

Dateline Mexico by Josefina Menendez

López Portillo calls Klein a speculator

The Wharton Model's stock is declining in Mexico after the president gave the Nobel Laureate a public drubbing.

President José López Portillo called a major press conference with the national media on Dec. 3 to assess the first four years of his administration. The topic the attendant journalists most enjoyed was the president's ironic swings at the 1980 Nobel Laureate in Economics, Dr. Lawrence Klein, top dog at the Philadelphia-based Wharton Econometric Forecasting Associates.

The journalist who opened the press conference asked the president point blank to comment on Dr. Klein's assertion that, due to its rapid economic growth, Mexico "runs the risk of an outcome like Iran." As readers of this column will recall, the "father of econometrics" had predicted this gloomy fate for Mexico last month.

The Mexican president's opinion on this came through loud and clear: "That is what can be called a simplistic speculation. To speculate, as you know, comes from the Latin word *speculo*, or mirror. . . . Frequently foreign specialists make simplistic assertions, precipitous generalizations."

The laughter of the journalists filled the conference room, but the president, a man well-tutored in economics himself, continued his professorial discourse: "If we see reality in the mirror of prophesies, that and nothing else can occur. Atlantis could emerge in the middle of the Atlantic Ocean, and the Peninsula of Yucatán could sink into the sea."

Recent statements from Dr. Klein seem to indicate that he is in no mood to defend his econometric abilities. In an interview for the Mexican daily *El Sol* last week, Klein confessed that Mexico's "rapidly changing economic structure" is making things very difficult for Wharton's quarterly econometric service on Mexico, appropriately called "Diemex."

As the *EIR* has emphasized in its reports on the new LaRouche-Riemann econometric model, the failure of all previous econometric models, Wharton's included, lies in their inability to account for the most crucial element in a growing economy, which is the constant changes and improvements introduced by new technologies.

Klein's confessions sparked distrust among some of Wharton's Mexican clients. One businessman who uses Diemex told us sarcastically: "Since Wharton can't explain growth, maybe that is why they would like to see the Mexican economy stagnate. That way their computers could accurately forecast the future."

In the same press conference on Dec. 3, López Portillo also addressed the controversial theme of a possible peso devaluation. As we have previously reported, Wharton has been putting out the line that, in order to make its exports more attractive in the international markets, Mexico has to devalue.

López Portillo characterized

this too as a simplism. "Our currency is floating," he said, "and what is important is not how much our currency is worth, but how much our economy is worth. What we have to do is take care of our economy."

As for the monetarist argument that Mexican exports are declining due to the peso's alleged overvaluation, the president pointed out that the real cause for this was the accelerated growth of domestic demand, which is always met first.

These remarks produced an immediate response in private business circles here, some of which had previously echoed the Wharton devaluation theme. One by one, the heads of the large business associations lined up with the president.

"The government's decision" to not devalue the peso "has been accepted," Carlos Amtman, president of the exporters and importers association, Anierm, told the press. Another business leader, Mario del Valle Bulnes, acknowledged some businessmen had personally met with Lopez Portillo to mistakenly try to convince him of the virtues of a devaluation. Nonetheless, added Gilberto Ortiz from the Canacindra industrial association, the great majority of businessmen now "agree with the president on the fact that it is not necessary" to devalue.

All of which, it should be added, does not guarantee the peso's current parity forever. In fact, Friedmanite pressures for a devaluation are expected to continue and grow stronger next year. But López Portillo's "no" to an immediate peso devaluation, and to the "Iranization" of Mexico, certainly put Dr. Klein and Co. on notice as to where they stand with the Mexican government.