
Mexico

Proposal submitted to Congress for national, world economic recovery

The following proposed legislation, entitled "Initiative to Reactivate the National Economy, and for Mexico's Participation in a World Economic Recovery," was introduced to the Standing Committee of Mexico's Congress on Aug. 23. The draft bill, based on Lyndon LaRouche's proposals for economic reorganization using "American System" methods, was an initiative of the 185 delegates from 11 Mexican states that participated in the second "There Is Life After the Death of the IMF" national forum that was held in Mexico City on Aug. 18-19.

Among the organizations backing this initiative for the bankruptcy reorganization of the Mexican and the world's economies, are the Ibero-American Solidarity Movement (MSIA), the National Association of Bank Users (Conaubac), the Mexican Association of Micro-Entrepreneurs, the Cajeme Agricultural Union, the Permanent Forum of Rural Producers, and the National Confederation of Micro and Small Industries (Conamipi).

These and other organizations in the "national forum movement," organized the "100 Cities" mobilization, in which thousands of people from 132 cities and towns all across Mexico, took to the streets on Sept. 13-14 in support of the proposed legislation. For example, in Tuxtla Gutiérrez, Chiapas, 6,000 people took part in the rally held there on Sept. 14.

These organizations also convened the third "There Is Life After the Death of the IMF [International Monetary Fund]" national forum on Oct. 6-7 in Monterrey, in which 150 delegates from a half-dozen states met to plan further actions to advance the "LaRouche plan" to save the economy.

Dennis Small, *EIR*'s Ibero-American intelligence director, was the guest speaker at the Monterrey meeting, on the topic "The inevitability of the world's financial disintegration. Will the governments react in time?"

Small explained that when he spoke about governments, he also meant "you, personally." Using examples from Classical tragedies such as *Don Quixote* and *Hamlet*, Small said: "People don't act because they fear the unknown. They prefer to live with the evil that they know, even if it kills them. We need to leap for the unknown, and replace the entire IMF system."

Marivilia Carrasco, president of the Mexican MSIA, spoke on "Novak, Friedman, and von Hayek, fascists of the New Age." Alberto Vizcarra, also of the MSIA, spoke on "a third way, neither liberal nor Marxist; the LaRouche plan to reactivate the physical economy." Other participants included Jesús Tapia, leader of the 1.3 million-member National Association of Bank Users, and Armando Elizondo, president of the National Association of Micro-Businessmen.

The previous day, Small had spoken to some 200 students and faculty at the economics department of the State-run Autonomous University of Nuevo León, in Monterrey, and to 70 economics students and teachers at the elite University of Monterrey. Small and the Mexican leaders also appeared on TV and gave several radio and newspaper interviews, in which which they explained the "LaRouche plan."

Draft emergency legislation

Here is the full text of the "Initiative to Reactivate the National Economy, and for Mexico's Participation in a World Economic Recovery."

WHEREAS

Today, each and all of the nations on this planet are under the domination of a single world financial and monetary system, that of the International Monetary Fund (IMF);

That this system is in the process of disintegrating, and the definitive disintegration of the IMF system could occur within weeks or could be postponed, at most, in an unlikely case, until the beginning of 1997; nothing of the current financial and monetary system can be saved, and no solution whatsoever exists within this system for any nation;

That within 48 to 72 hours following the onset of definitive disintegration, classical measures of bankruptcy reorganization should be put into effect for the totality of the world financial and monetary system and, therefore, our nation should resort to the same type of reorganization; and

That the political, economic, and social forces of our nation need to participate, beginning now, in shaping the intellectual and programmatic preconditions which will per-

mit the adoption of the relevant measures of economic, financial, and monetary reorganization.

THEREFORE

We offer the following draft law to reactivate the national economy and for Mexico's participation in a world economic recovery.

I. Participation of the national government in the reactivation of the world's economy

1) The Congress of the Union instructs and authorizes the Executive branch to, as quickly as possible, enter into negotiations with the government of the United States and other nations which desire to participate, to:

a) convene a World Monetary Conference to develop a new monetary order to replace the International Monetary Fund;

b) establish a new set of trade, tariff, and economic accords that reflect the vital common interest of the sovereign nations committed to this general recovery effort.

2) All agreements and understandings with the International Monetary Fund and other foreign institutions, private and otherwise, are hereby declared to be null and void. This means that our country declares an immediate debt moratorium on payment of the entire foreign debt and certain categories of domestic debt. This moratorium will be maintained until such time as the functioning of the world's new monetary, financial, and economic order is determined.

3) The government shall appoint an independent body of experts to make a determination on the legality of the original debt, eliminating from our foreign obligations all those categories of the nominal debt which were incurred through illegitimate, unjust, and usurious practices.

4) The government affirms its commitment to honor all legitimate debt obligations, in a manner consistent with the principle of equity as well as the vital interests of the nation. It is recognized that in many cases, repayments can be undertaken in 20 or 30 years, as the case may be.

5) By mutual agreement, debtor and creditor will determine an immediate target date, after which no further interest will accumulate on the debt. On the established date, the nation will hand the creditor banks bonds with a value equivalent to the legitimate debt. These bonds will have the following characteristics:

a) They will pay an interest rate of approximately 2% per annum.

b) The principal of the debt will come due considerably after the date established by the voided contracts. In some cases, there will be grace periods before payments begin.

c) The maturity of the debt will be fixed to the dates of maturity of the different series of bonds that are issued.

6) To complement the above measures, the National Executive is authorized to immediately decree strict currency controls in order to curb speculation and capital flight and defend the integrity of the national currency.



Thousands of people from 132 cities throughout Mexico rallied in mid-September in support of draft legislation submitted to the Mexican Congress for a national and world economic recovery. Here, a scene from the rally in Tuxtla Gutiérrez, Chiapas, of over 6,000 people on Sept. 14.

II. Domestic monetary reform

7) A strong national currency is essential as an instrument of the national sovereignty of the government in its own economic affairs, as well as to promote the creation of real wealth through the appropriate credit mechanisms. To support a robust national currency and assist in orderly and just trade relations domestically and with other nations, the national monetary system is reorganized on the basis of gold reserves and the value of the currency is fixed to a "basket" of goods, which will be defined by a subsequent decree. The Executive shall draw up, and enact into law, a Plan for Currency Reform, according to which, within a specified period, the existing currency will be withdrawn from circulation and replaced by new currency notes in accordance with an orderly procedure. Said procedure shall include a provision under which holdings larger than a specified per capita amount, will be exchanged for new currency notes only upon documentation of their lawful origin. These measures will determine and eliminate those portions of the existing currency which stem from unlawful activities, such as drug trafficking or other illegal acts.

III. A new National Bank

8) A nation's bank cannot be "autonomous." Undoubtedly, an institution which is assigned sovereign tasks cannot operate outside of the control of the nation itself, for which reason the Banco de México [the central bank] is restructured as a new National Bank under the following criteria:

9) The new National Bank is the property of the State and will function under the orders of the Federal Executive, in conjunction with the Congress of the Union.

10) The new National Bank will immediately implement a plan to reorganize the domestic debt and the debt of national companies and individuals with the national banking system, under the same criteria established for dealing with the nation's foreign debt.

11) The new National Bank will follow a general policy of encouraging the increase of the productive capacities of the national labor force through scientific and technological progress; the promotion of independent family farming, the formation and development of small and medium-sized industrial enterprises, and general capital improvements for industry and mining; and providing credit for urgent improvements in housing, physical infrastructure, and facilities for education and health.

12) The National Bank shall be empowered to generate credit for specific categories of productive investment. This shall occur through the circulation of new issues of currency notes in the form of credit granted by the National Bank directly and through participation in loans by private institutions.

13) The secretary of the treasury shall be empowered, upon approval by Congress, to issue specified additional

amounts of new currency notes, to be deposited in the National Bank and employed solely for the purpose of extending credit to productive activities in the economy. The new currency notes shall be placed into circulation through the credit-issuing activities of the National Bank only as follows:

a) credit granted by the National Bank for state investments;

b) credit granted by the National Bank to private enterprises;

c) participation of the National Bank in loans by private banks;

d) National Bank discounting of notes, drafts, and bills of exchange arising from the production of tangible wealth and capital improvements.

14) In each case, the issuance and use of such credit shall be strictly confined to the following categories: purchase of raw and intermediate materials and capital goods, construction of facilities, and employment of labor to produce or transport manufactured goods, agricultural commodities, and construction materials, and to work mines; to build manufacturing, transportation, and mining facilities or dwellings; to produce and deliver energy in all forms; and to provide public utilities for communications.

Save for individually approved exceptions, credits shall not be paid out to the borrower directly; instead, loans will be deposited into special accounts, from which checks will be issued and cleared only for the categories of purchases of goods, labor, and services specified above. In this way, National Bank credit is regulated and restricted to the intended forms of use. Furthermore, new currency notes come into circulation only in connection with the creation of tangible wealth.

15) New currency issues shall not be used to pay operating costs of the national government, nor of state and local governments.

16) Private banking and credit institutions shall be audited to determine to what extent they have engaged in the illegal practice of self-lending, investing deposits in their own stock transactions, and other such fraudulent activities. Following this clean-up, such institutions will be permitted to lend only on the basis of deposits. The sole additional margin of loan-issuing activity of such institutions shall be by participation of the National Bank in approved categories of loans, as specified above.

17) Interest and discount rates for credits granted by the National Bank shall not exceed 4% per annum. Private institutions shall negotiate the borrowing-charges for the total loan, provided that the effective interest rate on the total loan not exceed approved limits established by the National Bank.

18) All issuance of credit by domestic and foreign institutions and persons within the national territory, shall be sub-

ject to laws prohibiting usury. Such activities are furthermore subject to reserve requirements and other regulations governing banking and credit, contained in existing and forthcoming legislation.

IV. A new Mexico for the 21st century

19) Basic physical infrastructure, which includes transportation, energy, and the supply and management of water and communications, is greatly deteriorated. Therefore, the government will immediately establish a National Infrastructure Commission, which will have general responsibility for the planning and speedy execution of a National Infrastructure Plan.

Large-scale investments in the improvement of the nations' infrastructure are the most efficient way of increasing the productivity of the economy, sustaining a high level of productive employment, and creating conditions favorable for the rapid development of private industry and agriculture.

20) The commission shall submit to the government, within 60 days of enactment of this law, an initial report including:

a) a survey of the most necessary improvements in basic economic infrastructure, with emphasis on modernization of rail, road, and inland waterway transport, and on increases in the supply of water and useful energy, per capita and per square kilometer;

b) estimates of mobilizable manpower and productive capacity for infrastructure improvements;

c) estimates of the volumes of additional credit generation required in a specified initial period to finance comprehensive infrastructure development, including estimated percentages to be allotted to:

(i) direct State investments, and

(ii) credits to private enterprises involved in construction and supply of materials and equipment for infrastructure improvements.

21) On the basis of the commission's recommendations, the secretary of the treasury shall request from Congress authorization to issue specified amounts of new currency notes, to be lent out by the National Bank in the form of expanded credits for activities linked to the improvement of basic infrastructure in accordance with the national program. These credits shall consist, mainly, of:

a) credits to State-owned companies and companies with special concessions from the State, for construction and modernization of facilities and equipment for rail, road, water, and air transport; for power generation and distribution; for water control, treatment, and distribution, including irrigation facilities; for communications, with emphasis on the postal and telephone systems; and

b) credits for the creation, expansion, and technological improvement of private-sector enterprises engaged in pro-

jects of the National Infrastructure Plan, and in the supply of materials and equipment for the same.

These companies will work solely in the construction and modernization of facilities and equipment for rail, road, water, and air transport; for power generation and distribution; for water control, treatment, and distribution, including irrigation facilities; and for communications.

V. Trade and tariffs

22) Government intervention into the free exchange of goods and services will be oriented to what is necessary to maintain good order, to prevent gross excesses in the form of speculation, exploitation, and usury, and to ensure an overall productive orientation of the economy. Hoarding and withdrawal of goods from the market, for the purpose of obtaining exorbitant prices for their sale, or to gain power over persons and events, represents a gross form of speculation which shall be severely penalized.

The trade of essential goods, such as food, raw materials, and basic equipment at prices below their cost of production, causes grave economic damage that cannot be tolerated in our international and domestic trade relations.

The government will thus establish a new system of parity prices for national producers, which will be determined as follows: The average costs of production of the given commodity shall be estimated from a survey of enterprises producing that commodity, leaving aside both the most backward 30%, and the upper, most productive 30% of the enterprises. The calculation shall be based upon a fair and decent wage level, corresponding to levels of household and other consumption consistent with the requirements of a progressive increase in skill levels and productivity of the workforce, regardless of whether such wages are actually paid at the time of the survey. The parity price shall be calculated by adding to the cost of production, so determined, a margin for capital improvements in production, consistent with a minimum rate of increase of productivity for the given sector, as judged in terms of the needs of the economy as a whole.

23) Tariffs for imported commodities in the category of basic goods, shall be set no higher than necessary to ensure a parity price to competing domestic producers of acceptable quality. Tariffs for imported commodities with a high content of domestically produced raw materials, shall be set no higher than necessary to encourage the use of said materials. Imported commodities that seek to compete with domestic goods, shall be subject to a suitably high tariff.

24) Within the new world financial, monetary, and economic order, it will be determined to eliminate the World Trade Organization (WTO), whose predecessor, the General Agreement on Tariffs and Trade (GATT), led international trade relations to an intolerable situation, destroying entire sectors of national production and impoverishing the great majority of the peoples who fell under its dictates, such as our

country. Thus, the North American Free Trade Agreement (NAFTA), between the government of Mexico and those of the United States and Canada, must be reformed to conform with the above, otherwise our nation will unilaterally renounce it.

25) The government is instructed to take action, in concert with other governments, to create a new trade and cooperation framework. The government shall immediately enter into negotiations with all interested nations, to expand the number and scale of mutually beneficial barter agreements on a systematic basis. In the case of Ibero-America, it is both desirable and possible to establish regional common market-type relations, which can rapidly lead to an effective economic integration of the continent.

VI. Tax policy

26) The proper function of a tax system is not only to generate the revenues needed for the functioning of the government, but also to encourage those categories of activity that benefit the general welfare of the nation, at the same time that those that are provably harmful are discouraged.

The most effective method for increasing tax revenues is to foster the increase of capital-intensive, technologically progressive employment of the workforce, which augments the net physical output produced per capita, generating grow-

ing rates of real income of the population and of enterprises from which tax revenues are derived.

Tax advantages shall be granted for income and profits which are reinvested in the indicated, productive manner; while relatively high taxes shall be imposed on speculative and purely parasitical forms of incomes, such as those gained from mere resale of nominal assets (paper holdings) without physical improvements.

The government shall conduct a review of tax laws and procedures with a view toward bringing them into efficient agreement with the principles summarized above.

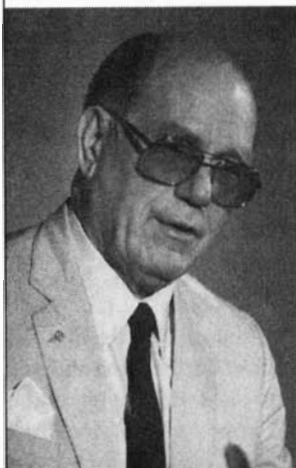
Final considerations

These are the means available to the government to achieve sufficiency and progress in our nation's manufactures and agriculture. Our goal is to save, at all costs, national production from the sure suicide which threatens it through the application of IMF policies. Our movement is committed to awakening the community of interests of all Mexicans, which are those which produce national vitality.

We do not want sterile protests, nor revolts, nor insurrections.

The people of Mexico, by divine law, by natural law, and by the law of nations, have the right to free themselves from usury.

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