shutting down lines, rather than spending money on improvements. The results have been decried in many publications: Germany is more and more suffering from a collapse of transportation, and loses 200 billion deutschemarks (close to $100 billion) every year, because of traffic jams. In Britain, the situation is even worse, as far as the railroads are concerned. Can this be what the Eastern European countries are supposed to take as the right level of spending on their transport infrastructure, after 40 years of looting?

A Different Approach

We will not fault the involved experts for the failures of the study. Many of them may have similar reservations about the report, and they may wait for the EU bureaucracy and member governments to change their hostile attitude toward the real economy. But, that means that the question of the real infrastructure needs of Eastern Europe has yet to be answered. Basically, a new study is necessary, based on other assumptions.

As a target, infrastructure should be planned to enable an economic growth of at least 10% annually. Based on this growth estimate, traffic volumes are to be calculated, for each year; and based on this estimate, the amount of infrastructure needed to handle this traffic should be realized, as far as physically possible. It will turn out, that *much more than 1.5% of GDP* will be needed. Additionally, totally new transportation systems will be needed, especially magnetically levitated trains, to handle the traffic volumes.

At this point, "fiscal conservative" politicians such as German Finance Minister Hans Eichel or his predecessor, Theo Waigel, will object that this will be much too expensive. In reality, the mountain of debt plaguing the German government developed *only after improvements of infrastructure were drastically cut back*.

Or, to put it another way: Our infrastructure investments are *below breakeven*. We do not invest enough, to get our economies started, and we are using up more infrastructure than we are building. Instead of accumulating capital for our national economy, we are wasting the capital investments of earlier generations—which, as can be seen in Germany, creates massive annual losses.

But, the critics of our proposal do have a point: Indeed, with the presently accepted financial instruments, it will be impossible to realize it. But that only means our financial system does not work. We need a new system, as Lyndon LaRouche has been demanding for a long time: a system capable of financing *"Wirtschaftswunder"* (economic miracles)—a system which prohibits the financial casino transactions that have become usual; which wipes out the accumulated gambling debts of our banks and nations; and imposes reliable exchange rates. A system, in which every nation has a national bank of its own, to provide credits to the nation, which enable the nation to build the infrastructure it needs.

Mexico's Economy: Fox Left with Only Prayers

by Rubén Cota Meza

On Feb. 3, Vicente Fox denounced as "catastrophe-mongers," those who pointed out that there was an economic "downturn" in the United States. "We don't see it that way," Fox said then, while he did allow that, "perhaps," the Mexican economy might not grow by 7% a year as he had promised, but 4% or 3.8%, the which, he said, "is not bad at all."

On June 7, in Beijing, Fox, in a sentence of Circeronian length and elegance in which he neither stopped nor paused, lashed out at those who "do not understand what is happening in the world," where there are economies, like that of China, which grow at rates greater than 8% a year. "I don't know why" in Mexico, when I say that it is possible to grow by 7%, "immediately they come out saying that it cannot be done," he complained.

Less than two weeks later, on June 19, Fox admitted that the national economy "is in recession, it is stuck."

Treasury Secretary Francisco Gil Díaz acknowledged that now they estimate a growth rate in the first year of Fox's government of 2-2.5%, as he reported that "in the last seven months, 400,000 people have lost their jobs." He admitted that the sharp drop in sales and the production of durable goods in the United States, is hitting Mexico directly, "more than proportionally" to the stagnation or decline of the U.S.

Immediately, officials, analysts, and businessmen feverishly began trying to calculate the true magnitude of the Mexican economy's decline, and what measures to take. One analyst forecast that, "when President Fox gives his end of the year toast, he will have created 2 million new unemployed: 1.3 million jobs that he promised to create and will not be able to create, plus more than 700,000 fired in the course of his first year in office." Rolando González Barrón, president of the National Council of the Maquiladora Export Industry, reported that his sector lost 70,000 jobs in the first five months of the year.

U.S. Collapse Hits Hard

The large companies, sinking under their debts, are being auctioned off. Bufete Industrial, one of the four largest Mexican construction consortiums, will be acquired by the Serbo Group, which will assume its $500 million in debt, and pay a "symbolic" fee of 1,000 pesos to acquire it. Citigroup and Banco Nacional de México (Banamex) announced that the former is buying the latter for $12 billion. With this purchase, more than 80% of the national banking system is in the hands of foreigners.

On June 22, Seguros Comercial América, the "crown jewel" of Alfonso Romo's Grupo Savia, became the property of the Netherlands' ING Insurance International. President Fox had nominated Alfonso Romo to serve on the board of directors of the state oil company, Pemex, because he was one of the country's "successful businessmen."

Hylsamex, the steel company of the Alfa Group in Monterrey, is searching for someone to buy it. Teléfonos de México, the largest telephone company in the country, announced that, because of the downturn, it could not install a million telephone lines that it has available.

Fewer than 300 national companies, the multinationals, and the *maquiladoras* generate almost 97% of Mexico's exports, and they are being hit hard by the fall in the United States' economy; 90% of Mexico's exports go to the United States. Meanwhile, the micro-businesses and small and medium companies, of which there are more than 3 million, employing 15.5 million workers, are a "species on the road to extinction." According to a study by the Economic Research Center of the National Autonomous University of Mexico (UNAM), more than 50% of this sector report a fall in their sales; 14% have reduced profits; and only 3% occasionally export something. Only a third of these companies are registered with the Treasury Ministry, and more than 60% operate in the informal economy.

Meanwhile, the government's tax revenues, in the first quarter, fell by some 3.4 billion pesos (around $375 million), and, therefore the Fox government announced a budget cut of the same amount. It is to be expected that by the end of the second quarter, the drop in the tax revenues will be repeated, and the budget cuts will rise.

A Country Drowning in Debts

At the same time, not a day goes by in which officials (from Fox on down), bankers, business leaders and, above all, investors and international financial officials, do not stridently yell that a "tax reform" must be approved, to increase tax rates on business earnings and the population's consumption. The Banco Bilbao Vizcaya-Argentaria-Bancomer banking group pronounced on June 9 that such a tax reform is "essential" for the federal government to be able to count on sufficient resources to pay the cost of a public debt which has already reached the sum of around $720 billion (6.8 trillion pesos). BBVA-Bancomer includes in its figures both the debt which the government officially recognizes, and the debts which are not acknowledged in the public accounts as a direct government debt, but which are backed by the state.

The public foreign debt, officially acknowledged as part of the national accounts, is equal to 12.5% of GNP, while the domestic debt is equal to 10.4%. However, if the federal government's "potential obligations," under the rubric of guarantees and contingencies, are considered, the public debt guaranteed by the government is equal to 125% of GNP.

The outstanding debts of the Institute for the Protection of Savings (IPAB), the institution created to hold the debts stemming from the 1995 banking bailout, the which are not officially included in the public debt, reached 740 billion pesos (around $82 billion) at the end of December 2000, equal to 13.8% of GNP.

The debts from the bailout of the bankrupted toll roads assumed by the government, total 105 billion pesos (around $11.7 billion), or 1.8% of GNP. Trust funds and diverse funds hold debts backed by the government which are equivalent to 3.8% of GNP.

What is most dramatic, however, is that the Mexican Social Security Institute (IMSS) holds a debt equal to 45% of GNP, while the state workers social security institute (ISSSTE) has debts equivalent to 33.8% of GNP.

The private foreign debt, in the first quarter of 2001, was $14 billion for the banking sector and $36 billion for the companies, plus $21 billion in private bonds, for a total of $71 billion.

Fox Grows Desperate

It is no wonder, then, that between paying the onerous service on this colossal debt, and the fall in tax revenues, President Fox finds himself desperately pressed to attract foreign capital, by handing over what is left of the nation's assets: its oil, electricity and natural gas.

Addressing the Federation of Economic Associations of Japan on June 6, during his trip to Asia, Fox repeated over and over that Mexico was one of the most, "if not *the* most open economy in the world"; it is the "land of opportunity." We're working to open natural gas to private investment, and changing the tax system for our oil company Pemex, so that it can enter into "strategic alliances" with other companies, he said. "Imagine the opportunities for investment that will open up! . . . In Mexico, everything is open for investments!" He then told the Panamanian newspaper *La Prensa* on June 15, that his government "is of, by, and for businessmen."

By June 26, however, Fox had come up with another strategy, telling Associated Press: "We need to go to the Basilica and pray to the Virgin of Guadalupe, so the United States makes a comeback. Because we have everything to move, except that markets are extremely slow."

Truly, my dear Sancho Panza, there are those who "do not understand what is happening in this world."