

Dateline Mexico by Josefina Menéndez

Borrowing just to eat

Just when the central bank cancels all loans for investment, it is proposed that workers borrow to buy food!

After four years of rule, in effect, by the International Monetary Fund, and constantly refurbished IMF prescriptions for the Mexican economy, Mexico is heading into a situation of "Fourth World" poverty and starvation. The actual outlook belies the illusions which many gullible businessmen accepted, when Mexico was strong-armed in December into joining GATT (General Agreement on Tariffs and Trade), an IMF-linked supranational entity, and told that the economy would revive from its death throes, supposedly because productivity would become more efficient and the "competitiveness of our products in the international market" would be stimulated.

The central bank, headed by a well-known follower of Milton Friedman, Gabriel Mancera, decided in December that "we must once again reverse the inflationary process, by eliminating the excessive liquidity of the last few months." Therefore, together with the Mexican Banking Association, the central bank decided "not to increase in December its portfolio of loans and stocks above the level reached on Oct. 31." In other words, loans to investors (which only a handful of businessmen have dared to apply for in this period) will be canceled, and according to financial sources, will be kept to a minimum, at least until the end of the first quarter of 1986.

This credit tightening in reality has been operating since 1985; according to the Bank of Mexico, the trends in credit during this year went down by

18.5% from the levels of 1984—from 1.84 billion pesos to 1.5 billion pesos—while in real terms, the drop was by 82.3%.

The shock of the latest decision was so great that some businessmen, who do not wish to be publicly named, have stated that this decision will force them to close plants or cut back the number of employees.

This dramatic reality is even more heart-rending in Mexican agriculture. The National Bank of Mexico recently published a study on the actual spending by the secretary of agriculture and water resources, where he suggests that the official budget earmarked for the agricultural area this year will be lower than that of the last 13 years; that is, it is the lowest budget authorized since 1973.

In real terms, 5 billion pesos would be destined for the countryside, at 1973 prices, which means the lowest contribution of the federal government to the agricultural sector. Prior to 1981, when the agriculture budget peaked, it had steadily risen since 1973. Now this budget is going downhill, to such an extent that in 1982 it was barely 17 billion pesos; in 1983 it was 10.9 billion pesos; in 1984 it fell to 10 billion, and for 1985 was only 7 billion pesos. In other words, from 1981 to the present, real spending fell by 75%.

As far as beef is concerned, it is predicted that because of the crisis there will be a reduction of between 700,000 and 900,000 tons of food imports. And industrial growth in the food-processing sector is calculated for

1985 to be less than 1.1%.

Clearly, the outlook is not uncertain—it is downright terrifying. Not only will there be no credit to produce raw materials (we have not even mentioned manufactured products), but there will be no food—purely as a result of a decision of the budget secretary, the treasury secretary, and the Bank of Mexico.

In the midst of all this, as an alleged relief measure for the working class, the National Fund for Workers Consumption (Fonacot) announced that it will extend loans to workers so they can buy basic consumer goods, i.e., food. Fonacot was originally set up as a credit institution for funding infrastructure; but given the dramatic drop in food consumption capacity, it has now proposed the granting of loans of between 10,000 and 70,000 pesos, payable in six months, to buy rice, beans, milk, sugar, and other staples.

The leadership of the working class is, understandably, outraged. The senator who speaks for the Mexican Confederation of Labor (CTM), Filiberto Viguera Lázaro declared that this is unconstitutional, since the Mexican Constitution establishes that the minimum wage must be able to cover such necessities. "Everything has a limit, and we workers are reaching ours," stated Sen. Viguera Lázaro, who is a member of the ruling PRI party.

What the senator forgot to say is that the purchase of staples may not be able to be resolved in the medium term, even with loans. This will put Mexico in a situation like that of Weimar Germany in the 1920s, the period immediately before Adolf Hitler came to power in 1933—when he was imposed on that country by the same oligarchical interests that today decide on the extermination of entire populations.