Mexicans from 100 cities demand break with IMF

by Valerie Rush

What the international financial oligarchy is desperately trying to deny, was shouted from the rooftops in cities across Mexico Sept. 13-14, when a coalition of largely grass-roots organizations convoked its "100 Cities National Mobilization" to demand a total reorganization of the bankrupt Mexican, and international, monetary systems, and the adoption of pro-growth economic policies to revive the world economy, modeled on the "American System" proposals of Lyndon H. LaRouche.

Specifically, demonstrators were demanding passage of emergency draft legislation that has already been submitted to Mexico's National Congress, which contains numerous points premised on LaRouche's proposed measures:

- a break with the International Monetary Fund (IMF), as part of a global initiative to structure a new international monetary order;
- the re-nationalization of the Mexican central bank, to bring credit creation and monetary policy back under sovereign government control;
- a moratorium on foreign debt payments, until the legitimate debt can be distinguished from the illegitimate, the latter to be repudiated and the former restructured;
- repudiate the North American Free Trade Agreement (NAFTA), and promote Ibero-American integration instead;
- initiate a series of great infrastructure projects, as the driving force for re-starting the economy and creating millions of urgently needed new jobs.

The ferment represented by the "100 Cities Mobilization" is surfacing all across the continent, whether in the form of anti-IMF strikes and mobilizations, increased media attention to LaRouche's ideas, or the growing boldness of the Catholic Church in denouncing the foreign debt as a means of looting populations. As LaRouche put it, "What's happening is that this entire global monetary and financial system is coming down, and, unfortunately, it's coming down with very brutal force upon the people who are least able to resist it. . . . The IMF and austerity policies coming out of these freaks from the Mont Pelerin Society or London and so forth, or from the United States: They're killing people in Ibero-America. Not only are they *killing* people, but it's perceived by everybody who's standing outside the *Wall Street Journal*'s offices, that this system is collapsing. So, people are moving to find an alternative policy. . . . It happens that the ideas *I* represent are the recognized alternative to ideas whose time to be buried has more than arrived."

On Sept. 13-14, thousands gathered in front of the regional offices of the Banco de Mexico, the country's central bank, in scores of Mexican cities, from Tuxtla Gutiérrez in southernmost Chiapas to Mexico City, from Guadalajara to Mexicali on the U.S. border. Sponsoring the mobilization was the Ibero-American Solidarity Movement (MSIA), along with the National Association of Bank Users, the National Confederation of Micro and Small Industries, the Permanent Forum of Rural Producers, the National Catholic Party, the San Cristobal Civic Front, the National Citizens Council, and others. Press coverage of the actions around the country was extensive.

The nationwide mobilization was launched in June in Guadalajara, at a forum sponsored by the MSIA on "There Is Life after the Death of the International Monetary Fund." Two hundred delegates from labor and producer organizations issued the Guadalajara Manifesto, which inspired the "100 Cities" mobilization.

Mexico's economic 'meltdown'

It is no accident that mass ferment should erupt in Mexico at this time, as the criminal looting of the physical economy to bail out a bankrupt financial system is far advanced. Since last December's "peso meltdown" crisis, when the IMF stepped in to direct Mexico's "recovery," that country has gone into an economic "meltdown." Unemployment has soared, bankruptcies of businesses, industries, and farms have reached unprecedented numbers, food production has plunged, 100% interest rates continue to make credit inaccessible to all but a few, and the government is "privatizing" virtually everything, as it scrambles for more funds to pour into servicing its unpayable debt.

One need look no further than how Mexico has dealt both with its foreign debt problem, and the crisis of its banking system, to realize how close to an explosion the country really is. Finance Minister Guillermo Ortiz recently revealed that approximately $26 billion worth of Mexican Treasury bills (*Tesobonos*), the majority of them foreign-held, was "retired" so far this year, with another $2.6 billion still to go. The money for paying off those *Tesobonos* came from the so-called bailout funds provided largely by the United States government and the International Monetary Fund. The result is that Mexico's official foreign debt of $141 billion at the end of 1994 automatically increased by $26 billion, as the *Tesobonos* were effectively converted into official government debt. And that's not including interest charges on those loans, nor the additional $4 billion in *Tesobonos* the government is considering issuing this year.

And so the cycle repeats itself, and with each new ratchet of indebtedness, there is less and less of a real economy to sustain the myth of "solvency."

At the same time, there is the Great Bank Subsidy of 1995. According to a Sept. 8 article by José Neme Salum, financial columnist for Mexico City' leading daily, *Excélsior*, the Mexican government pumped into its failing banking system something on the order of $26 billion this year, between injections from the Bank Savings Protection Fund, the Program of Temporary Capitalization, the Bank Debtors Assistance Agreement, and its UDI (investment units) program. This is four times the amount the government received when it privatized the banks in the first place a few years back, Neme observes. However, he says, even this whopping amount of money was overwhelmed by a *simultaneous $30 billion outflow* from the banking system, the combination of a $15 billion decline in deposits and another $15 billion in non-performing loans.

The most hideous aspect of the government's subsidization of the banks is that it was accomplished through an unabashed looting of whatever was left of the national budget after allocations for foreign debt payments were subtracted. The pitiful amount left after servicing the government debt and bailing out the banks, is obviously insufficient for keeping the government running and maintaining basic infrastructure and social services.

Pushing the 'Chile model'

Finance Minister Ortiz has a "solution," however, and it is explicitly based on the so-called Chile model. In an interview with the London *Financial Times* of Sept. 14, Ortiz insisted that the way to "induce an economic recovery" while fighting inflation was to follow the Chilean path of "increasing domestic savings" and boosting tax revenues. The first would be accomplished by adopting a form of privatized pension funds, as in Chile. Not only does such a system of forced savings mean diminishing what little Mexicans now spend on basic consumption; it is also a means of re-inflating the stock market bubble, as private pension funds are some of the world's biggest speculators. The second, higher tax revenues, would be effected through a new tax collection authority and through imposing new taxes, although Ortiz acknowledged that the last would need to wait until both Congress and the Mexican people were more "receptive."

Mexico is by no means the only country trying to stave off bankruptcy by pouring more and more of its economy into the black hole known as the international financial system. The "Chile model" is being force-fed by international creditors to Mexico, Argentina, Venezuela, Brazil, even the banks' newest "miracle," Peru, as the answer to their so-called "liquidity" problems.

But there is resistance to this suicidal model, as the mass mobilizations in Mexico, and as the repeated invoking of LaRouche's name, makes clear. For example, journalist Carlos Chávez wrote in the Venezuelan daily *El Universal* of Sept. 18, of alarms being sounded on the financial crisis, and notes that "economist Lyndon LaRouche has been warning of the imminence of the collapse of the world financial system, which will also drag down the International Monetary Fund." Similarly, Mexico's Neme Salum wrote in his Sept. 15 column in *Excélsior* that the international financial oligarchy, "as in the Mexico case, will apply measures to try to gain time before the final collapse, but this—as U.S. economist Lyndon LaRouche has forecast since May 1994—will occur, regardless."

According to the Mexican press, the Roman Catholic Latin American Bishops Conference (CELAM) has just issued a new document which slams the free market and looting through foreign debt, and warns that such policies could trigger devastating social explosions across the continent. It is well known that Pope John Paul II has been repeatedly and publicly urging debt forgiveness for the developing countries.

Says the CELAM document: "In Latin America, globalization and [trade] opening has created another dictator—the market. In our countries, we face growing poverty derived from the fact that 20% of the rich countries possess more than 82% of the income, control more than 81% of the trade, and assume nearly 95% of loan capital. . . . This is serious and speaks to us of the permanent risk of subversion by poverty of our countries. . . . It is necessary to recognize that now, more than ever, we must unite, because if we don't fight together we run the risk of being hung separately."