Dateline Mexico by Josefina Menéndez

Private banking again?

Mexico's "nationalized" bankers are trying to reassert their power to destroy the nation's economy.

On July 9, Miguel Mancera Aguayo, the head of the nationalized Banco de Mexico, presented the annual report of the Government Trusts Related to Agriculture, and used the occasion to announce that the bank "functions under the principle of competitiveness and profitability." No one should think that the Banco de Mexico is merely "a department that just executes the central government's instructions." Instead, the Banco is an "organism that should answer to market conditions."

He was backed up by the head of the Mexican Association of Banks, José Juan de Olloqui, director of Banca Serfin and former ambassador to England. Serfin told the July 23 First Annual Meeting of the Nationalized Banking System in Guadalajara that the Banco de Mexico must "never be a political tool," but must be "efficient and competitive." He went on to call for stock brokerage houses to be allowed to become quasi-banking institutions, providing financial services as well as brokerage services to their clients—i.e., the re-emergence of private banking in Mexico.

The meaning of such statements could not be clearer. Miguel Mancera, in effect, was announcing that the Mexican banking system was determined to continue the usurious behavior that prompted its nationalization in the first place. Juan de Olloqui proposed private banking all over again.

Nationalization, undertaken by then-President José Lopez Portillo in 1982, was intended to eliminate the "Federal Reserve" character of the Banco de Mexico, which acted as an "independent" branch of government under the control of the private financial interests—ultimately, Mexico's predatory foreign creditors. The Lopez Portillo measure created the potential for a national banking system along "Hamiltonian" lines—existing for the purpose of financing industrial and agricultural growth, and for no other independent (i.e., usurious) purpose.

But if the Banco de Mexico is now to "answer to market conditions" as its principal policy-criteria, then the banking system remains what it was before nationalization. The banks will continue their previous usurious policies of looting the country, of diverting funds from investment in real production, and flooding investments into speculative markets in search of "easy money." Prior to nationalization, Mexico's private banks extended credit almost solely for speculative purposes—and not necessarily, not even predominantly, legal ones. It also collaborated in foreign creditors' organized flight-capital expeditions against the country—the final straw that led to regular army troops' overnight occupation of the Banco at Lopez Portillo's order.

There is still more coming from the Banco de Mexico chief. At the July 23 conference, he announced that the Banco is now drawing up a new charter, whose leading feature will be its limitation on the power of the Mexican President to force credit into the economy. "The tremendous expansion of credit from the central bank," he intoned, "would give too big a purchasing power to the government."

This amounted to an explicit announcement that the banking system would continue as a private entity independent of the constitutional powers of the Mexican republic.

Observers of the Mexican political scene note that Miguel Mancera's policy would be a serious blow to the political ambitions of Jesus Silva Herzog. Currently the finance minister, Silva Herzog's every action indicates that he wants to be the next President—and his control over a nationalized banking system, and thus over the tightening or easing of credit, would undoubtedly serve him well. But if Miguel Mancera's policy statement in fact governs the banking system for the foreseeable future, Silva Herzog has lost his lever.

Mr. Mancera's statements have effectively explained why 85% of Mexican industry has been receiving not a penny to finance their operations, and why agriculture has only received financing when producing for export that will earn foreign exchange for foreign-debt payments. At the same conference, Carlos Mireles, head of the Chamber of Processing Industries (Canacintra), stated that of 128,437 industries in Mexico, only 1,172 are considered large industries and the remaining 126,265 are small- or medium-sized industries. Of these, he charged, only 13.5% have had any access to credit from Mexico's banking institutions. In short, 86.5% of Mexico's small- and medium-sized industries are condemned by the Miguel Mancera policy to simply disappear.

Such policies are not final, of course. The final decision on Banco de Mexico policy and the proposed charter rests with Mexico's national congress.