Schachtian Law Targetting Pensions and Social Security Approved in Mexico

by Benjamín Castro Guzmán

The ghost of Hitler's central banker Hjalmar Schacht walked the halls of the Mexican Congress in July and August, thanks to the efforts of the Vicente Fox government. Always quick to comply with the wishes of international bankers, the Fox government and its allies in the opposition PRI party presented two bills to the Congress that, together, exemplify the fascist essence of Schachtian policy—destruction of the physical economy and living standard of the productive labor force through fiscal austerity and, somehow or other, prop up the speculative bubble.

On Aug. 4, a majority of 82-23 in the Senate approved reforms to the Social Security (IMSS) Law of Mexico. Modification of Articles 227D and 286K of that law had already been approved a few days earlier by a similar majority of federal deputies in the lower house. Those majorities were made up of PAN deputies and senators loyal to the Fox government, as well as of some PRI deputies and senators, including Federal Deputy and former Governor of Sonora state Manlio Fabio Beltrones, the financial oligarchy's latest disposable instrument for this operation.

The new law breaks the collective contract established between the IMSS workers' union and that institution, and leaves all new workers hired by the IMSS without pensions. Under the argument that the IMSS's budget cannot meet both the current cost of providing medical attention to subscribers as well as the pensions of retired IMSS workers—and there is a concerted media campaign under way to divide the union from the population, using that lie—the new law takes a giant step in the direction of eliminating pensions altogether. It will oblige IMSS retirees to beg a special allocation from the federal government each year, to cover their pension needs. In effect, it will turn pensions into a "contingency" expense, which in reality will simply disappear under pressure from the International Monetary Fund (IMF) and the international banks to impose across-the-board fiscal austerity.

Bankers: Debt Not 'Contingent'

Compare this bill with another that the Fox government and the bankers also presented at the same time to the Mexican Congress. That bill deals with the debt of the Institute for Protection of Bank Savings (IPAB)—government debt stemming from the 1995 bank bailout, through the Fobaproa agency created for that purpose—which adds up to more than $100 billion. Mexico's banks—82% of which are today controlled by foreign banks—insist that that debt, which in itself is largely illegitimate, should no longer be considered "contingent," that is, subject to the changes of annual budgetary allocations by the Congress, and that it instead be incorporated formally as part of the official public debt.

Here, in a nutshell, is Shachtian policy, giving priority to the financial bubble and to debt payment. The left-over crumbs, if there are any, will be distributed to an increasingly desperate labor force. The debt is sacrosanct; human life is "contingent."

There are forces in Mexico that fiercely oppose this fascist offensive by President Fox. The IMSS union, some of its trade union allies, and various political groups are organizing for Aug. 31 demonstrations against the new law. One of the loudest voices has been that of PRI Senator Manuel Bartlett, who has charged that, with the approval of the reform, they have done away with "the first social constitution of this century, the 1917 Constitution" of Mexico.

But no one, other than activists of the LaRouche Youth Movement in Mexico, has explained the international roots of this assault on Mexico, nor the programmatic solution to the IMSS's bankruptcy, which is the creation of millions of new jobs. This requires the implementation of Lyndon LaRouche's program for the joint U.S.-Mexico development of the Great American Desert, with major infrastructure projects.

The fact is that the new Mexican law, dictated by Wall Street's bankers, is part of a continental, and worldwide, offensive by these financiers to shore up their unpayable financial bubble. As a writer for the *Los Angeles Times* confessed, in his report on the new Mexican law, "overhauling government pension programs has taken on new urgency throughout Latin America, where weak economies and poor tax collection have created unsustainable financial burdens." The article cites Olivia S. Mitchell, a University of Pennsylvania Wharton School "expert" on pensions: "Public pension reform is an absolute necessity in much of Latin America. . . . The private sector has already taken the bitter pill. Asking the public sector to share more of the burden seems not only reasonable, but inevitable."

Inside the country, President Fox—emboldened by what he sees as his first triumph in the Congress, and perhaps his only one as President—immediately demanded still more reforms: fiscal, energy, and others. "There are many more steps to take," he insisted, threatening in Grand Inquisitor style that "the names of the deputies and senators who opposed [the IMSS reform bill] are well known," a reference to figures such as Senators Bartlett, Laura Alicia Garza, and Carlos Rojas—all from the PRI and all opponents of the new law.

Offensive Just Getting Started

In fact, the government's offensive against the Mexican pension system has only just begun. The new reform of the IMSS law only exempts the IMSS from having to contribute money to the pension funds for *new* workers hired in the future—these workers will pay their own pensions. Although the reform won't reduce pension outlays dramatically in the short term, it establishes a key precedent. To try to cut costs immediately, according to various media commentators, the government will next move to proclaim an "economic conflict"—i.e., a legal statement of economic insolvency—before the Conciliation and Arbitration Council, to be able to demand there a modification of the existing collective labor contract, and thereby strip pensions from current workers as well.

This intent was aired publicly on Aug. 8 by IMSS spokesman Roberto Calleja, who stated that the IMSS reform will be useless until it also involves a "modification of the collective labor contract," under which workers and their union would cede some of the benefits they currently enjoy. According to Calleja, the reforms to the IMSS law already approved "are not sufficient."

At the same time, President Fox's Counselor for Public Policy Eduardo Sojo declared his satisfaction with the reforms to the IMSS law, and announced that the government would be pushing for similar reforms to the pension systems of the state oil company Pemex; the Federal Electricity Commission (CFE); the public universities; public, state, and municipal governments; etc.

According to those who defended the IMSS reform, such as PRI Senator Genaro Borrego, who headed up that institution during the Carlos Salinas de Gortari and Ernesto Zedillo administrations, the cause of IMSS bankruptcy and its problems is "demographic changes" in the country. According to Borrego, the fact that people are now longer-lived in Mexico—more than 65 years—makes it "more costly" to attend to people in their "third age." According to these Malthusian and Schachtian arguments, people of that age suffer so-called "chronic degenerative" diseases whose treatment is long term and costly, and therefore that is where cutbacks must be implemented.

In reality, the cause of IMSS insolvency is the collapse of the Mexican physical economy itself. PRD Congressman Ricardo García Sáenz, who headed the IMSS during the Miguel de la Madrid government (1982-88), refuted Borrego's Malthusian argument in an article in the Aug. 10 edition of *La Jornada,* in which he explained that the IMSS is bankrupt because of "a decline of the real value of wages to one-fourth that in 1892 . . . and because of the failure to generate jobs." In other words, there are fewer workers contributing to the IMSS and also less is being contributed because of the collapse of the economy, especially since the financial crash of 1995. García Sáenz also explained that the "justification" for the 1997 reforms that created a parallel regime of private pensions, or AFORES, was precisely the "insufficiency of payments" made into the IMSS system. In addition, the government owes the IMSS some 50 billion pesos (more than $4.5 billion), which it has refused to pay, some say in order to intentionally bring on the IMSS's bankruptcy and subsequent privatization.

The Problem of Leadership

According to many analysts and observers of Mexican politics, the new law was cooked up through a pact between President Fox and the national leader of the opposition PRI, Roberto Madrazo, so that the investigation of former President Luis Echeverría Alvarez—who governed Mexico from 1970-1976—and the charge of genocide against him, would be suspended. And so it was that the law passed, first by the Chamber of Deputies and later by the Senate, with the support of the PRI.

Other observers maintain that with this action, PRI leader Madrazo sought to prove to business and financial circles both within and outside Mexico, that the PRI has the ability to promote and impose the reforms that they are demanding. Madrazo had been promoting the IMSS reform from the beginning, arguing that the IMSS had reached a "financial limit," and that the reform's approval was unpostponable.

The IMSS union and its leader, Roberto Vega Galinda, decided to break off negotiations with the IMSS board and with the government on Aug. 9. They announced a strike for Oct. 16, alleging violations of the collective labor contract and wage issues. The IMSS union has been conducting mobilizations, scaled strikes, and highway and street blockades throughout the country, and it has called for a "collective sick-in" on Sept. 1, in effect a national strike. The union will also hold a "national march" on Aug. 31. The IMSS union has received the active support of the National Workers Union (UNT), which includes the unions of telephone, electricity, and university workers, various teacher federations, and others. But it has not been backed by organizations linked to the Mexican Labor Congress (CTM) and its leader Leonardo Rodríguez Alcaine, which back the Fox government.

There is growing popular support for the IMSS union, but there are also dangers in sight. One is that the "anarchist left" could provoke the union into taking illegal actions that could be used by Fox to justify repression. Another important problem is the IMSS labor leaders' narrow trade unionist view. At no time have Vega Galina and his collaborators attempted to extend their polemic beyond a strictly trade union focus. They have even proposed their own form of austerity and sacrifice to the workers, offering longer hours and up to 10% of the workers' wages to sustain the pension fund.

The views of certain sectors that are backing the IMSS trade union are not so narrow. For example, among senators and deputies in various political parties, members of the UNT, and in the IMSS trade union itself, there are some who have managed, albeit defensively, to identify the real culprit, by noting that the blame lies with the government bailout of Fobaproa, the foreign and domestic debt, and, above all, in the "neo-liberal, privatizing model" that has paralyzed the Mexican economy and destroyed jobs.

Classic Tragedy Today

The Decline of The Monterrey Group

by Benjamín Castro Guzmán

In the early morning hours of Saturday, July 24, Don Eugenio Clariond Garza, the 85-year-old founder of the group Industrias Monterrey S.A. de CV, better known as IMSA, died of what the Mexican media described as "an illness." However, no one missed the fact that Don Eugenio's death occurred just four days after local and national newspapers announced the sale of Enermex—manufacturer of the popular LTH car battery—a company Don Eugenio founded in 1947, a key part of the IMSA consortium. The battery company—one of the main sources of liquidity for the consortium—was sold for $525 million to its "partner," Johnson Control, which already held 49% of its stocks. According to Eugenio Clariond, Jr., Enermex was sold for the purpose of reducing IMSA's debt from $731 million to $200 million. The $525 million from the sale went to pay that debt.

The local daily *El Norte* announced the operation on page one of its July 20 edition, under the headline: "IMSA Left Without Batteries . . ." Four days later, the man who had founded the company more than a half century ago, died.

On July 26 and 27, details appeared in the local newspapers. All the coverage spoke about Don Eugenio as "a visionary" or as "the forefather of Mexican business," and "founder of the steel industry in Mexico." There were other reports too, which spoke about the relationships and connections of Don Eugenio and his entire family, especially those of his son Eugenio, who headed up the family business. They spoke of Bank of America, Bank of Boston, and of the house of Rothschild, not forgetting JP Morgan, which served as the middleman for the family's operations abroad. All expressed their condolences to the family of their "client."

There was a message of condolence from BBV-Argentaria, the Spanish bank which swallowed up Bancomer, for which Eugenio, Jr. still serves as an "advisor," together with other important Monterrey businessmen who today only "control" 2-3% of that bank's assets, ever since BBV-Argentina bought the remaining 49% of the bank's assets in 2002. Bancomer had been given to the region's businessmen by then-President Carlos Salinas de Gortari, during the orgy of bank privatizations in the 1990s.

Harakiri, Mexican-Style

The history of the Monterrey Group is a classic case of a business elite which has disappeared because it clung irrationally to the axioms of free trade and globalization which, under today's conditions of global financial disintegration, led to their own destruction. This is the history of a collective *harakiri,* Mexican-style.

Don Eugenio Clariond Garza was the president in the 1980s of the Mexican Businessmen's Council, a group made up of only 34 members of the Mexican oligarchy. This exclusive body was also headed by his son, Eugenio Clariond Reyes-Retana, who in addition headed the Business Coordinating Council, the highest body of Mexican business associations, as well as other business organizations in the state of Nuevo Leon. In his numerous positions, Clariond Reyes-Retana distinguished himself as a fierce proponent of the "dollarization" of Mexico. He frequently would say that "the peso is not even good for tips." He was, and is, a great promoter of the ideas of globalization, free trade, and, of course, a great critic of state intervention in the economy, which he calls excessive regulation.

In 2002, this writer had the opportunity to talk at length with Clariond Reyes-Retana at IMSA's corporate offices, along with Nevada State Sen. Joe Neal (D), and Paul Gallager of *EIR.* The subject was California's energy crisis, and the policies of Enron and other members of the Houston energy cartel. Clariond defended Enron, for doing "good business," and argued that they should come to Nuevo Leon to lower energy prices. Enron then went bankrupt in the midst of a huge scandal, exactly as we had warned him. He never understood.

The leading figures of the so-called Monterrey Group, such as Clariond Reyes-Retana, were all educated in some U.S. university or other, whether it be MIT, Georgetown, Yale, or Stanford. They were also all doctrinally "reinforced" by frequent degrees and courses at the Panamerican Business Institute (IPADE), and shared the same dogmatic ideas of globalization and contempt for national sovereignty and eco-