

Storms

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In 1982, in the middle of the maelstrom that he had precipitated, former Mexican President José López-Portillo affirmed that "I am responsible for the navigating but not for the storm". It never occurred to him to think that when a ship is piloted directly into a storm the probability of its being swept away increases dramatically. That's how Mexico wound up in 1982. The risk today is distinct, but none the lesser.

It is worthwhile to look over what happened in the seventies and at the beginning of the eighties because that time is frequently regarded as a great moment of economic development. The Mexican economy had begun to experience structural limits in its growth since the mid-sixties, but it was then-President Echeverría, followed by López-Portillo, who forsook the model of stabilizing development in an attempt to accelerate growth with a swelling public expenditure, financed by foreign debt and inflation. After 12 years, the country was insolvent, to the degree that it took nearly two decades to emerge from the stalemate. In 1994-1995 Mexicans underwent the last crisis of that era and the social costs were enormous because those who have the least are always those who suffer the most, the ones that pay the cost of governmental excesses in the form of rapidly rising prices and unemployment.

It is absolutely logical and reasonable for a government to desire to step up the rhythm of growth and even more so when there is a surplus of capacity for this already in place. The problem, which we have traversed many times in recent decades, is that when the government spends excessively for an excessive amount of time, it exhausts the productive capability of the national plant, which immediately leads to an increase in imports. The latter, in turn, exacerbate the demand for dollars, giving rise to sudden movements in the exchange rate. That is, the reason why deficit spending is dangerous is not theoretical nor ideological but practical.

During these past months, with the drop in income from oil, the government, affected in terms of its own revenue, has seen growing pressure on the fiscal accounts, and the same has occurred with the balance of payments, where a relatively small deficit (of less than 1% of the GDP) went up to more than 2.5% recently. This implies that the demand for dollars is greater than the supply, translating into pressures on the peso. With respect to fiscal accounts, the government's mushrooming deficit spending is exerting the effect of increasing the debt (that grew from 29% of the GDP to 44% over these past years), precisely when the storm in the rest of the world began to intensify.

When López-Portillo proclaimed that he had no responsibility for the storm he was right, but his argument was no more than a poor excuse to deflect attention from the risk that was approaching. Today Mexico does not find itself in an identical situation because the structure of the economy is very distinct, both because of the huge level of manufacturing exports and due to the fact that the exchange rate is floating (at the time it was fixed). However, the risks are similar, as we have been able to observe in the manner in which the peso has been losing value day in day out.

But the underlying problem is not the fact that more or less is spent, but rather that one person concentrates too much power to decide to engage in this spending without explaining its action and justifying it before a responsible opposition, serious and knowledgeable. In the crisis at the end of 1994, as related by Sidney Weintraub in his diligent study on that devaluation, the great problem was that the outgoing government incurred mammoth risks –it wagered on the stability of the economy- because it was not required to render accounts to anyone. The year 1994 was a particularly complex one for the country due to the political assassinations that characterized it and the Zapatista uprising, circumstances that would have been difficult to manage in the most developed and institutionalized of countries in the world. In Mexico, where we do not enjoy those features, the risk is infinitely greater, which is why 1995 was such a bad year in every regard.

“Democracies”, says Paul Johnson, “work best when the remit of politicians is reined in. The separation of the judiciary from the executive and legislative arms of government is a long-established principle. And in economic policy, too, politicians have begun to realise the value of limiting their own powers”. What seems so obvious to Paul Johnson is something alien to us Mexicans. Here there are no controls or checks of one branch of government over another and the effective faculties of functionaries are excessive, as the foreign-exchange crisis in which we are presently immersed suggests.

There is no doubt that the crisis we are experiencing is foreign-made, but the fact of not being well prepared to deal with it is 100% Made in Mexico.

The classics

In the last two decades the notion has become the vogue in the West, above all in the U.S., that history does not matter and that the past should be judged in the light of today, with present-day criteria. Along the way the classics of history have been forgotten, the lessons that afforded many of us the possibility of understanding the world within its context and as the heritage of the past. Civic-mindedness disappeared from the curriculum and Don Quixote, The Ramayana and The Odyssey, among so many others, even in simplified versions, are no longer read. Miguel Ángel Porrúa has just published a collection of "Classical Readings" for secondary school. Our future would benefit if secondary-school students were to have access to these readings, perhaps the best long-term antidote to the burgeoning international disorder.

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