
ECONOMICS

A renewed assault against the peso

by Timothy Rush

The *Wall Street Journal* doesn't hold back when it goes peso-bashing. Last summer it did more than any other newspaper to spark a wave of flight capital and a run on the peso with an early-July article proclaiming a big peso devaluation virtually assured. As its principal sources, *EIR* revealed at the time, it cited Chicago speculators who stood to make a bundle if such a devaluation occurred at that time.

For its Jan. 28, 1982 re-run of the same operation, the *Journal* deemed it expedient to cite domestic Mexican sources, though from the most wild-eyed, Mont Pelerin wing of Mexican monetarism, to attempt to build the same psychological stampede.

"Mexican officials say the peso will slide 15 percent to 18 percent against other currencies this year. A lot of other people think different," pronounced the *Journal*. Buried at the end of the article, after a series of calls for either a 30-percent slide or a slide combined with a large one-bound devaluation, was a review of the reasons why in fact a sharp devaluation would not help the economy, but harm it.

A frank statement of intent concluded the article: "Just as a devaluation followed the election of President José López Portillo in 1976, so it may happen after this July's election, people say. And even if there isn't any truth to such talk, its psychological effect may force the government's hand soon after the July election."

This is precisely the timetable mapped out in the closed-door sessions of the Atalaya meeting in Guadalajara on Jan. 14-17, and the estimate slipped to selected U.S. corporate officials with investments in Mexico at the private meeting of the Rockefellers' Council of the Americas in Washington, D.C. on Jan. 20.

Last July, López Portillo faced down the speculators and capital-flight specialists with a pair of back-to-back press conferences which branded the international press campaign at the time "information terrorism," and those Mexicans who took currency out of the country, traitors to the nation and its posterity. At that time the peso stood at 25 to the dollar, after having begun a slide from 22 to the dollar eight months before. Today the peso is



The slack in oil prices is one pretext for devaluation pressure.

nearing 28 to the dollar.

This time the conspirators against the peso are counting on the high international interest rates and weakening oil prices since last summer to push the operation through to conclusion. Though López Portillo has repeatedly stated that he's willing to permit some peso decline, he's drawn the line on a big, one-shot drop. The reasons: it would drive into bankruptcy many private-sector companies highly leveraged on dollar debt; bring demands for a compensatory, large-scale wage increase at home; and through higher costs for wages, imports, and debt repayment, unleash a new burst of inflation.

Flight capital

The *Washington Post* puts 1981 flight capital loss at \$4 billion, or equal to the worst of the 1976 flight-capital operations. Most of this reportedly went into Texas and California real estate. The *Wall Street Journal* says \$6 billion. Raul Tamayo, president of the Guadalajara-based Actibanco, put it at \$9 billion in a Feb. 1 interview. The actual figure is likely to be at the lower end of this spectrum, though on the increase. The higher estimates are viewed by experts as exaggerated for psychological warfare reasons.

But in some ways more serious is the step-up in "dollarization," whereby increasing portions of domestic banking operations are conducted in dollars even when the transaction takes place wholly within Mexico. This undermines one of the elements of Mexican sovereignty in economic matters: control of its own credit and currency.

Emerging from the Atalaya meeting on Jan. 18, banker Rolando Vega of the Confia Bank called upon all Mexican private companies with dollar debts abroad—the large majority of big firms—to keep their company accounts "as liquid as possible"—in dollars.

There are insistent reports that forces in the Banco de México are complicit with this arrangement. The Banco de México bears something of the same relationship to Mexico's elected government as the Federal Reserve to the United States: it is a bastion of monetarism which has consistently defended a high interest-rate regime and downplayed the problems of "dollarization."

A January study by the Banpaís bank noted approvingly that the Banco de México "gains liquidity for itself" by keeping higher reserve requirements for dollars than for pesos. There are preliminary indications that some government credit entities themselves are beginning to lend to the private sector and other government entities in dollars. Banpaís brazenly stated on Jan. 28 that because of the flight of capital, "the only thing saving investment is high interest rates." These encourage "those who still have confidence in Mexico," declared these paragons of nationalist sentiment.

PROFILE

Who's who in the political reform

by Timothy Rush

The following three parties, all of whose activities have been given unusually prominent press treatment under the provisions of Mexico's new political reform laws, are in the forefront of the current manipulations to tear down the PRI and make Mexico ungovernable.

The PAN

"If the people get tired of injustices and arbitrariness, and choose violence as their only way out of their problems, we have no right to oppose it or to permit others to oppose it. I personally am a pacifist, but if there is no other route than armed struggle, we cannot stop that."

This is José Angel Conchello speaking, leading ideologue of the "rightist" National Action Party (PAN), on tour in late January with 1982 PAN presidential candidate Pablo Emilio Madero at his side.

The PAN party is campaigning in the current elections with the same "progressive fascist" profile that it boasted of at its founding in 1939. The party became as the Mexican branch of the Falangist International then being established through parties of similar names in most major capitals of the continent. The same Conchello who egged on the crowds in Yucatán to violence, in 1976 declared himself an open advocate of the policies of Hitler's Finance Minister, Hjalmar Schacht.

The PAN's particular function today is to whip up middle-class discontent with the government and unleash "pots-and-pans"-style protest reminiscent of the street marches by Chilean "housewives" prior to the installation of Pinochet in Chile in 1973. This is the character of the PAN's protests in the northern state of Coahuila after recent municipal elections. After losing the elections, the PAN called for boycotting auto license-plate renewals—hardly a measure within reach of the state's workers and peasants—as the start of a series of actions they hope would lead to a full-fledged civic strike.

In Mexico City, the PAN is distributing leaflets