The 'Mexican economic model,' Wall Street's new Potemkin Village

by Peter Rush, Carlos Cota, and Dennis Small

In the 1930s, Soviet dictator Josef Stalin ran a public relations hoax known as the "Potemkin Village," an artificial town outside of Moscow in which everyone seemed to live comfortably, and which all visiting foreign dignitaries and journalists were duly shown, while being told that this was typical of the "new Russia." Behind this Hollywood-style facade, of course, lay the unimaginable brutality of Stalin's Russia, with mass starvation, millions in forced labor, and most people living in poverty.

Tearing a page from Stalin's notebook, the World Bank and International Monetary Fund (IMF), the leading international banks, and the world's financial press are today pushing a new "Potemkin Village" hoax, this time on the scale of an entire country, known as the "Mexican model" of economic development. According to the myth-makers, the "new Mexico," under the leadership of Harvard-trained President Carlos Salinas de Gortari, has conquered inflation, has junked a 70-year-old tradition of the state running large portions of the economy, and has embarked on a trajectory of steady growth that the rest of Ibero-America, not to mention eastern Europe, should emulate. Mexico now pays its debts, has embraced the "free market," and has made the economic "reforms" demanded of it, opening up its country to unrestricted imports of goods and capital ("free trade") and unrestricted repatriation of profits back out of the country. This, it is claimed, proves that liberal economics works, and that Mexico is a blueprint for success that all nations must follow.

All of this has been done—the argument goes—to pave the way for the North American Free Trade Agreement (NAFTA) between the United States, Canada, and Mexico, which will consolidate these free-market reforms through international treaty agreement. NAFTA is thus also the model for all other nations to follow.

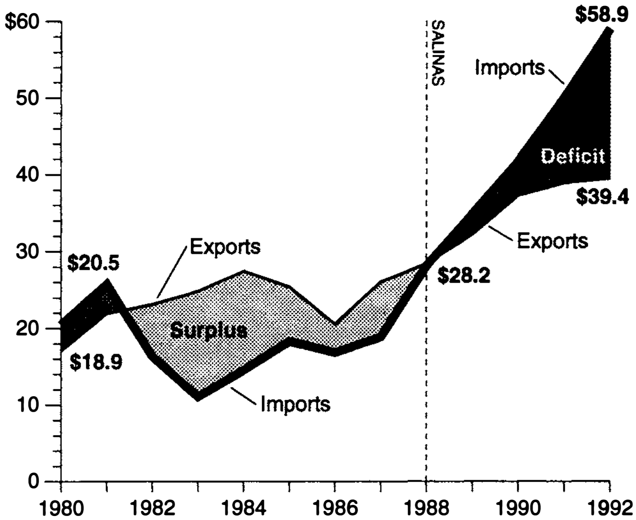
But the "Mexico model" is a fiasco. Behind the facade live 90 million Mexicans arguably poorer than the average Russian of 1935. A large majority of Mexicans earn less than half what they did ten years ago, while average Mexican food intake has plummeted 30% over the same period. More than 50% of the work force is effectively unemployed, and the ranks of the unemployed are growing by nearly 1 million a year. Statistics for health care and education reveal a social holocaust in the making, with endemic malnutrition affecting a majority of children, and diseases running rampant. Education is collapsing.

Far from being a model of a successful economy, the real "Mexico model" is a model for surrendering economic sovereignty to the United States. President Salinas, who took office in December 1988, acceded to a North American Free Trade Agreement, which represents the virtual economic absorption of Mexico into the U.S. economy, to the detriment of jobs and wages on both sides of the border—but to the benefit of the Wall Street bankers who are behind the project. As charged in a *Special Report* on NAFTA published by *EIR* two years ago ("Auschwitz Below the Border," May 1, 1991), the purpose of NAFTA all along was to lock Mexico into Salinas's reforms, which have given free rein for foreign banks and multinational companies to exploit Mexico's dirt-cheap labor force, buy up its banks, and make a speculative killing by looting what remains of its financial system—all for the purpose of collecting religiously on Mexico's gigantic foreign debt. In the process, the Mexican economy is being converted into one giant *maquiladora* plant—the in-bond assembly plants that employ cheap Mexican labor to produce manufacturing items for re-export to the United States. NAFTA is intended to encrust in a treaty obligation these anti-nationalist changes, in hopes of preventing forever any return to economic nationalism and protectionism in Mexico. That the Mexican economy and people are casualties of this process is of no apparent concern to the IMF, World Bank, the international financial community, nor indeed to President Salinas himself.

The disaster of 'free trade'

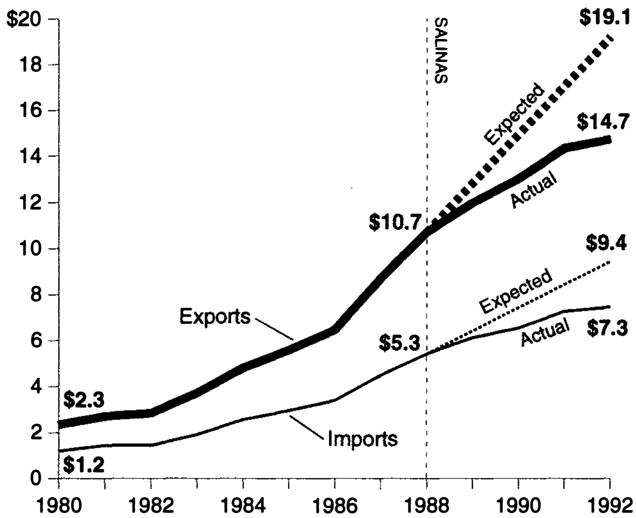
The IMF's "Potemkin country" is about to come unglued. While the halving of living standards has not yet created a social explosion of the sort seen in other Ibero-American nations such as Venezuela and Brazil, the other consequence of adopting free trade policies—an enormous annual trade deficit unprecedented in Mexican history—is poised to blow out the Mexican financial system in the near future. Even some of Wall Street's die-hard pollyannas such as Moody's have finally been forced to recognize how precarious the Mexican financial system is. In fact, it is poised for a descent

FIGURE 1
Mexico's balance of trade
(billions $)



Sources: Banco de México, U.S. Commerce Department, *EIR* adjustments.

FIGURE 2
Maquiladora trade
(billions $)



Source: Banco de México.

into an abyss of economic and social chaos that will make the early 1980s debt crisis seem like economic tranquillity.

The most dramatic measure of the unavoidable crisis—which is the lawful outcome of "free trade"—is the unsustainable and growing trade deficit. In 1992, Mexico imported nearly $20 billion more than it exported (see **Figure 1**). It now pays for less than two-thirds of its imports with revenues from exports.

In the Great Debt Crisis of late 1982, the banks suddenly stopped lending to Mexico, and in a matter of months, Mexico ran out of money to buy imports. From 1981 to 1983, imports dropped 64%—from $23.95 billion to $8.55 billion, if one follows official practice and doesn't count imports for the *maquiladora* sector, or 57%, from $25.55 billion to $11.04 billion, if one includes *maquiladora* imports. Mexico not only could no longer borrow to finance its modest trade deficit of that year; it ceased being able to borrow to pay the interest on its $85 billion foreign debt, which hit a high of $11 billion in 1982. And so the inevitable happened: No money and no credit equals no imports, for lack of financing for them.

Under President Miguel de la Madrid (1982-88), Mexico first joined the General Agreement on Trade and Tariffs (GATT) in 1986, and then immediately and unilaterally began to dramatically lower Mexico's traditional high tariffs. The results were immediate, as can be seen in Figure 1: Mexican imports soared beginning in 1987, and have continued to grow at the same rate every year since, during the Salinas administration, which came in at the end of 1988, as indicated by the vertical line in Figure 1. From 1987-92, Mexico's total imports rose at an annual rate of 25.6%, three times faster than exports, which rose at only an 8.7% annual rate. By 1989, Mexico's balance of trade was negative, and the deficit has now widened to about $20 billion as of December 1992 (exact final figures are not yet available).

What happened? On the import side, cheap manufactured goods from the United States, Europe, and Japan have flooded into Mexico, destroying thousands of Mexican manufacturing companies that used to produce for the domestic market, which were forced out of business.

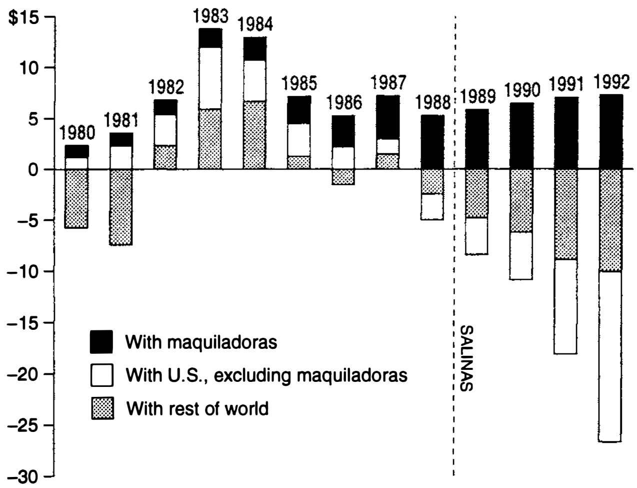
On the export side, a certain number of Mexican firms geared up for exports, only to find that very limited growth was possible. Even before the U.S. and world depression of the past two years, Mexican exports rose only slowly, and with the U.S. crisis, growth has now ground to a halt. It should be noted that between two-thirds and three-fourths of Mexico's foreign trade is conducted with the United States. In nominal value, and excluding exports of the *maquiladora* factories, exports grew at less than 4% a year since 1990, and only 1.5% in 1992. Adjusted for inflation, exports have grown barely 3% a year in physical volume since 1987, and not at all in the last two years.

What little export growth there has been since 1987, has been due to the *maquiladora* sector, as shown in **Figure 2.** This sector comprises those factories, mostly located near the U.S. border, which import 100% of their parts from the United States, and re-export the entirety of the finished products back to the United States, paying no

FIGURE 3

Sources of Mexico's trade surplus

(billions $)



Sources: Banco de México, U.S. Commerce Department, *EIR* elaboration.

tariffs on the imported component.

But even this sector has grown at a far slower pace than originally hoped for by the NAFTA promoters, as can be seen by the difference between the "expected" and "actual" export and import curves in Figure 2. Since November 1992, things have gotten worse, as *maquiladoras* have begun laying off workers, while construction on new plants has been suspended, as the U.S. depression destroys the export market for these goods.

It is useful to separate out *maquiladora* from ordinary trade, since they have very different impacts on the Mexican economy. Other than the money received in wages by workers in *maquiladora* plants (and they are so low that this factor is almost negligible), this sector's only impact on the Mexican economy is the trade surplus the sector always generates. Otherwise, the sector doesn't interface with the rest of the Mexican economy: It purchases almost nothing from it, and supplies nothing to it. It is an "offshore" enclave that is functionally an extension of the U.S. economy. If one takes into account the additional burdens and costs to the Mexican economy that it causes through environmental damage and demands for additional infrastructure, it is probable that the entire sector is a net drain on Mexican resources—a dead loss!

Disaggregating *maquiladora* trade from the rest of the nation's commerce, as Mexico itself largely does in its statistics, reveals that in 1992, the *maquiladora* sector provided a $7.3 billion trade surplus, while the non-*maquiladora* sector suffered a nearly $27 billion deficit, as shown in **Figure 3.** Bar segments above the zero line represent surpluses, and those below the zero line, deficits. The degree to which the deficit has exploded since 1988 under Salinas is clear. In 1992, the non-*maquiladora* trade deficit was $26.75 billion, against total non-*maquiladora* exports that year of only $24.7 billion, yielding a 108% trade deficit—a truly astounding result from a policy hailed as "export-oriented" by the World Bank, IMF, the major international banks, and the U.S. government for more than a decade.

Financing the deficit with speculation

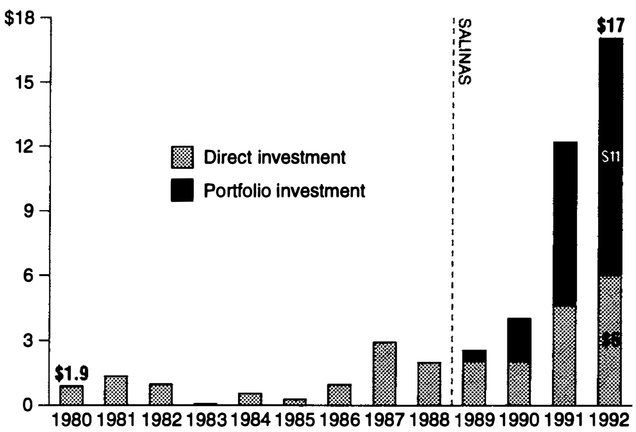
To finance this $20 billion per year current account deficit, Mexico has been driven to attract an unstable inflow of loose money looking only for speculative profits. To understand this "strategy," we must look back a few years. From 1975 to 1982, large quantities of flight capital left the country, largely for Swiss bank accounts, Miami real estate, and accounts in U.S. banks. Estimates ranged as high as a cumulative $60 billion, and that may have been conservative. The bulk of Mexico's foreign debt, as of 1992, was actually borrowed simply to provide dollars so that this capital, originally in pesos, could be converted to dollars and leave the country.

Early in Salinas's presidential term, this flight capital was identified as a resource to be attracted back to the country in order to help sustain the IMF program. By 1989, it was claimed that increasing amounts of this capital were returning to Mexico, and it was confidently predicted that this would be the nation's salvation. Since Salinas came into office, over $27 billion in supposed foreign investment has flowed into the country, more than two-thirds of it speculative, and nearly half of it in 1992 alone. Although most of this capital is clearly *not* the same money that fled in the 1980s—since most of it appears to be U.S. "investors" looking for a killing—it has been the only thing preventing Mexico from being hit with a foreign exchange crisis.

Today, this jerry-built house is about to fall apart. **Figure 4** shows the sixfold increase in yearly incoming foreign capital since Salinas came in. Before 1989, no more than $3 billion entered in any single year, and in most years the total was below $1 billion, all of it so-called "direct investment" in purchased or constructed physical capital. Since 1989, more and more has been in purely speculative "portfolio investment," which is nothing but putting money in Mexico's erstwhile high-flying stock market, or buying Mexican short-term government debt (the so-called "Cetes") at exorbitant interest rates. Since 1989, direct investment doubled to $6 billion in 1992, but portfolio investment zoomed from nothing to $11 billion.

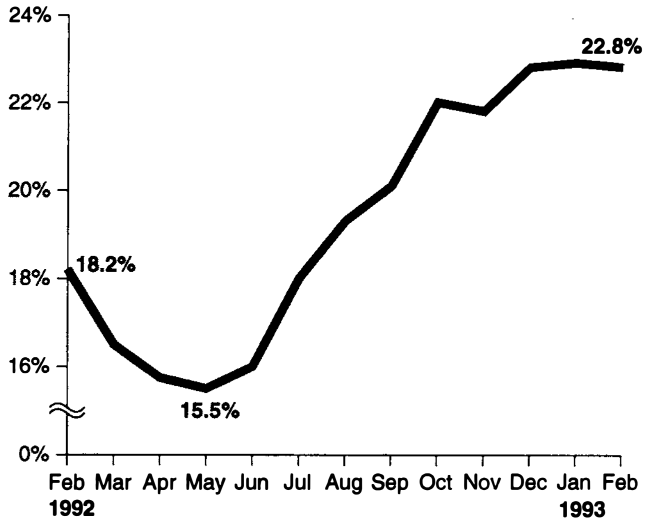
The Mexican stock market was touted by some U.S. mutual funds as a great place to earn 20% and more a year on your investment, and billions flowed in, pushing the market up by 50% in a short period of time. But in mid-1992, the inevitable happened, and it is now below where it was a year ago; money has begun flowing out—including that of

FIGURE 4
Annual foreign investment in Mexico
(billions $)



Sources: Banco de México, *El Financiero.*

FIGURE 5
Annual interest rate in Mexico



Source: *El Financiero.*

prominent "investor" George Soros, credited with toppling the British pound sterling last fall.

To attract compensating money, the Mexican government has raised interest rates dramatically, as shown in **Figure 5.** From below 16% in May of 1992, when inflation was officially 14%, rates have shot up to nearly 23% in February, when inflation was reported at 11%. Thus, the inflation-adjusted rate of interest has increased from 2% to 12%, a sixfold increase in effective rates.

These very high rates have, of course, decimated domestic private sector borrowers needing money to invest in growth, or even to meet operating expenses. As a result, even official figures reveal a dramatic slowing of growth starting last summer.

Worse, the Mexican government is now hostage to these usurious internal rates, since any decline may lead to huge outflows of capital, since most of the debt is in 7-28 day Cetes. If rates fall, foreign investors will simply refuse to roll over their Cetes, and the government will have to pay out billions in dollars overnight.

The impending new debt crisis

The point is fast approaching when Mexico will simply not be able to continue importing at the rate it is now. When that point comes, Salinas will be faced with almost impossible choices.

This wasn't the way Salinas had planned it. Apart from stimulating *maquiladora* growth and implementing banker-dictated reforms, Salinas wagered everything on early passage of NAFTA, which he believed would lead to an uninterrupted inflow of foreign investment capital, as Mexico became a reliable economic appendage of the United States.

But while NAFTA may still be approved by the U.S. Congress, this event can no longer accomplish Salinas's original intent for it. By the time NAFTA might emerge from the Congress, it is almost certain to be modified or amended in ways that will force Mexico to make further concessions. Furthermore, it is already so late in terms of Mexico's presidential electoral cycle, that even if NAFTA passed in 1993, foreign investors will probably wait for the outcome of Mexico's presidential election in 1994 before committing capital to Mexico. So Salinas cannot hope for NAFTA to bail him out before the existing current account deficit turns into a foreign exchange crisis.

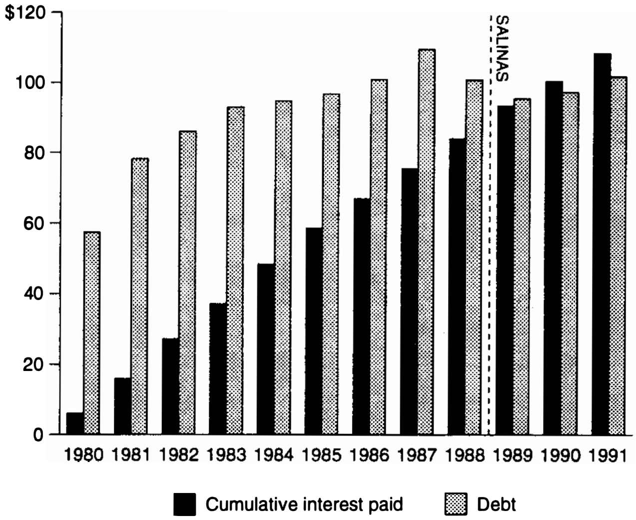
The government's policy for the current account deficit, as reported by the Mexican media, is simply to keep interest rates very high. It is doubtful how long that measure alone can keep the floating crap game going. It is increasingly likely that Salinas will be forced to devalue the peso—a measure which he has desperately tried to avoid, as it will deflate the international myth of the "Mexican model," and bring the country's foreign debt crisis back to center stage.

Figure 6 shows the growth of Mexico's foreign debt, and the cumulative outflow of interest paid, since 1980. Under Salinas, and up through 1991, the last year for which there are figures, the debt has crept up again to over $100 billion, and it was no doubt higher still in 1992. Cumulative interest paid is nearly double the amount of the total foreign debt a decade ago. Although annual interest payments have dipped somewhat in recent years (they were $7.8 billion in 1991), due to lower international interest rates, Mexico will be hard-pressed to keep servicing its debt, if and when the flow of

FIGURE 6

Mexico's foreign debt and cumulative interest payments

(billions $)

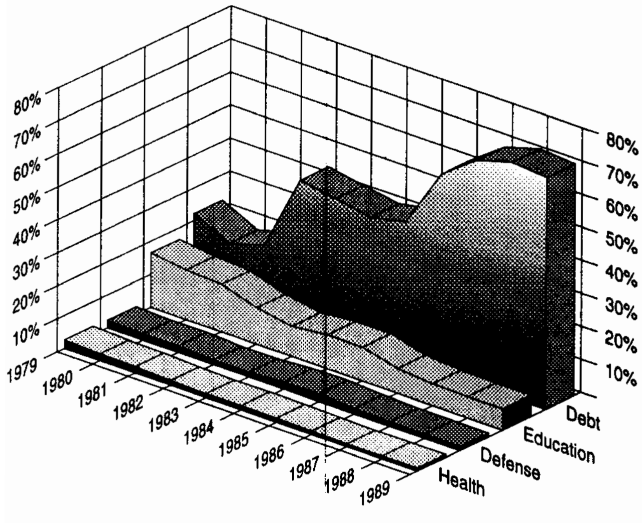


Source: World Bank debit tables.

FIGURE 7

Mexico: public expenditures by sector

(percent of total public expenditures)



Source: Informe de Gobierno, 1990, Mexico.

international speculative capital dries up.

Additionally, Mexico is facing a gigantic *internal* debt crisis. Mexico "solved" its runaway inflation crisis of the 1986-88 period by an astronomical run-up of its internal debt, largely in Cetes, as shown in **Figure 7.** Annual debt service payments, the bulk of which were for internal debt, zoomed from an already high 40%-plus of the entire federal budget in 1982, to a killing 70% in 1988 and 1989. Every other part of the budget was slashed to the bone, as shown in the graph, with education plunging from 16% to 6% of the budget, and health from 4% to 1%, a 75% decline.

Under Salinas, these budget lines have increased, but nowhere near enough to make up for either the amounts or the time lost. It is known that with the lowering of domestic interest rates, the debt service ratio is well below its peak in 1989. But if Salinas is forced to jack internal interest rates up ever further to attract foreign capital, as he has already begun to do, and if he must issue more and more government debt to cover the foreign exchange deficit, the earlier debt service proportions could return in short order.

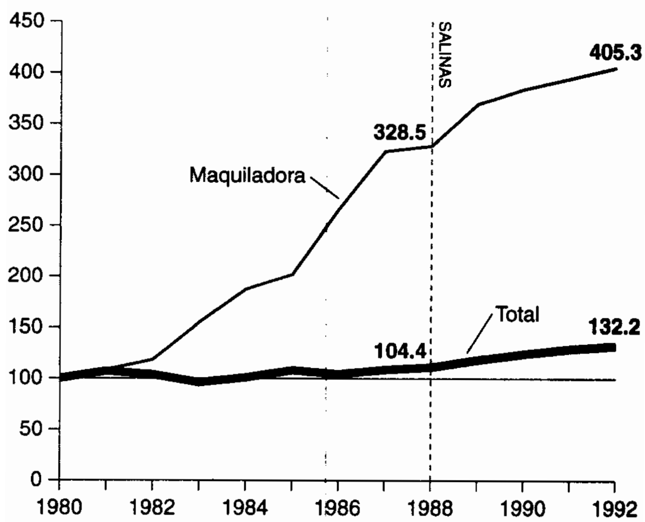
Output stagnates, infrastructure collapses

The Mexican economy that will have to deal with the expected blowout of the financial and trade sector is far weaker than the economy that had to deal with the deep post-1982 recession. Although official statistics show a modest growth of Gross Domestic Product in the 3-4% range for the last several years, this masks the reality of medium-term stagnation and collapse of the decisive parameters of the *physical* economy: manufacturing, food consumption, productive employment, and so on.

FIGURE 8

Mexico: growth of maquiladora and total manufacturing

(index 1980=100)



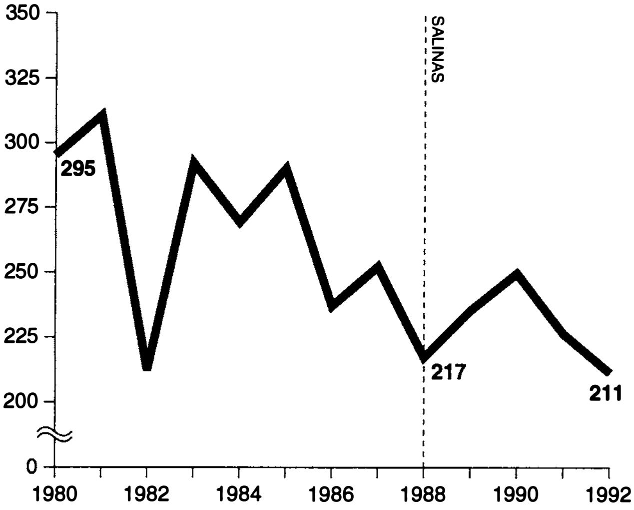
Source: Banco de México.

Figure 8 shows the total reported growth, as an index

FIGURE 9

Mexico: annual good grain consumption

(kilograms per capita)



Source: Department of Agriculture, Mexico.

based on 1980=100, of total manufacturing output in Mexico, and that of the *maquiladora* portion of that total output. The *maquiladoras* have certainly grown—by over 400% since 1980—but this is a foreign enclave that scarcely benefits Mexico. Total manufacturing was basically flat for most of the decade, and has only inched up slightly in the last few years, and a large part of this is due to the *maquiladora* component.

When we turn to real wages, the reality becomes clearer: The average real income of most Mexicans in 1989, when Salinas took office, was about half what it was in 1982. Since that time, real incomes have fallen a further 10-25%.

That represents a collapse of the population's purchasing power and material consumption, which shows up starkly in the area of food. Official figures (see **Figure 9**) indicate that per capita food grain consumption has fallen nearly 30% since 1980, from 295 kilograms per capita to 211 kg. The decline in meat consumption has been almost as dire. Since spending for food is the last thing that a family will cut, the fact that Mexicans now consume 30% less of the staple of their diet, food grains, mainly corn and wheat, indicates that their cutbacks on non-food items of consumption must have been far more severe.

Accurate figures for total national investment are unavailable, although the Mexican government broadly admits that, during the middle 1980s, public investment dropped to about one-fourth of its 1982 level, and it has never bounced back even to the 1982 levels.

The effect of these inadequate investment levels on infrastructure is immediately evident to the average Mexican. Take the case of the nation's road system. Despite the hoopla, the government has in effect built no new major highways, opening up new areas of the country, since Salinas came into office—despite the crying need for them, especially northward to handle the greatly increased import and export traffic. Instead, the government privatized new highway construction, turning rights of way and toll collection concessions over to private concerns. The result now is a patchwork road system with little stretches of nice, new four-lane highway dotting the country, usually near larger cities, that generally parallel older, unmaintained non-toll roads, and which do not go all the way to the next city, forming a highly discontinuous pattern.

Worse, the tolls charged are prohibitive not only for most private cars, but for virtually all commercial trucks as well. Typical are stretches of 70 miles costing $7, more than three times the cost of the New Jersey Turnpike. The result is very low usage, with even worse congestion than before on the old, unmaintained highways. Under Salinas's Harvard logic, no money has been provided for upkeep of the old roads, and potholes are universal, taking their own toll on vehicles. It is widely perceived in Mexico that this neglect is a deliberate device to force people to use the overpriced highways on pain of destroying their vehicles.

One area of infrastructure which has seen some progress is that of communications—which is considered essential for the finances- and services-dominated economy envisaged under NAFTA. For example, an important telephone cable to Europe was recently laid under the Atlantic, as part of the privatization of Teléfonos de México.

The trashing of Mexico's oil industry

The crucial area of energy production has been vastly underfunded by the Salinas government, in particular the all-important sector of oil exploration, production, and refining. Pemex, the national oil company, has been milked by Presidents Miguel de la Madrid and Carlos Salinas, and was forced to turn over its vast annual dollar revenues to the government for foreign debt payments, retaining only a pittance for reinvestment. As a result the oil sector has been dramatically decapitialized. In an extreme case of killing the goose that lays the golden eggs, almost nothing of Pemex's tens of billions of dollars in yearly revenue over the past decade has been invested in maintaining Pemex's exploration and exploitation of its oil fields, or even in proper maintenance of its existing plant and equipment. The work force of over 300,000 has been slashed more than 50%, and the results of not investing are that it is now projected that by the year 2000, Mexico will become an oil importer, unable to supply even its own domestic oil needs from its own production, despite sitting on one of the three richest oil field complexes in the world.

Rather than stop the looting, Salinas has done what he could to bypass Mexico's constitutional prohibition on private investment in the oil sector. He has reclassified the secondary refining sector, that is, petrochemical production, as not included in the prohibition, and has permitted foreign investment there. He has even redefined what are called "risk" contracts in such a way as to accept some foreign capital into the primary oil sector. Although internal political resistance has so far prevented him from outright privatizing Pemex, this has been the overriding goal of U.S. policy toward Mexico for a decade. Mexico's oil fields have been viewed as the U.S. strategic reserve, to be eventually taken over by whatever means necessary. The pressure on Mexico to rewrite its Constitution continues unabated, and is bound to be successful at some point in the future if NAFTA is finally approved.

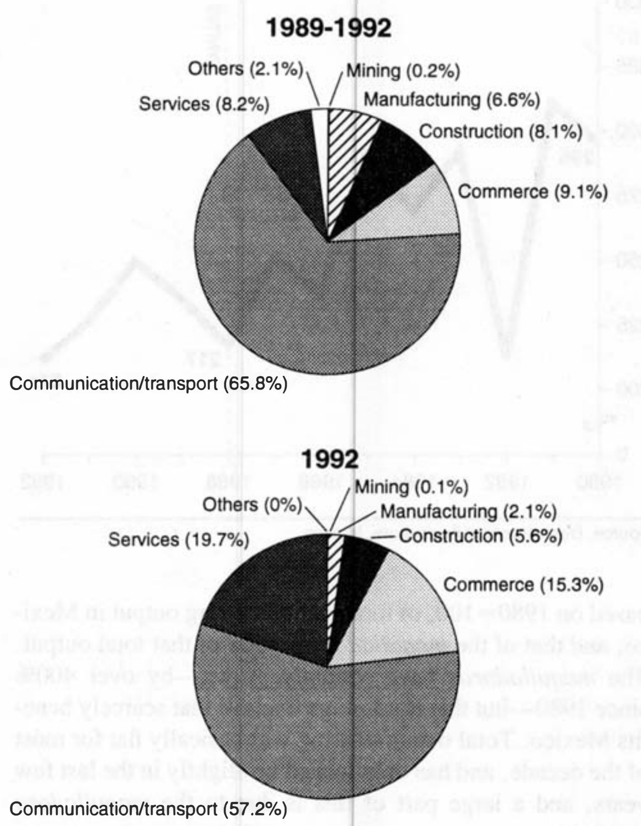
The Salinas government has argued that this suicidal underinvestment in basic infrastructure is being adequately compensated by a Maoist-style community self-help program called Pronasol, or Solidarity (see *EIR*, Jan. 29, 1993, "Pronasol: Nazi-Communists Dance to Wall Street's Tune," p. 28). Under Pronasol, the government constructs limited items of infrastructure such as local roads, water supplies, and sewage facilities. But it doesn't really fund them. Rather, it pays for the building materials, sends in a few underpaid engineers, and requires the community to donate the labor, without pay, to actually do the construction. In most cases, every family must also pay something toward the cost. The result, as the *Wall Street Journal* crowed on Jan. 8, is that such Pronasol construction projects cost the government about 70% of what they used to—a neat savings that can be channeled directly to debt service.

The only investment figures that exist, such as they are, are Banco de México partial figures showing the sectors invested in by direct foreign investment. This is the category of incoming capital that is not "portfolio," or purely speculative (see Figure 4). **Figure 10** shows the distribution of foreign direct investment by major sector. The first pie chart shows investment so far under Salinas, a total of $27 billion. The lion's share (65.8%) has gone to communications and transportation projects like the European cable, and the white elephant toll highways, and probably also includes portions of the privatized and partially foreign-owned telephone and airline companies. It by no means reflects basic infrastructure investment.

Services, part of construction, and part of commerce, represent investment in tourist hotels and other tourist-related services, which are known to have grown significantly, but which are totally unproductive and reflect no growth of Mexico's physical economic capacity. Only a meagre 6.6% of the total, somewhat less than $2 billion, has gone into manufacturing plants, and a large part of these have been the *maquiladoras*.

Turning to the second pie chart in Figure 10, it can be seen that in the year 1992, while the total investment was $11 billion, the proportion in manufacturing fell to

FIGURE 10
Direct foreign investment in Mexico, by sector
(percent of total direct foreign investment)



Source: *El Financiero*.

2.1%, less than $250 million.

Unemployment is 50% and rising

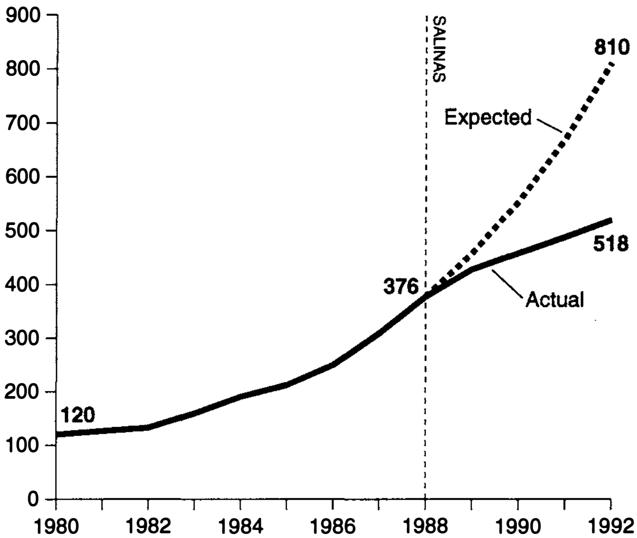
The truest measure of Mexico's economic disease is its employment level. This is also the arena for government statistical science fiction. Despite universal derision even from the business sector, the government statistical agency INEGI insists on reporting a 2.9% unemployment rate. Partly, this reflects a definition of employment that calls someone employed for as little as one hour a week "employed." Partly, these figures are simply outright fraud. INEGI only reports 12% even "underemployed," presumably working between 1 and 30 or so hours a week. The government on occasion has admitted that the problem is far worse than INEGI's cooked numbers. Pronasol, for example, has estimated that 12% of the work force is unemployed and 40% underemployed, although even this is probably low.

Most private Mexican estimates indicate between 25% and 50% real unemployment, and *EIR*'s own calculations

FIGURE 11

Maquiladora employment in Mexico

(thousands)

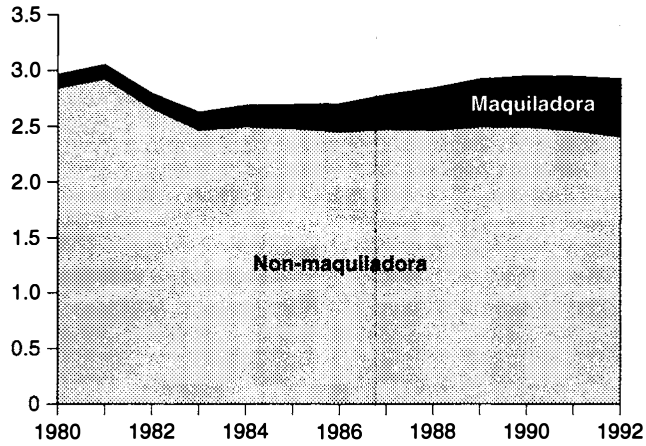


Source: Banco de México.

FIGURE 12

Manufacturing employment in Mexico

(millions)

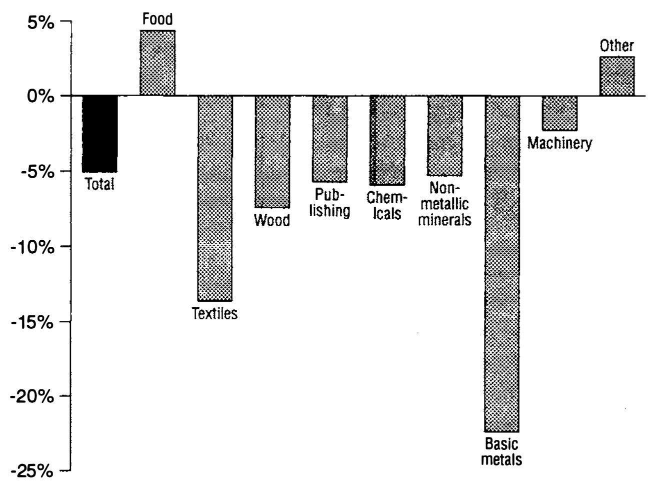


Sources: INEGI, Banco de México, *EIR* elaborations.

FIGURE 13

Changes in manufacturing employment in Mexico, 1989-92

(percent change)



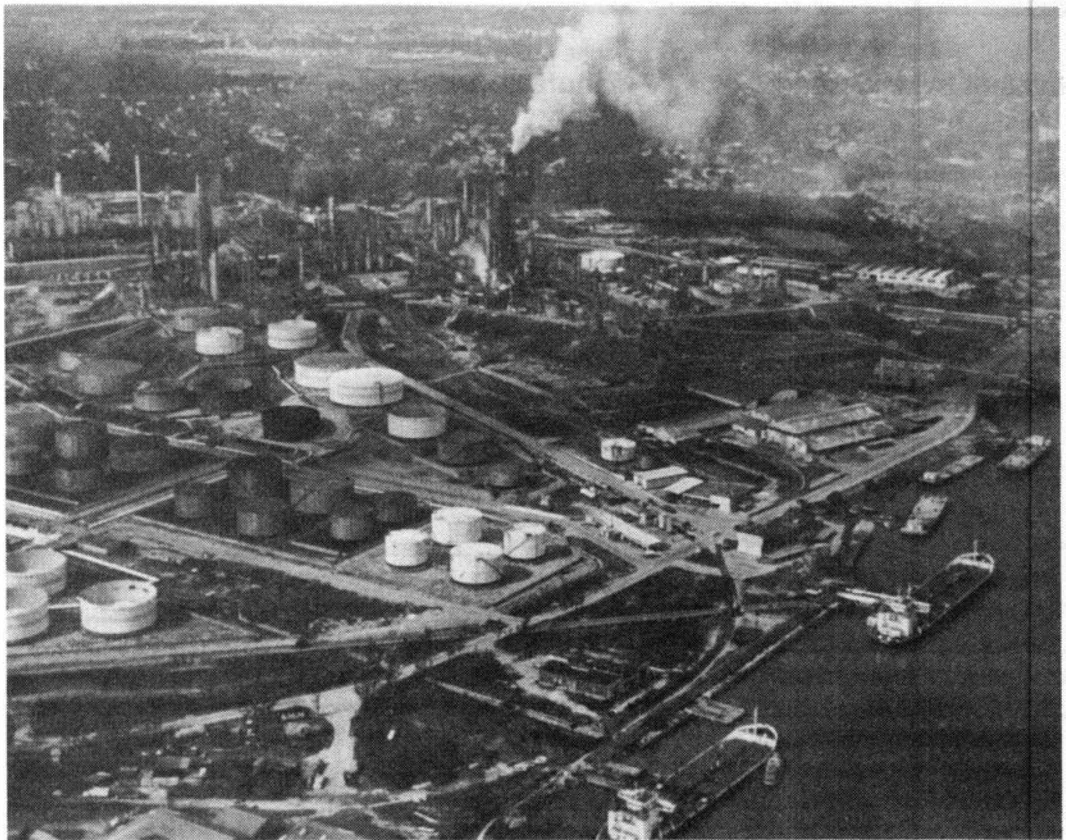
Source: *El Financiero.*

suggest the same range, with the jobless increasing at a rate of at least 800,000 a year on a base of over 16 million already unemployed or de facto unemployed, still an underestimate, but an official refutation of the INEGI lies.

In the private sector, the Mexican firm International Consultants recently published an estimate that 29% of the economically active population was unemployed. The Mexican Workers Congress, the umbrella "federation of labor federations," uses the figure of 37% unemployed, while the Confederation of Mexican Workers, the largest labor federation, estimates that between 8 and 12 million are unemployed—between 25% and 38%. The most detailed study has been done by the Institute of Economic Research, of the Autonomous National University of Mexico (UNAM), which arrived at a figure of 8 million unemployed (25%), and another 17.4 million underemployed.

It is useful to look at official employment figures for the manufacturing sector. **Figure 11** shows employment in the *maquiladoras.* At 518,000 workers in 1992, it is a major component (nearly 20%) of the entire manufacturing sector. *Maquiladora* employment has risen by 142,000, or better than 33%, since Salinas came into office. Note, however, that expectations of continued growth at the rates of 1985-87 have not materialized.

Figure 12 shows the overall trend of manufacturing employment. This reveals that under the "Mexican miracle" of Salinas, non-*maquiladora* manufacturing employment has *fallen* by 60,000, to 2.4 million since 1989, and by more than 500,000 from a 1981 high of 2.94 million. Even these official figures are likely a significant exaggeration of real employment, given the widespread reports of layoffs, plant closings, and company bankruptcies over the past three years. A different statistical series, whose results are shown in **Figure 13,** shows the significant employment declines in most manufacturing sectors, and a 5% overall decline for all sectors, a greater rate of decline than that shown in Figure 12. The chart speaks for itself, showing that all sectors,



Mexico's once-proud national oil industry has been dismembered and thrown on the scrap-heap in order to pay ransom to international banking interests intent on returning Mexico to colonial status. Here, the refinery at Coatzacoalcos.

except food and machinery, fell by 5% or more since Salinas came in.

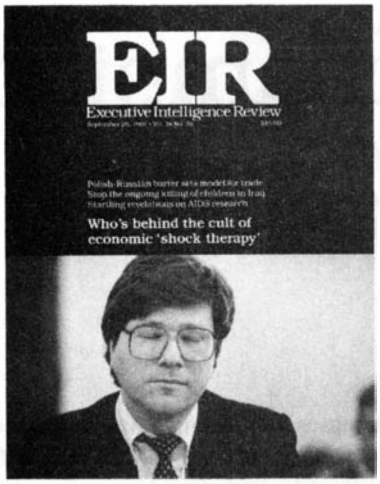
To estimate true rates of unemployment, however, one must factor in one more official statistical atrocity: The Mexican government tampered with the 1990 census to "disappear" upwards of 5 million Mexicans. Thus, official statistics today show a total population of no more than 85 million Mexicans, when the true number is at least 90 million. On top of that, the government gives about 26 million as the figure for the number economically active, which is far too low, even if the population were 85 million. Most analysts concur that it is more accurate to ignore the official downward population revision, and continue using estimates based on the 1980 census adjusted by fertility and mortality statistics.

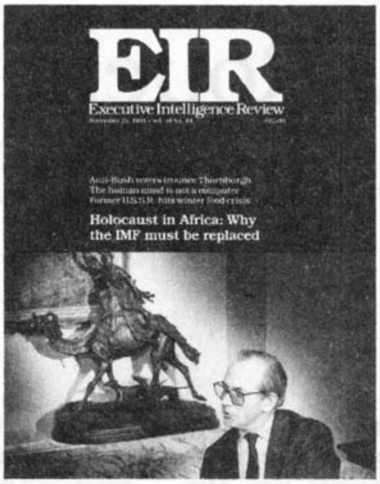
An independent estimate of unemployment can nonetheless be generated, and it confirms that at least 50% of the economically active population (EAP) must be either overtly unemployed or "underemployed" in such "occupations" as street vending or selling drugs—thus corroborating the private Mexican estimates. In 1986, in the Schiller Institute book *La Integración Iberoamericana* (*Ibero-American Integration*) (Washington, D.C., 1986), it was conservatively calculated that at least 15% of Mexico's labor force was unemployed or underemployed. Since that time, the total labor force has grown from around 22 million to around 32 million. In the same period, the economy has essentially stagnated, such that it can be safely assumed that there has been no net increase in productive employment since 1980. The figures for manufacturing, where employment is slightly below the 1980 level, are typical of other sectors, none of which, according to official figures, has done as well as manufacturing.

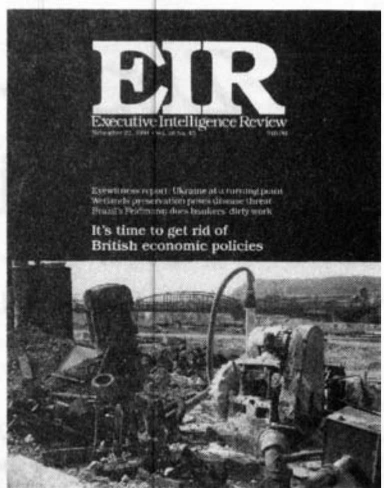
Adding the net 10 million new workers who entered the labor force since 1980 to the estimate of 3.5 million unemployed in 1980, yields 13.5 million actual unemployed, out of 32 million in the labor force. However, the 1980 unemployment estimate only assumed 2 million unemployed or underemployed in the agriculture sector. The true figure today is easily 4 million, which would bring the total unemployed to 15.5 million. Moreover, the figures for 1980 made no attempt to count the "informal economy" of street vendors. If their numbers are included among the unemployed or the virtually unemployed, it can be seen that the numbers of unemployed or virtually unemployed will far exceed 50% (16 million) of the economically active population.

It should also be noted that there has been a sharp reduction of the numbers in the work force covered by any form of social security. This means that more and more Mexicans are without the health benefits they once enjoyed, and that tens of millions of workers will have nothing at all in social security when they retire, creating a virtual holocaust situation for Mexico's future generation of elderly.

IMF Commits Crimes Worse Than Hitler's







What is the International Monetary Fund really? Who controls this supranational institution, whose power is greater than that of sovereign governments, and which imposes economic conditions on member states that lead to genocide worse than that for which Nazi war criminals were hanged at Nuremberg?

Executive Intelligence Review (EIR), the weekly journal founded by U.S. economist and political figure Lyndon H. LaRouche, documents the murderous plans of this bankers' cartel, in the perpetrators' own words.

- **The IMF pushes drugs.** The Fund forces developing-sector countries to grow the most profitable cash crop of all: dope. In the words of an IMF specialist on Colombia: "From an economic viewpoint, marijuana is just a crop, like any other. It brings in foreign exchange, and provides income for the peasants."
- **The IMF demands "population control" as the prerequisite for credit.** As World Bank chief Robert McNamara put it, "devaluation is a population control policy." This is a *conscious* policy, aimed to reduce the non-white races.
- **The IMF promotes communist insurgency.** Said Fidel Castro, "The International Monetary Fund alone still inspires confidence in me. It is the IMF that will realize all my plans."

EIR provides the vital political and economic intelligence for patriots of all nations who seek to destroy the power of the IMF and kindred institutions. Under Mr. LaRouche's direction, it presents detailed recommendations on how to launch a global economic recovery, through Great Projects for high-technology-vectored development. It is the lifeline of a growing international political movement. You too can join!

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