

Dateline Mexico by Josefina Menéndez

Another brawl in the economic cabinet

De Oteyza rejects a Volcker-style high interest-rate policy for Mexico in favor of industrial growth.

The big question this week in the offices handling Mexican finances was why Industrial Minister José Andrés de Oteyza publicly criticized Mexico's central bank director and finance minister.

Speaking before the nation's industrialists gathered in the Chamber of Industry (Concamin), de Oteyza challenged the statistics issued by the Banco de México and released his own more optimistic evaluation of the economy. On the statistical question, he said: "When programming economic activities or seeking to give a true picture of the facts, it is best to use the most up to date evaluation base and avoid those distortions caused by the mere passage of time." Thus, de Oteyza announced that Mexico's GNP had really grown by 8.2 percent in 1980, and not the 7.5 percent claimed by the Banco de México.

More significantly, de Oteyza joined President José López Portillo in denouncing the theory—commonplace in Mexico, and repeated in the Banco de México's 1980 annual report—that Mexico must reduce its growth rate to control inflation. Inflation, de Oteyza argued, is not caused by growth, but by high interest rates.

And in a stunning rejection of Volcker-style policies for Mexico, he added: "There's no reason for Mexico to adopt interest rates that other countries follow, nor to embrace the thesis that inflation induces increases in interest rates . . .

since [interest rate hikes] feed back into and perpetuate inflation."

De Oteyza also noted that Mexico had achieved its growth within an "artificial and illegitimate inflationary environment which does not belong to us, and in the midst of a deep recession of the world's economy," adding that "an excessively liberal foreign trade policy is particularly dangerous."

The speech put the country's economic analysts into motion. One of the best informed of these discovered in his probings that the Banco

will reportedly disappear if de Oteyza gets his way, and the economic cabinet itself would take charge of national accounts. Then, it is easy to imagine the formation of an economic superministry, which would combine all the present economic cabinet's powers.

In its role as central bank, the Banco de México has for years been charged with publishing official statistics on Mexican finances by means of its annual report. Up to de Oteyza's speech, this report enjoyed at least the public confidence of bankers and public enterprises.

Other analysts, such as the monetarist Luis Pazos, the director of the Institute for Ibero-American Integration, reported that the Banco de México's latest report took the government to task for "excessive budget spending, which is the cause of inflation." In one section of its 1980 report, the Banco de

México says that public spending is expansionary, and that although it helped the country grow it did so at the expense of causing "chronic and growing inflation." This analysis, say the commentators, outraged the top of the government.

A few days later, in Madrid, Interamerican Development Bank President Antonio Ortiz Mena entered the fray by condemning the thesis propounded by the Mexican president that it is possible to grow with inflation. A better policy, Ortiz Mena opined, is what he called "stabilizing development." Ortiz Mena was finance minister during the presidency of Miguel Alemán (1948-1954). With his "stabilizing development" policies, Mexico's industrial sector was dangerously skewed toward consumer goods and away from heavy industry:

EIR has found out from a private bank executive that the polemic begun by de Oteyza also has a political cast involving a rumor that de Oteyza is on his way out of the cabinet to a distant embassy, with Pemex director Díaz Serrano filling his shoes as industry minister. This rumor has spread through gossip circles over recent weeks, and even went public during the famous "castling" of the heads of the governing PRI party and the agrarian reform ministry.

But aside from rumors, veiled attacks, and verbal confrontations, one thing is sure: in Mexico today, the big fight is over what kind of economic policy will reign during the coming years. Who controls the presidency and the economic cabinet will determine whether Mexico industrializes while bearing some inflation or stagnates while seeking to wipe out inflation with monetarist strictures.