

MEXICO'S FINANCIAL CRISIS

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ESTO NOS DIO LÓPEZ PORTILLO. By JUAN MIGUEL DE MORA. (Mexico: Anaya Editores, 1982. Pp. 181.)

¡ACUSAMOS! QUE NO QUEDEN IMPUNES LOS CULPABLES DE LA CRISIS. By IGNACIO BURGOA ORIHUELA. (Mexico: Edamex, 1983. Pp. 111.)

LA BANCA NUESTRA DE CADA DIA. By MIGUEL ÁNGEL GRANADOS CHAPA. (Mexico: Ediciones Océano, 1982. Pp. 168.)

Mexico is in a financial crisis of unprecedented proportions. When Miguel de la Madrid assumed the presidency on 1 December 1982, Mexico had a debt of U.S. \$85 billion, a 600-percent devaluation for the year, 100-percent inflation, growing unemployment, and a probable negative growth rate for 1983—the first since the Mexican Revolution. Although the crisis was brought to a climax by falling oil prices and a contracting world economy, its underlying causes were expansionary fiscal and monetary policies that had been designed to ensure growth at any cost (or as one cynic put it, the spending of oil revenues like lottery winnings), and the continued overvaluation of the peso. The crisis is not likely to lead to the type of regime collapse that befell Iran, despite Zbigniew Brzezinski's prediction in a recent interview, but it will severely test Mexico's prosperity and stability. Understanding how the crisis affects the country's political and economic institutions will be a continuing challenge to students and scholars of Mexico for some time.

Three books that offer an interesting perspective on the Mexican financial crisis are Juan Miguel de Mora's *Esto nos dio López Portillo*, Ignacio Burgoa Orihuela's *¡Acusamos! Que no queden impunes los culpables de la crisis*, and Miguel Ángel Granados Chapa's *La banca nuestra de cada día*. A senior economist of the Alfa group remarked that "the books say more about what Mexicans think of the crisis than they do about the crisis itself." That vantage point is precisely the utility of the books. As the titles suggest, the three works detail the mismanagement and corruption of the Mexican regime and that of José López Portillo's administration in particular. Mexicans generally believe that the sister sins of mismanagement and corruption have thrown their country into an economic morass. While the roots of Mexico's financial crisis are unquestionably more

complex, corruption is a serious problem in Mexico, and it has cast an illegitimacy on the Mexican state that is perhaps as damaging to the regime as the dramatic loss of per capita purchasing power resulting from debt payments, recession, inflation, and the string of devaluations.

All three of the books are written in the investigative reporting style that led to the much-publicized repression of the newspaper *Excélsior*. In fact, one of the authors, Miguel Granados, was an assistant editor of *Excélsior* for nearly ten years. The books contain detailed accounts of corruption and flagrant mismanagement, not to mention barbed homilies, that probably would evoke government censorship if published in a more accessible form. Freedom of expression in Mexican political affairs seems to be related to the level of education required to comprehend what is being said and the number of people who might be reached by the particular medium. Hence, books are the least controlled and radio and television are the most controlled.

Juan de Mora's *Esto nos dio López Portillo* pointedly describes the corruption that was rampant during López Portillo's administration, or *sexenio*. Names are spelled out in full. Corruption and outright theft are described as being so widespread that it was impossible to tell where they began and ended. Lowly police officers, for example, routinely exacted *mordidas* for the issuance of license plates. Despite public protest, the practice was not halted. Mora's attention, however, centers on the level at which corruption was most excessive and most damaging to the Mexican polity—the highest levels of public office.

One scandal of the López Portillo administration occurred when a group of congressmen returning from an interparliamentarian meeting in the U.S. were detained for attempting to introduce illegally goods worth an estimated ten million pesos. These goods included microwave ovens, video equipment, and electric organs. Ironically, one of the congressmen involved had argued at the interparliamentarian meeting for the need to close duty-free shops because "they damage the economy." Other cases of corruption involving prominent government officials are also reported, with the president himself being accused of blatant nepotism.

The most serious graft and corruption in the López Portillo administration occurred "where the money was"—at Pemex. The revelations of Herbert Castillo, president of the Partido Mexicano de Trabajadores, are presented: audits showed that in 1977 and 1978, 317 million barrels of crude oil and 714 million cubic feet of natural gas were unaccountable. Other testimony showed that unnecessary middlemen profited from contracts with France and Britain. Probably the clearest case of corruption took place in 1981. The United States published statistics showing that in the previous year, it had bought U.S. \$12 billion worth of petroleum from Pemex; however, the financial statement of Pemex showed

total exports of only \$10.4 billion for that year, of which the United States was said to have bought 85 percent, or \$8.84 billion. What happened to the missing \$3.57 billion (the equivalent of 113 million barrels of oil)?

Equally interesting, Mora's presentation further suggests the enormous power that López Portillo singlehandedly exerted over the exploitation of Mexico's petroleum. The development and management of Mexico's vast oil and gas deposits are of critical importance to the nation; yet, during López Portillo's reign at least, this area was almost exclusively the president's domain. According to Mora, technical advisors were ignored, and the participation of other political actors was eschewed.

Ignacio Burgoa's short book is an eclectic collection of essays and documents. It includes, for example, the transcript of a speech that Jesús Silva Herzog (Secretary of the Treasury) gave to the Mexican Senate describing the severity of the financial crisis. Perhaps the most interesting part of the book is an appendix that describes the house that López Portillo constructed for himself at the end of his term. Although his name is never mentioned, there is no doubt that this house is the "Lomo de Perro," as Mexicans have taken to calling this spectacular residence (after a famous speech in which López Portillo said he would defend the value of the peso like a dog). The residence reputedly cost U.S. \$30 million. It is described as consisting of four luxurious mansions, a library, a gymnasium, an observatory, and ample servants' quarters. Burgoa's book also suggests that no detail or expense was spared in constructing this residence, which he claims has a refrigerator for furs. Burgoa asserts that its library has space for a million volumes and that its observatory excels the National University observatory.

When the fall in oil prices and the contraction in the world economy revealed the unsoundness of López Portillo's economic policies, he chose a political solution to save face. In his last State of the Union message on 1 September 1982, he nationalized the Mexican banking system and introduced a complete system of exchange controls. The startling expropriation of the banks was decreed "in the national interest" because the banks had "betrayed" and "plundered" the country by aiding and abetting the *saca-dólares* (people who had sent money abroad). The nationalization of the banks could not be justified on economic grounds, but it was a sweeping political success.

The decision to nationalize the private banking sector is described and analyzed by Miguel Ángel Granados Chapa in *La banca nuestra de cada día*. It opens with a rich account of the development of the private banking sector in Mexico, which begins ten days after the arrival of Fernando Maximiliano of Hapsburg in 1864. The history of the country's private banks is dominated by flamboyant personalities, quick fortunes,

and uneasy government relations. The latter aspect is best summed up by the following anecdote: “Reunidos Cárdenas con un grupo de banqueros, les propone contarles un cuento sobre precisamente, los hombres de la banca. ‘Estos eran unos banqueros sinvergüenzas,’ comienza el Presidente; y también con ello termina. Después de un breve silencio en que sus interlocutores aguardan la continuación, alguno se atreve: ‘y . . . ¿qué más, señor Presidente?’ inquires. ‘No, nada más, eso es todo,’ concluye Cárdenas.” The private banking system nonetheless flourished, especially in the booming post–World War II period when increased government regulation by the Central Bank and the National Banking Commission provided an orderliness that had been lacking in earlier days.

Miguel Granados was present at the announcement of the expropriation of private banks, and he recounts the occasion in detail. Despite the turbulent and often immoral history of the private banks, their concentrated power, and public jubilation at their expropriation (as well as the author’s obvious approval), it is ultimately hard not to sympathize with the bankers’ assertion that they were paying the price for the government’s errors, mismanagement, and corruption. López Portillo blamed the banks for having “propitiated” capital flight, but Mexicans took their money out of the country only in response to economic uncertainty that had been created by López Portillo’s economic policies. One of the ironies of Mexican politics is that although Mexicans demonstrate little confidence in their government, they applaud its assuming greater responsibilities.

Nicaraguan government officials say that when President López Portillo was in Managua recently, he declared that there have been two great revolutions in Latin America—the Mexican and the Cuban—and that both have been failures. According to him, “the former failed because justice was sacrificed for liberty, and the latter because liberty was sacrificed for justice.” It is a poignant observation. The exposés of López Portillo’s administration, including those of López Portillo himself, imply that justice indeed has been sacrificed in Mexico.

Taken together, these books suggest that scholars need to devote more attention to the presence and role of corruption in Mexican politics. Otherwise, Mexico’s present financial morass does not challenge existing conceptions of Mexican politics as much as it raises questions about the future. The most significant question is: what will be the political reaction of Mexicans to the hardships imposed by the economic crisis and the concomitant revelations about widespread corruption at the highest levels of public office? Will the ruling Partido Revolucionario Institucional be able to maintain its domination? Also, who will bear the cost of the requisite austerity policies? Will the necessity of appeasing powerful po-

litical actors force the government to continue pursuing a development strategy that, according to the World Bank, has led to an income distribution worse than that of El Salvador?

Finally, what will be the long-term effect of the bank nationalization on Mexico's important private sector? The nationalization of the banks subsequently gave the state control of many other companies in the private sector because the banks, especially Banamex, own majority interests in many industries throughout the economy, including finance, insurance, manufacturing, construction, mining, and tourism. Miguel Granados lists the companies affected in the last chapter of his book, an impressive list. The nationalization of the banks is sure to mean more than a new Mexican flag in every bank office.

As scholars seek to answer these and other pertinent questions, books like the ones reviewed here are likely to be very useful. They demonstrate that the kind of investigative journalism that is popular with Mexicans is also a valuable and timely source of information, as well as a barometer of public opinion. Books of this nature are not without their shortcomings: they are often polemical, uneven in quality, and usually not as well documented as they could be. Nonetheless, they should not be overlooked by those seeking to understand the nuances of contemporary Mexico.