

## Dateline Mexico by Josefina Menendez

### The Wharton model: consumer fraud

*Lawrence Klein reveals the subjective side of Wharton's famed Mexico model.*

**I**t hardly jibed with the image of precision economic forecasting that econometrics has gained over the years. The founder of this most quantitative branch of economic science, Lawrence Klein, was speaking to the Mexican magazine *Proceso* last week, just days after receiving this year's Nobel Prize for Economics.

"In an economy that develops rapidly, every day there are more cases of conspicuous consumption. People become divided, jealousy is unleashed. Every citizen, even the poorest, thinks he should progress rapidly, like the country, since the country is rich," Klein told the interviewer.

"Then the citizen becomes disillusioned. People take to the streets. They scream their demands. . . . Corruption at the different social levels ends up generating revolutionary movements. If the pauperized groups don't ascend rapidly in Mexico, it runs the risk of an outcome like Iran."

In the mouth of a neophyte sociology student, flush with the discovery of the "Law of Rising Expectations," such a facile and incompetent equation of "rapid growth" with "Iranization" might be excused.

But from the redoubtable Nobel-winner Lawrence Klein, it was a different story. His obsession with Iran—the *Proceso* interviewer notes that the theme "seemed like a bird which circled within Klein's mind"—has already intensified

suspicious here that his Wharton Econometric Forecasting Associates quarterly model for Mexico, called Diemex, is something other than the objective instrument it pretends to be. Is the infelicitous name for the Mexican model really so inadvertent, people are wondering.

Diemex counts among its clients many leading Mexican governmental and private sector institutions, as well as U.S. multinationals in Mexico. Much of its method was adopted in the projections for Mexico's central planning document, known as the Plan Global de Desarrollo.

What further concerns serious economists and planners here is that Klein's comments coincide with a growing rumor campaign inside Mexico to the effect that the country will be hit with a major economic and political crisis in early 1981.

For example, one of the four members of the Mont Pelerin Society, the international association of economists who advocate Friedman-style anti-growth policies, told us that by March of 1981 a combination of economic and political crises will virtually collapse Mexico as a nation. "It will be worse than the 1968 student riots," he forecast, and will shake the López Portillo administration profoundly.

Klein has markedly similar views on the Mexican presidency and how crises can affect it. He told *Proceso* that "Mexico depends on just one man. It can have stability

for six years, and six years, not. Cyclical instability could stop growth at some historic moment. Collapse would then ensue."

Though Klein attempts to differentiate himself from Mont Pelerin's leading U.S. ideologue, Milton Friedman, some see merely a division of labor in the same anti-industrial growth cause.

For instance, Wharton customarily eschews the kind of frenzied attacks on the Mexican state sector which characterize such Mont Pelerin spokesmen as Luis Pazos, writer in the magazine *Impacto*. But Wharton's well-noted fixation on the devaluation question—it has long insisted a new devaluation of the peso is imperative, and went so far as to construct one of its latest models on the assumption that a devaluation can be forced before the end of 1980—is indistinguishable from Mont Pelerin's arguments on this score.

There is fortunately evidence that prolonged exposure to Klein's brand of sociometrics results in eventual awareness on the part of the intended victim that he has in fact been taken in by a fraud.

I learned this week, for example, that many of the trustees of Wharton's parent institution, the University of Pennsylvania, were outraged when Klein won the Nobel prize for economics.

"The man can't even run his own school," one trustee confided. "He has indebted it time and again, like a profligate Third World nation, and time and again we have had to bail him out." The trustee explained that Klein was losing the school enrollment, and that they were planning to ease him out of his post—until the Nobel Committee came along and fouled it up.