

Dateline Mexico by Josefina Menéndez

The slow growers take it on the chin

The pro-Volcker crowd at the Bank of Mexico lost on more than statistics.

As I reported to you several weeks ago, the annual national accounts report of Mexico's central bank, the Bank of Mexico, met severe criticism from José Andrés De Oteyza, the industry minister. De Oteyza charged that the statistics provided by the Bank of Mexico that Mexico's GNP grew by 7.4 percent last year were fallacious: his ministry found growth to be 8.2 percent.

I noted then that rumors were rampant that responsibility for national accounts statistics would end up in the economic cabinet, where the president's progrowth attitude is more respected. That's exactly what has happened.

A few days ago, the Planning and Budget Ministry announced that it had signed an "agreement" with the Bank of Mexico to take over coordination of all statistics not strictly connected to the banking sector itself. At the economic cabinet meeting where this was ratified, Planning and Budget Minister Miguel de la Madrid, re-set Mexico's 1980 growth figure at 8.0 percent.

Some U.S. readers, looking at the economic devastation of their own economy, may wonder why there is so much fuss over a few tenths of a percentage point when 7.4 percent already looks so good.

Well, for one thing, 8.0 percent is the target for growth under the Global Development Plan here. It's also the level achieved the previous two years. So raising the 1980 fig-

ure gives a boost to government economic claims against those who say the situation is slipping, especially the economic hoaxsters at the Wharton School, who run around saying that Mexico "constitutionally" cannot grow at more than 5-6 percent. Wharton looked bad on this one.

But much more important is that the issue of statistics was used as a pretext for humiliating the Bank of Mexico crowd, a bastion of monetarist, pro-Volcker sentiment in the country. Bank head Gustavo Romero Kolbeck has repeatedly and publicly defended Volcker.

President López Portillo, a former finance minister, knows better. He has fostered a healthy orientation to solve inflation with "production, production, and more production," as he is fond of saying.

He's got most of the cabinet in line, even those who otherwise tended to see eye-to-eye with Kolbeck, such as current Finance Minister David Ibarra Muñoz. Shortly after the cabinet session where the Bank of Mexico was put down, Ibarra told a meeting of business and government leaders that "interest rate warfare is the absolute number-one cause of the quasi-recession of the industrialized countries, and hence, of the world economy."

Industry Minister De Oteyza is saying the same. I reported part of his early April speech earlier, but I've received the full text in the

meantime and there's more that may be of interest.

Mexico must "not follow the interest rates of other nations," De Oteyza stated, since such high rates "will, through financial costs, feed back into the inflationary process and perpetuate it. Inflation is not a supernatural spirit, it's not a phenomenon impenetrable to reason." He then cited the success of Far East nations that have based economic growth on productivity gains. De Oteyza had some sharp words for Commerce Minister De la Vega's tariff policies, some of which De Oteyza criticized as too low to protect Mexican infant industry.

Don't conclude, however, that progrowth policies are fully in control. The fight to see who follows López Portillo—a nomination due within six months—is the determining factor of all political life. Cabinet ministers who want López Portillo's benediction know they have to put up a progrowth front, whether they are in agreement or not.

The outstanding case of such expedient progrowth transformation is Planning Minister De la Madrid, who moved forward to give the public coup de grace to the Bank of Mexico on the statistics question last week. Also note that De Oteyza (who, by the way, is ineligible to become president) has a tendency to push his economic nationalism so far as to undermine his own progrowth efforts.

A case in point is his insistence that Mexico not lift oil export levels—despite the fact that increased oil revenues are essential for the capital goods imports his own programs require. This tendency toward self-defeating "autarky" will have to be watched.