals. By 1982, if current trends were to continue, there would be deficits of 2,441 thousand tons of corn, and 317 thousand tons of beans. By 1985, the deficits for the six next most important crops would be: rice: 370,000 tons;

FIGURE 1

Mexico: Corn Production

(Millions of Tons)



Sources: FAO; Mexican Food System, Office of Advisors of the President, March 1, 1980.

wheat: 889,000 tons; safflower: 66,000 tons; soy: 42,000 tons; sesame: 18,000 tons; sorghum: 226,000 tons.

The objective, therefore, was to increase production sufficiently to eliminate these prospective deficits, by 1982 and 1985, respectively. To do this, land under cultivation would be increased by about 2.5% per year, and capital inputs would increase in order to raise yields by 3-5% per year. This would require “infrastructure projects financed by the State, but above all fertilizer, [which] is the fundamental lever for driving the potential for production.”

In 1978, only one-third of all land planted to corn was fertilized, and the SAM document called for doubling this, to two-thirds, by 1982. The amounts of different kinds of fertilizer were then specified, for domestic production and, where necessary, importation.

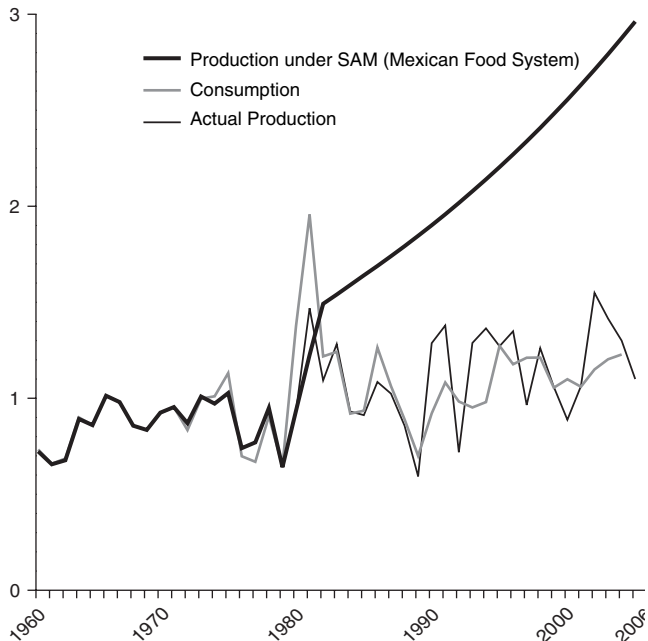
With these steps, the document concluded, Mexico will be on the path to food self-sufficiency, at nutritional levels consistent with basic human dignity.

Had Mexico stuck with López Portillo’s policies over the last 25 years, it would be a different country. As **Figure 1** indicates, corn production would today exceed 34 million tons, rather than the 19.5 million tons produced in 2006. Not only would the country be self-sufficient in corn, but per capita consumption would be 30% higher than it is today. As for beans (**Figure 2**), production would be 3 million tons, nearly three times what it is today, as would per capita consumption.

FIGURE 2

Mexico: Bean Production

(Millions of Tons)



Sources: FAO; Mexican Food System, Office of Advisors of the President, March 1, 1980.

The “can-do” sense of cultural optimism that López Portillo’s SAM exudes, has not been altogether lost in Mexico, despite decades of British free-trade brainwashing. For example, just last month, on May 13, the former Director of the National Institute of Forestry and Agricultural Research, Antonio Turrent, addressed Mexico’s food emergency by arguing that the country can readily produce enough grain to feed 150 million people. (The current population is about 110 million.) This can be done, he said, by irrigating some 2 million hectares of fertile land in seven states, and planting corn on 9 million hectares of fertile rain-fed land in the southeast of the country, which is currently used as pasture land—exactly as the SAM had specified back in 1980.

Even more to the point, a powerful movement has emerged in the country to demand the completion of the long-standing Northwest Hydraulic Plan (PLHINO), which has been on the books since the 1960s, and is exemplary of the kind of infrastructure projects and other capital inputs which the SAM called for. With strong support from U.S. economist LaRouche and his Mexican associates, the Pro-PLHINO Committee has captured the imagination of labor, peasant, business, and political layers in Mexico, who are not prepared to further tolerate insane British free-trade policies which are starving the nation, and want instead, to return to an approach that can actually feed the nation, and the world.