Mexico's economic model: how to destroy a nation

by Dennis Small

Since the Berlin Wall came down in 1989, the formerly communist nations of central and eastern Europe have each been driven to adopt "free market" economic reforms, as the Anglo-American establishment's precondition for "joining the West." In Russia, as the policies of the International Monetary Fund (IMF) have shattered industrial capabilities, driven prices into the stratosphere, and plunged 90% of the population below the poverty line, anxious Russian policymakers have been told by Washington and London: Just hang on, there will be light at the end of the tunnel. Eventually, market liberalization will succeed in Russia, *just as it has in Mexico.*

In Poland, the same liberal economic doctrine was successfully retailed by the Harvard punk economist Jeffrey Sachs, with full backing from Wall Street and Washington. Today, as a result, more than 50% of the nation's productive capacity has been destroyed, and half the labor force is unemployed. No matter, Sachs and the bankers tell the enraged Polish population: If you persevere, you will achieve growth, *just like Mexico did* when it adopted these policies.

Halfway around the globe, the government of Daniel arap Moi in Kenya announced that it would no longer apply IMF policies, charging they would lead to the country's dissolution. How dare you rebel against proven orthodoxy? the creditor banks, and the Anglo-American media protest. *The case of Mexico shows that these policies work.*

Throughout the world, Mexico has become a symbol for economic change that is held up by the IMF and the Anglo-American financial community as the model for other nations to follow. Typical is a "Trade Policy Review" of Mexico, to be issued shortly by the Secretariat of the United Nations General Agreement on Tariffs and Trade (GATT) in Geneva, whose official 20-page "Summary Observations" gives rave reviews for what has happened in Mexico since the early 1980s. The advance GATT press release gushes over the "reforms taken unilaterally" by Mexico that have liberalized trade, sold off state-run enterprises, and otherwise made things comfortable for bankers.

A shanty town in Tijuana, near the U.S.-Mexican border. Such is the real face of the Mexican "economic miracle."

But special praise is reserved for Mexico's actions taken since December 1988, when the Harvard-trained Carlos Salinas de Gortari assumed the presidency of Mexico. From that time forward, Mexico's free market reforms, trade liberalization, privatization, internal austerity, and free trade zones such as NAFTA (the North American Free Trade Agreement among the U.S., Canada, and Mexico), have become the example that the banks would have every nation emulate. Just look at Mexico's "growth," they insist. In the United States, the hype is so great that communities are induced to fear that the great Mexican "economic boom" is stealing American jobs by the millions. Ross Perot recently told Congress, "Listen, you can hear the hissing of Mexico sucking up U.S. jobs."

Yet *none* of the commonly reported representations about Mexico is true. In reality, over the past decade Mexico has endured a breakdown in its physical output and infrastructure, to the point of unprecedented hardship and suffering in the population—all in order to meet its foreign debt payments. Half the labor force is effectively unemployed; food consumption has dropped by 30% per capita over the decade; and the all-important manufacturing sector is also *shrinking*. If the NAFTA accord is finalized and implemented, as Wall Street is demanding, then this destruction can be expected to accelerate.

As for Mexico supposedly "stealing" American jobs, the facts tell the true story. Over the last four years, from 1988 to 1992, the United States has indeed lost 1,252,000 manufacturing jobs, according to the Bureau of Labor Statistics. But did they flee to Mexico? Mexican employment in manufacturing rose in this period by a pathetic 82,000—less than 7% of the total lost in the United States! And if one looks at the longer period from 1981 to the present, the U.S. lost a total of 1,980,000 manufacturing jobs, while during this period Mexico *also* lost jobs in manufacturing—105,000 of them.

The fact of the matter is that, under "free market" economic policies, the economies of *both* the United States and Mexico have been destroyed. If these policies are continued under NAFTA, both economies will suffer the consequences.

Who has gained from the "Mexican model"? The special banking interests that have been able to continue looting Mexico through foreign debt payments. Over $100 billion in interest payments on the foreign debt were sent out of the country over the last decade—a tidy sum for the cash-strapped banks of Wall Street and the City of London. But in the medium term, not even these banking interests stand to gain, as our civilization—bankers included—is destroyed as a result of their increasingly psychotic efforts to maintain the biggest worldwide speculative bubble in history.

As the following study documents in detail, not only has Mexico's physical economy been looted to the point of collapse, but the figures show that even the final phase of bankers' speculative gain has been reached, and a financial blow-out is imminent. Other Ibero-American economies that have followed similar regimens, such as Argentina and Brazil, are also rapidly approaching a blowout phase, for much the same reasons explained for the Mexican case below.

In short, the charade about the "Mexican success story" is about to end. Will the nations of eastern Europe, of Ibero-America, and of the rest of the Third World wake up in time?