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Mexico: ‘Back to an Industrial Society’

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The most brilliant blow in defense of industrial capitalism was struck this past week, by aid of the nationalization of the private banking system of the Republic of Mexico. Mexico’s President José López Portillo executed what some view as a virtual legal *coup d’état*, with a strategic brilliance which would have brought favorable comment from the great Douglas MacArthur. President Ronald Reagan and a very small circle around him were forewarned, but the actions were one of the best “conspiracies” organized by any government during the past thirty-five years.

In New York, London, and Zürich, the gossips of the international financial community very suddenly ceased their efforts to ridicule the President of Mexico. So far, in the U.S.A., these events in Mexico have been President Reagan’s finest hours in office so far. Although the cult-followers of Professor Milton Friedman and the Buckleyites will now do everything in their power to turn the President against Mexico’s actions, President Reagan acted as a true, loyal friend of his trusted acquaintance López Portillo. Whether President Reagan fully agrees with all of Mexico’s measures is not yet determined, one way or the other. What is clear is that President Reagan acted on the stated basis of his policy of support for the sovereignty and the stability of the Republic of Mexico. The U.S. President must be honored and respected for that.

Overnight, the military forces of Mexico were positioned, in preparation for the actions they would take at noontime, the following day, at the hour the presidential decrees became law.

All the leading public and private circles of Mexico gathered, together with the national legislature, to hear the President’s “State of the Nation” address, the *Informe*. All but a few were taken by surprise as the President began his three-hour address—an address often interrupted by joyous demonstrations of patriotic fervor in the aisles, by parliamentarians and invited guests—most of them—alike.

The first hint which the outgoing president of the Bank of Mexico, Miguel Mancera, had of the moves was during the minutes just before the address. He was told he would not be included in the official photograph of the cabinet.

As the private bankers heard that their banks had been nationalized, the President dramatically glanced at his watch, to announce that the decrees had already been published as laws. It was an accomplished fact: the military were already occupying the banks’ premises, ensuring that no records were removed or destroyed.

Naturally, the nationalization of the private banks is the measure which enjoys the greatest public attention at the moment; it is the most dramatic feature of the actions, but not the most important in the longer term. The important thing, is that all of Mexico’s resources will now be concentrated to build up the levels of productive employment in agriculture, industry and infrastructure: tourism and other waste will be throttled down, speculative parasitism crushed, and a development policy in the footsteps of U.S. Treasury Secretary Alexander Hamilton and President George Washington will be energetically pursued.

True, the majority of the measures taken coincide exactly with recommendations which this writer has made recently to every government and other leading circles in Ibero-America. Therefore, this writer does understand these measures better than any individual outside leading circles of Ibero-American government themselves. However, this writer was neither forewarned of Mexico’s actions, nor in any way part of a conspiracy with the U.S. and Ibero-American governmental circles directly involved in negotiating preparations for these actions.

That qualification made, this writer is at the moment, the world’s leading authority on the practical implementation of measures being taken in Mexico and other nations. This writer’s duty in the matter is to advise his own government, and to inform others generally of the practical consequences toward which the Mexico actions are now leading.

Governments and financial circles of the world, should pay very close attention to what this writer now has to report on those matters—at least, those governmental and financier circles which are not fanatical dupes of the Von Hayek cult, or simply too stupid to understand the presently impending global financial collapse.

First, we shall deal with the somewhat diverting issue of the nationalization of the private banks of Mexico. Our minds cleared of that point of distraction, we are better situated to concentrate upon the more essential points of the matter.

Why the Banks Were Nationalized

Two distinct, but interconnected acts of bank-nationalization were enacted as Mexican law.

The first was the nationalization of the central bank, the Banco de Mexico. This action this writer had explicitly recommended, as an indispensable measure for bringing Mexico's currency, credit and debt under control.

If the world is to escape the present new depression, we require a mass of low-interest medium-term and long-term credit-issuance, but must ensure that this credit-issuance does not unleash an inflationary explosion. This can not be done unless British-style national banking is replaced by American-style national banking. It must be national banking modeled on Alexander Hamilton's First Bank of the United States, and on the Second Bank of the United States, formerly headed by Philadelphia's Nicholas Biddle.

In brief, the "Keynesian multiplier" must be shut down entirely, and the issuance of credit in excess of savings must be limited to issues of gold-reserve-denominated governmental treasury notes. These notes must be issued as investment-participating investments in agriculture, industry and basic economic infrastructure, both in domestic economies and in world trade.

It is essential that credit-importing nations have highly disciplined national-banking institutions, to ensure that international credit is not misused. Every penny of international credit and export-earnings must be *directed*, through disciplined lending-practices, into only the most essential categories of investment and related purchases. All must be focused on increasing per-hectare yields, increasing the scale of agricultural output, and increasing productivity in agriculture, as well as on basic infrastructure and capital-goods industries investments. We must increase rapidly the debt-service-carrying capacity of heavily-indebted nations, which can be done only by increasing levels of world trade and by increasing per-capita tangible-goods output of developing nations.

We must shut down excessive growth of non-essential "labor-intensive services," excessive growth in consumer luxury-goods traffic, and must crush out of existence the parasitism of capital gains from ground-rent appreciations and usury.

Only Hamiltonian methods of national banking and credit-policies—the methods used for the successful industrialization of Lazare Carnot's France, the U.S.A., Germany, Northern Italy, and Japan, can lead the world out of the present general depression. "Back to Leibniz, Hamilton, and List!" is the war-cry of nations seeking to escape the worst depression since the middle of the fourteenth century in Europe.

The Mexican government's action in nationalizing the Banco de Mexico is the first in a series of planned such actions, which must occur quickly in numerous other nations, including an emergency act of the U.S. Congress "federalizing" the Federal Reserve system.

The actions against the private banks of Mexico were motivated by special considerations. As President López Portillo reported, these banks have been the vehicles for organizing minimally about $54 billion of capital-flight from the Mexican economy, chiefly in complicity with banks in Houston, Texas, New York City, Switzerland, and other money-market centers. About 20 billion on this account was in the form of imminent cash outflow, chiefly to complete payment on real-estate and other speculative purchases by Mexican nationals in the U.S.A. and other locations. Other forms of previously unreported indebtedness remain to be fully uncovered by government investigations, and could bring this total substantially higher.

This organization of flight-capital from Mexico is the sole cause for the recent devaluations of the peso, and represents the trigger for potential collapse of the entire world's financial structure. This running ulcer had to be stopped immediately, or a collapse of the Mexican foreign debt (totalling, actually, about $96 billion) would trigger a collapse of the banking system of the U.S.A., a collapse which would bring down the financial structure of the entire world.

This act of nationalization was forced upon the government of Mexico by, chiefly, two problems. First, the forces inside Mexico complicit in this treasonous practice have been brainwashed with the lunatic doctrines of Friedman and Von Hayek to the point of unshakeable fanaticism. They have become such irresponsible fanatics that control over Mexico's finances had to be taken peremptorily from their control.

The second problem is situated easily by asking oneself the question: whence did private interests of Mexico accumulate a minimum of $54 billion of "flight capital"? How could approximately $1,000 per-capita of "flight-capital" be assembled from the pockets of the people of Mexico? Where did this money come from within Mexico?

It came chiefly from real-estate speculation and usury. The looting of the economy of Mexico through real-estate speculation and usury, was the principal means for accumulation of this "flight-capital," and also the chief cause of domestic inflation of the peso. Every purchase and sale within Mexico, every act of production, every productive investment, has been taxed massively—to the tune of some $1,000 for every living Mexican man, woman and child, to assemble "flight-capital."

Conversely, it is impossible to stop domestic inflation in Mexico without crushing these speculations in ground-rent and usury. The opening of the books of accounts, with implications of tax-evasion uncovered, will lead to a collapse of inflation-rates in that nation.

Except as similar problems exist within other nations, Mexico's nationalization of private banks is not a "socialist precedent." If the Mexican banks had been steering credit into investments in improvements of agriculture, industry and infrastructure, no such nationalization need have occurred. The $54 billion of flight-capital could have paid off the entirety of Mexico’s foreign debt, as President López Portillo emphasized. It was an amount seven times greater than the annual capital investment in Mexico’s infrastructure and production prior to the recent crisis.

Where private banks serve the national interest, by promoting foreign trade and domestic investment in agricultural, industrial and infrastructural progress, it would be disruptive and counterproductive to nationalize them. In such cases, it is sufficient to draw them into a well-regulated national-banking system, and to encourage them to assist in directing flows to issues of currency as investment-loans to performance-worthy farmers and industry, especially capital-goods-producing industry.

The problem with the private banks of Mexico—not necessarily all of Mexico’s private industry groups, however—is that U.S.A., Swiss, British and other financier circles had brainwashed them into the cult-dogmas of monetarism. As a result of this corruption, they had become self-degraded into colonial “compradors” of foreign financier interests, as we used to describe the British system of semi-colonial rule over and looting of China: the colonialist “comprador” system. They had looted their own nation, and its people, to the point of nearly triggering a general collapse of the world’s financial structure, through their combined Hayek-like fanaticism and anti-patriotic personal greed.

President López Portillo has asked the government of the U.S. to assist in repatriating this “flight capital.” The private holders of “flight capital” have been given thirty days to cause this repatriation, or else.

This means that the private holdings of Mexican nationals abroad may be drawn upon by the government of Mexico in aid of payment of Mexico’s foreign debts. A Swiss creditor could receive a draft against “flight-capital” assets in Switzerland, which the Swiss creditors of Mexico are instructed to take in payment of Mexico’s debts to Swiss institutions. Since there is over $50 billion of such assets in various parts of the world, Mexico can readily meet its external-debt obligations by ordering flight-capital of this sort to be applied against debt-service obligations.

Additionally, during his three-hour address, President López Portillo underscored the fact that measures of repatriation of such flight-capital amounts were to be the first measure to be taken in establishing a “New World Economic Order.”

More Fundamental Measures

Governments and others should focus their attention upon the twelve categories of priorities for foreign purchases, established by Mexican law as part of a comprehensive program of exchange-controls. This is the feature of the Mexico program on which this writer has earlier been most emphatic in his recommendations.

These 12 categories tell the story. Mexico has acted to transform itself once again into a goods-producing nation, the first nation to break free of the lunacy of the “post-industrial society” cult-dogma now ruining the U.S.A. and many other nations.

The economic-theoretical basis for this policy is the American System of political-economy, the economic science first established by Gottfried Leibniz and adopted as the kernel of U.S. monetary, credit and economic policy under President George Washington. It was for this policy, and against the “free trade” dogma of the British East India Company’s Adam Smith, that the U.S.A.’s War of Independence against the British monarchy was fought.

This writer has recently issued a series of papers on these matters. In addition to lengthy, comprehensive planning documents provided to his friends among Ibero-American governments, bankers, industrialists and others, a number of public reports have been provided to circles of patriotic economists, politicians and industrialists in a large number of developing nations. These papers detail the economic-theoretical and practical measures to be taken.

Although these reports are consistent with recommendations for general monetary reform this writer first announced at an April 1975 press-conference in Bonn, West Germany, the reports in question have been prepared and circulated in the period beginning May of this year, during the Malvinas crisis. The gist of the point stressed is that with over a quarter-trillion dollars of external indebtedness, the Ibero-American nations have the collective means—despite Henry Kissinger and Harriman protégé General Vernon Walters—to force the kinds of general monetary reforms needed to prevent the worst worldwide economic depression in modern history: back from a “post-industrial” cult-dogma, to a goods-producing ordering of society.

Most of what this writer has proposed could be adduced from the writings of Leibniz (beginning with the 1671 *Society and Economy*), or of Hamilton, Claude Chaptal, Charles A. Dupin, the Careys and Friedrich List. Back to the so-called “mercantilist” policies of “protectionism” and credit-and infrastructure-building policies, by which the Industrial Revolution was accomplished. Away from the self-discredited lunacy of “free market economy,” and the related, feudalistic rentier-financier nonsense of neo-Malthusian world-federalist pagan cults.

This is crucial. The forces behind neo-Malthusian "post-industrial" and "world-federalist" utopian schemes, behind the "technetronic" insanity, are powerful rentier-financier family funds committed to the variety of Venetian-Genoese Lombard doctrines against which European civilization has fought since the time of Charlemagne's effort to develop modern civilization. These "families," including their junior branches around the Harriman, Morgan and Moore families of New York City, are what the average citizen would characterize as pro-feudalistic reactionaries, the enemies of the institutions of the sovereign nation-state republic and industrial capitalism.

It is not properly astonishing, if one knows the theosophical, pagan-Isis cult beliefs widespread among such rentier-financier "families," that these "families" are the forces behind the synthetic "environmentalist" movements artificially created beginning 1969–1970, and also international terrorism—largely with aid of offshoots of the "minorities" sections of the Nazi Abwehr's *Abteilung Zwei*—the "synarchists." These are the forces behind the Buckley-allied fascist movement of Mexico, the PAN, and allied to the political front-organization of the U.S. gangster Roy M. Cohn, the New York East Side Conservative Club.

It is not surprising, therefore, that "left" and "neo-conservatives" of the extreme "right" are so often shown to be marching toward common goals—such as "environmentalist" neo-Malthusianism—and share common puppet-masters. This is the case in Mexico, where the fascist "right" and the most violence-prone "tribalist" and "leftist" forces have the same direction.

What Must Be Done?

If any circle of powerful lunatics now attempts to either destabilize the government of President López Portillo, or to impose upon Mexico the kind of conditionalities the IMF, World Bank, and Bank for International Settlements have proposed, the automatic result of such "countermeasures" will be an immediate collapse of the international financial institutions. "Give up your monetarist delusions, ladies and gentlemen! The day on which you could repeat successfully the policies of the 1972 Azores or 1975 Rambouillet monetary conferences has passed.

"Either you ladies and gentlemen come to your senses, and do now what I have proposed since my April 1975 Bonn press conference, or you are doomed to the general financial collapse your own stubbornly monetarist fanaticism has brought upon you—as well as the rest of us."

I have detailed the situation and the measures to be taken in a special report being delivered to the Toronto conference of the International Monetary Fund.

The immediate measures to be taken are these.

1. Comprehensive monetary reorganization.

(a) Effective a specified date, all outstanding debt-contracts respecting the external debt of nations are to be terminated. No accruals against such contracts shall occur after that date.

(b) The old debts are to be purchased with a new series of gold-reserve-denominated bonds of the debtors. This will reschedule the existing debt over a long-term period (in aggregate) with debt payments ordered by maturity dates of the portfolio of bonds issued to purchase old, terminated debt-contracts.

(c) These new bond series will bear interest rates between two and four percent per annum.

(d) The new bond series will be discountable, under specified conditions and terms, within the new monetary system and national-banking institutions of member-nations of that new monetary system. They will be discountable for purposes of issuance of approved categories of medium-term and long-term credit for technology-vectored investments in agriculture, industry and basic economic infrastructure in world-trade-related lending.

(e) The member-nations will enact emergency anti-usury laws, bringing down interest rates domestically and in international lending simultaneously. A maximum prime rate of 5 percent shall be established for approved, priority categories of lending.

(f) The "Keynesian multiplier" will be outlawed within and among the banking-systems of member-nations. National banking shall be uniformly established by emergency laws to this effect. Credit-issuance for lending at interest shall be restricted to regulated financial institutions. Credit will be limited to (i) credit issued between purchasers and sellers of commodities, without interest-charges, (ii) loans and investments made against currency-and bullion-deposits of banking institutions, and (iii) regulated lending of gold-reserve-denominated currency-note issues of governments, through national banks.

(g) Governments will issue adequate volumes of gold-reserve-denominated currency-notes, to enable banks to issue loans for approved categories of investments to performance-worthy borrowers—in agricultural development, industrial development, and development of basic economic infrastructure. By "basic economic infrastructure" is meant mass-transportation of freight and persons, high energy-flux-density modes of energy production and distribution, large-scale fresh-water management systems and related environmental improvements, and municipal infrastructure necessary to economy and household life. The otherwise idled goods, idled goods-producing capacity, and idled labor force must be put to work, chiefly in priority categories of investments in capital-intensive ventures, with strong preference for modernized agriculture and capital goods production.

(h) Monetary gold will be priced at a fixed rate which is a fair market price to miners of gold, taking into account the amount of annual monetary-gold purchases required and the degree of resort to marginal mining potentials this implies.

(i) An international bank of national banks must be established as a clearing-bank for maintaining a system of fixed parities of currencies, and for assisting in lending and reserve-transaction activities. Regional development banks with analogous functions are to be encouraged.

(j) Member-nations' governments must enact emergency taxation and other legislation designed to eradicate capital-gains from appreciations in ground-rent valuations and usurious practices.

(k) A selected short list of major global infrastructural projects must be adopted as the leading cooperative effort in energy-production, fresh-water management, and transportation development needed to provide the environment and leading stimulus needed to general economic recovery.

We must mobilize around such measures of reform as if we are mobilized to fight an interplanetary war, a war against misery and economic depression. Back to the principles of Leibniz, Hamilton and List!

2. To make such measures successful, the following emergency actions are required from the government of the United States.

(a) Immediate restoration of a gold-reserve basis for the U.S. dollar, at not less than $500 per ounce.

(b) Emergency legislation by the U.S. Congress, to transform the Federal Reserve system into the "Third Bank of the United States."

(c) Emergency anti-usury legislation, forcing a simultaneous lowering of interest rates on loans, deposits, mortgages, and money-market instruments.

(d) Emergency tax legislation, wiping out capital-gains accumulations from ground rent and usury.

(e) Emergency anti-drug traffic legislation, making it a major crime to traffic in "recreational substances," or to conduit funds accumulated through traffic in such substances either domestically or in foreign markets, or to engage in conduiting "flight capital" from domestic or foreign "black economy" operations.

(f) The authorization of an initial issuance of between $400 and $500 billion in gold-reserve denominated U.S. Treasury currency-notes. This is to replace all unconstitutional Federal Reserve printing of currency. It is to provide loan participation, through the federalized Federal Reserve system, to private banks for approved categories of medium-term to long-term lending in agricultural, industrial and basic-infrastructural investments at prime rates not in excess of 4 percent.

(g) The authorization of $50 billion credit to the U.S. Ex-Im Bank, for participation in approved categories of export of U.S. capital-goods production and heavy-engineering services, for approved categories of productive investments and infrastructural development.

Such initiatives by the U.S.A. will set into motion the kinds of reforms otherwise required.

These actions must occur immediately, otherwise a general collapse of the international monetary order cannot be prevented. There is only one category of governmental or financial official who will oppose such measures: dangerous fools.