

López Portillo Speaks Out on State in Crisis

by Gretchen Small

With Mexico's leading daily, *Excélsior*, taking the point, the nation's media prominently, and unexpectedly, celebrated the 20th anniversary of an event that Wall Street had hoped it had killed and buried for all time: President José López Portillo's dramatic announcement, on Sept. 1, 1982, nationalizing Mexico's banking system and Central Bank and imposing full exchange controls, to stop anti-national forces from bleeding the country by speculation and capital flight.

Excélsior chose to commemorate the anniversary by interviewing López Portillo on his past actions, and their relevance for the much greater crisis that Mexico faces. The interview, published in two parts on Sept. 9 and 10, was given maximum play, the first part published as the newspaper's

lead, front-page story, under the banner headline, “The State and Sovereignty Are in Crisis: López Portillo.” The former President rose to the occasion with a political bombshell in today’s supercharged atmosphere of economic collapse, and the growing impatience with the current administration: He called for the banks to be nationalized again.

Nor was *Excelsior* alone in featuring coverage of what López Portillo did and said at the time. Clips of his historic 1982 speech were broadcast on several television channels; Internet users could listen to audio clips of it on the website of *El Universal* daily. The two-decade-old speech seemed written for the leader whom Mexicans desire for today. “Mexico is not dead,” he had told the nation; it would defend itself, its industry and its production, against looting by speculators who, like the rats of medieval times, spread “the financial plague . . . [which] plunders country after country.”

The media coverage marked a dramatic break from two decades ago, when, by policy, López Portillo was vilified and blamed for the destruction of the productive economy in the 1980s and 1990s, actually committed by the bankers and the International Monetary Fund (IMF). The decision to give him prominence now, is a telling sign of the volcanic pressures for radical policy change building up under the administration of President Vicente Fox, as a growing number of Mexicans fear their country faces nothing less than extinction as a nation.

A Meeting Which Changed History

Wall Street and London had hoped the specter of José López Portillo had been eliminated; they have not forgiven him, nor U.S. statesman Lyndon LaRouche, for what happened in 1982, during Ibero-Americans’ last great battle to save their nations from destruction at the hands of usurious foreign debt collectors. Three and a half months before he nationalized Mexico’s credit system, López Portillo had met with LaRouche at the Presidential residence, Los Pinos, on May 23; this was at the height of the Malvinas War between Britain and Argentina. Their discussions were private, but the fact of their meeting was not. LaRouche held a press conference at Los Pinos afterward, attended by some 60 media. He there proposed that the Ibero-American debtors unite, and threaten to drop “the debt bomb” against the City of London, were Great Britain not to cease its armed aggression against Argentina.

LaRouche returned to Mexico, in July of that year, and shortly thereafter authored *Operation Juárez*, a strategy document for how Ibero-America—led by Mexico, Argentina, and Brazil—should declare a moratorium on their combined \$200 billion in foreign debts, to force the industrial powers to come to their senses and accept negotiations on establishing a New World Economic Order.

Twenty years later, amid a greater crisis, the two leaders are collaborating again. LaRouche, now a Presidential pre-candidate, and the former Mexican President were the key-

note speakers at an Aug. 22-23 seminar in Guadalajara, organized by LaRouche’s Ibero-American Solidarity Movement (MSIA), to build regional integration as key for the battle for a New Bretton Woods system. Unable to attend for health reasons, López Portillo submitted his speech in writing, in which he offered his experience in the 1982 fight, as representative of what must be addressed for a reorganization of the world financial system as a whole. The Bretton Woods institutions must be “radically transformed,” he argued, so as to provide sufficient financial resources to nations which otherwise cannot import the machinery, technology, and other inputs required to develop, despite very rich physical resources (see *EIR*, Sept. 6, 2002).

A Command Decision

Memories of the battles of 1982 are reviving throughout the continent as recognition grows, after Argentina’s current breakdown, that its citizens face a crisis in which their nations’ very existence is at stake.

López Portillo demonstrated in 1982 the kind of command decisions required in today’s crisis. Perhaps the most vivid record of what transpired, was written at the time by LaRouche himself, in a Sept. 5, 1982 statement, titled “Mexico: ‘Back to an Industrial Society.’ ” LaRouche then called López Portillo’s Sept. 1 actions “the most brilliant blow in defense of industrial capitalism . . . executed with a strategic brilliance which would have brought favorable comment from the great Douglas MacArthur.” LaRouche recreated for foreign audiences, the drama inherent in the moment:

Overnight, the military forces of Mexico were positioned, in preparation for the actions they would take at noontime, the following day, at the hour the Presidential decrees became law.

All the leading public and private circles of Mexico gathered, together with the national legislature, to hear the President’s “State of the Nation” address, the *In-forme*. All but a few were taken by surprise as the President began his three-hour address—an address often interrupted by joyous demonstrations of patriotic fervor in the aisles. . . .

The first hint which the outgoing president of the Bank of Mexico [the central bank], Miguel Mancera, had of the moves, was during the minutes before the address. He was told he would not be included in the official photograph of the cabinet.

As the private bankers heard that their banks had been nationalized, the President dramatically glanced at his watch, to announce that the decrees had already been published as laws. It was an accomplished fact: the military were already occupying the banks’ premises, ensuring that no records were removed or destroyed.



The event is being widely remembered on its 20th anniversary, a signal to current Mexican and other governments: President José López Portillo exhorts a Mexico City crowd on Sept. 3, 1982, two days after nationalizing Mexico's banks.

The most important decision taken, LaRouche emphasized, was that all of Mexico's resources would be concentrated to build up the levels of productive employment in agriculture, industry, and infrastructure. "Speculative parasitism" had been crushed, "and a development policy in the footsteps of U.S. Treasury Secretary Alexander Hamilton and President George Washington will be energetically pursued. . . . Mexico has acted to transform itself once again into a goods-producing nation, the first nation to break free of the lunacy of the 'post-industrial society' cult-dogma now ruining the U.S.A. and many other nations."

LaRouche elaborated how other nations, including the United States, must follow suit.

What It Takes To Lead

Other nations did not follow Mexico's lead, however, and Mexico was left isolated. López Portillo's term ended three months later, and when he had left office, his successors bowed before the prevailing powers.

Was López Portillo wrong to have fought? Did he fail, as most now believe? Some Mexicans, it would appear, are revisiting that assumption. Interviewed by *Excelsior*, López Portillo delivered a lesson in statecraft and leadership. He warned that globalization has an imperial military and economic intent, "but who knows if it can succeed; these are new

times," he said. Sovereignty must be enforced, and it is the job of the State to do so. Defending his actions of 20 years ago, he called for similar measures today, including the re-nationalization of the banks. Neither the Constitution nor the Mexican Revolution are dead, he emphasized, and Mexico could defend itself today; all it takes is guts.

The exchange was humorous. *Excelsior* asked the former President what he thought about the fact that the majority of Mexico's banks today are foreign-owned. This is one of the hottest issues going in Mexico. None of the Presidents who followed López Portillo continued the industrial policy which shaped his centralization of national credit in 1982, and a decade later, the banks were finally sold back to the private sector for a song, under the Salinas de Gortari Administration. The banks had to be nationalized again, de facto, after they all were bankrupted in the 1995 debt blow-out—only to be re-sold again, this time to foreign interests, under the Zedillo government. Adding insult to injury, however, the government assumed the bad debts before selling them, increasing the government's debt by some \$100 billion! Yet, since 1995, the banks have not lent more than a pittance to the domestic economy, serving as simple conduits for payment of foreign debts.

"Is it difficult to recover the banks?" *Excelsior* asked the man who had nationalized them.

"Of course."

"But, how can they be recovered?"

"With a new expropriation."

"But we don't have a nationalist President, as when you expropriated the banks in 1982. How can it be done now?"

"With balls [*huevos*], my friend. From that standpoint, I do believe I was [a nationalist]."

Excelsior asked López Portillo's advice. The new generations do not know what the State is, nor how to defend sovereignty. "The State is the product of human evolution and the political activity of societies; it is the juridical and norm-setting framework of modern societies, which allows healthy coexistence, equality, respect, order, welfare, and peace," he answered, adding that the modern State arose out the Renaissance.

How did you exercise power as Head of State, he was asked. "With acts of a free, sovereign and independent nation, conscious of History's permanent judgment, sticking to the State of Law, with a high public morale, without believing in a weak State, nor in a liberalism without restraint, because they do not represent paths to progress; but through a strong State, despite the fact that today's world offers dependence, devastation, more poverty and injustice. The nationalization of the banks was an act of national sovereignty, adhering to the powers which the Constitution grants to the Federal Executive.

"In reality," López Portillo added, "the Presidency of the Republic is only learned by being President. It is the only school, because there are no others. Learning to be President

is a daily matter, and each day one receives his lesson, his experience; sometimes bitter and painful, sometimes joyful, and when one has learned, the Presidential six-year term is over.”

Documentation

‘Mexico Shall Live’

Excerpts from President José López Portillo’s Sept. 1, 1982 State of the Union address, explaining his decree nationalizing the banks.

The world’s productive capacity has been increasingly subjected to contraction and unemployment by an unjust and obsolete financial system that claims those policies are the only remedy to the growing crisis. . . .

The lack of coherence between industrial progress, whose technology advances by ever more astonishing leaps, and a world financial structure that has responded to the technological challenge primarily by attempting to stop it, is increasingly evident. The financial plague wreaks more and more havoc around the globe. As during the medieval era, it plunders country after country. It is transmitted by rats, and in its wake lie unemployment, misery, industrial bankruptcy, and speculative enrichment. The remedy of the witchdoctors is to deprive the patient of food and submit him to forced rest. . . .

What we could not deal with was the loss of confidence in our peso, aggravated by those—inside and outside the country—who could manipulate expectations, and cause what they pronounced, by the mere pronouncements themselves. . . . Against this, the vigor of our economy simply could not hold out. . . .

One of the unavoidable decisions that the New World Economic Order must take before the current system collapses in an untimely and perhaps catastrophic manner, is the formation of a system of compensation, so those nations that are victims of capital flight can have access to some form of credit originating in those resources, through a special recycling mechanism. . . .

We would like to discuss this with representatives of the financial system of the United States, and, I emphasize, to convince the generous American people that in the solution to our respective problems, we are not trying to harm the American taxpayer, but rather to make accessible to Mexico the credit represented by extensive Mexican resources that have left our country in a way that creates economic and trade problems on both sides of the border. . . .

The Mexican state has never expropriated for the sake of

expropriating, but rather for the public good. What we now do liberates the free initiative and the free productive impulse of Mexicans from free trade and the straitjacket imposed by a parasitic system. . . .

‘Speculation Leads to Ruin’

[W]e can conservatively affirm that within the past two or three years, at least \$22 billion has left the Mexican economy; and an unregistered private debt . . . of around \$17 billion more has been generated, adding to the country’s foreign debt. These figures, when added to the \$12 billion in Mexdollars [accounts in Mexican banks denominated in dollars but originally funded mostly by pesos]—in other words, a total of \$54 billion—are the equivalent of half of all the deposits in the Mexican banking system at this moment, or about two-thirds of the entire recorded public and private debt of the country. . . . [I]n the past two years, Mexican rentiers have made more investments in the United States than all of the foreign investment in Mexico in all of history. The book value of the foreign investment in Mexico is approximately \$11 billion, 70% from the United States. The net income to our country in 1981 from foreign investment was \$1.7 billion. A ridiculous sum in light of what flowed out of here. . . .

It has been a certain group of Mexicans . . . counselled and supported by the private banks, that has taken more money out of the country than all the empires that have exploited us since the beginning of our history. . . .

The fundamental question is determined by the difference between an economy increasingly dominated by absenteeism, by speculation, and rentier finance, versus an economy vigorously oriented toward production and employment. Speculation and rentierism translate into a multiplication of the wealth of a few without producing anything, and is necessarily derived by the simple plundering of those who produce. And over the long run, it inevitably leads to ruin.

In effect, our country, given its total shortcomings and its social dynamic, cannot afford to allow the development of speculative activities. Our nation has the imperative of dedicating all its resources to production. . . . Mexico cannot permit financial speculation to dominate its economy without betraying the very essence of the system established by the Constitution: democracy as the constant economic, social, and cultural betterment of the people. . . .

We must organize to save our productive capacity and provide it with the financial resources to move forward. . . . In response to these priorities, I have expedited two decrees: one that nationalizes the country’s private banks, and another that establishes general exchange controls. . . . It is now or never. They have looted us; Mexico is not dead. They will never loot us again. . . . Let joy and excitement in the battle reign in every Mexican home. . . . We have shut down the capital flight.

Mexico has lived. Mexico lives. Mexico shall live.

Viva México!