

## Dateline Mexico by Josefina Menéndez

### Changes in the economic cabinet

*Wall Street and London banking circles seem to be fond of new Finance Minister Silva Herzog.*

In March, two of Mexico's most powerful government officials, Finance Minister David Ibarra Muñoz and central-bank director Gustavo Romero Kolbeck, suddenly resigned their posts. Their replacements, Undersecretary of Finance Jesús Silva Herzog and Banco de México sub-director Miguel Mancera Aguayo, were announced with equal haste. They are known to be close to the PRI presidential candidate (who is therefore, the next president), Miguel de la Madrid.

The press and some PRI politicians here rushed to explain that this shake-up in the upper echelons was simply a move to guarantee a smoother transition from the López Portillo administration to de la Madrid's, in a period of difficult economic decisions following the February peso devaluation.

Wall Street and London mouthpieces such as the *Journal of Commerce* and the *Financial Times* (usually quick to seize these occasions to declare that the Mexican political system is falling apart), this time portrayed the changes as merely institutional.

Nonetheless, everything indicates that the reshuffle was dictated to Mexico by its creditors in Wall Street and London. Bankers are not hiding the fact that they just didn't trust President López Portillo and his aides to impose the austerity measures they have been demanding since earlier this year. In the

words of a senior Wall Street banker, the new economic team in Mexico is applauded by New York and other international bankers because of "its willingness to work with them and carry out unpopular programs."

Among Wall Street's unpopular demands is a 20 percent cut in the 1982 federal budget, a precondition for lending the \$20 billion Mexico will need this year to keep afloat.

The bankers seem especially fond of the new Harvard-trained Finance Minister, Jesús Silva Herzog. An early 1981 issue of the *Institutional Investor* (a London financial newsletter) praised him as a man who has an urbane knowledge of the international financial community. He is reputed to be the man who negotiated most of the big Eurodollar credits Mexico has received in recent years.

As for the new director of the Banco de México, the nation's central bank, Mancera Aguayo, he acquired long experience in monetarist practices at the Bank of England. He has been part of the bureaucracy of the Banco de México, the country's stronghold of monetarism, since the 1950s.

Both officials are seen by some financial analysts in this capital as followers of former Finance Minister Antonio Ortiz Mena, who in the 1960s imposed the "import substitution" economic model, promoting light consumer industries at the expense of a strong state-controlled

capital-goods industry. The "Ortiz Mena Mafia," as it is known here, lost political ground when José López Portillo took over the Finance Ministry in the early 1970s. As the Wall Street banker described it, they were shoved aside by López Portillo with his "go like hell for growth" policies.

PRI candidate de la Madrid has not hidden his dealings with the Ortiz Mena crowd. Back in January, a meeting he held with Ortiz Mena, now director of the Inter-American Development Bank based in Washington, received wide press notice.

That de la Madrid is ready to make some compromises with the country's creditors has been made clear by the candidate himself. He has been disassociating himself from the rapid development policies which characterized the López Portillo administration. In a campaign speech in the northeastern state of Tamaulipas in March, de la Madrid proposed an oil policy which makes dangerous compromises with environmentalist demands raised by zero-growth leftist groups.

De la Madrid has tried to conceal the tremendous pressures the International Monetary Fund and other foreign forces have put on Mexico to stop its industrialization efforts and growth policies. This is a departure from the political explanations President López Portillo has given for the devaluation of the peso and other economic blows which have hit Mexico recently.

Although there is no guarantee that de la Madrid will keep his promises to the bankers once he is president, I can report, that for the moment, he is telling Wall Street he is prepared to do so.