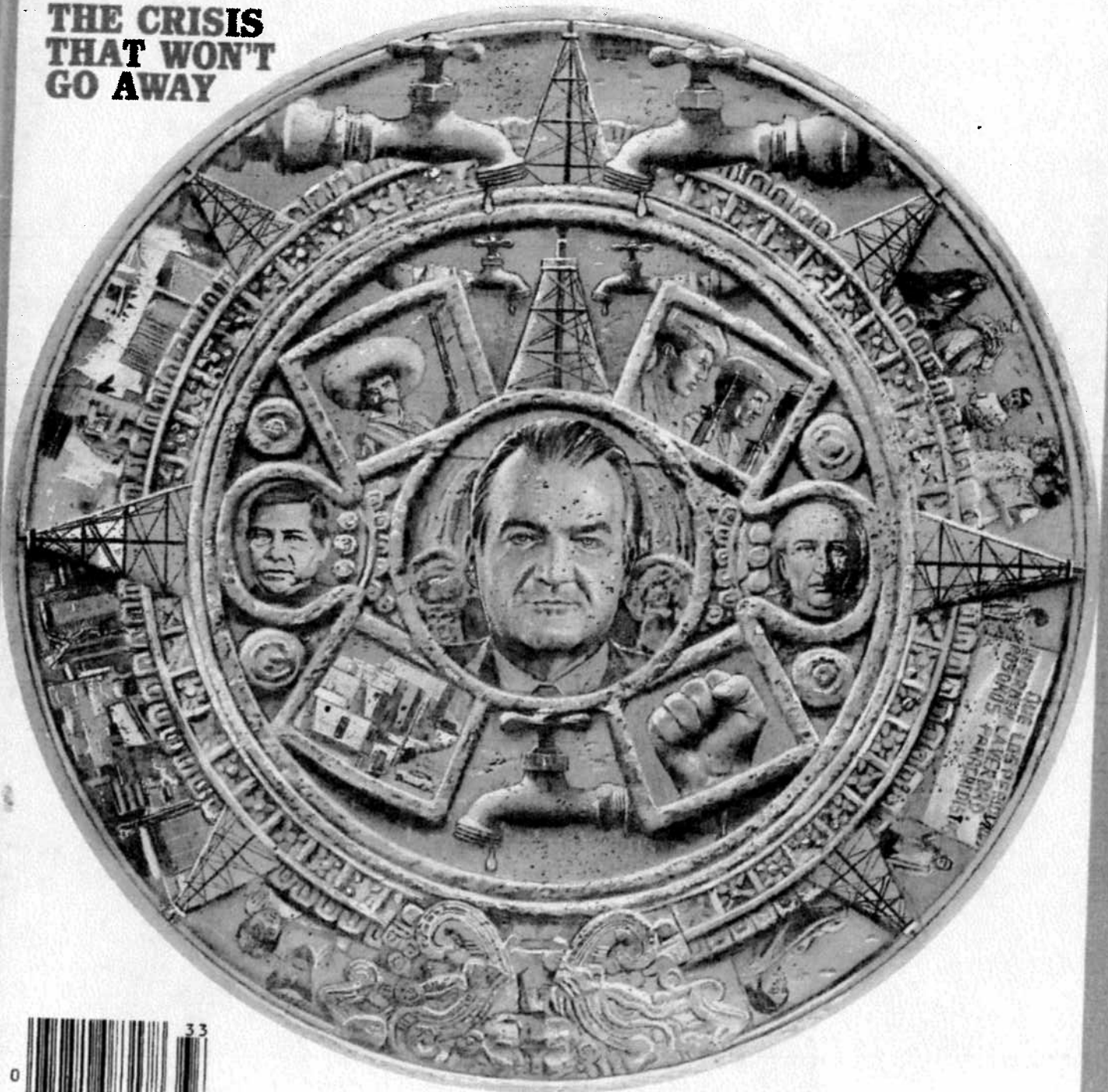


AUGUST 15, 1983

THREE DOLLARS

Forbes

**MEXICO:
THE CRISIS
THAT WON'T
GO AWAY**



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Vietnam is on the other side of the world. Even El Salvador seems remote. But if turmoil comes to Mexico, there is no way the U.S. can avoid being dragged in. Here's why the current Mexican crisis, so threatening to the U.S., goes deeper than the usual complaints about oil prices, foreign debt and corruption.

Can Mexico pull through?

By Norman Gall

Miguel de la Madrid: the president as priest and king.

Muchas gracias, Señor Presidente, muchas gracias. The president of the republic was seated in a crowded tent pitched on the small cattle fairground of the *municipio* of Tlaquiltenango in the dry hills of the Valle de Vazquez in the state of Morelos. Near here, seven decades ago, the guerrillas of Emiliano Zapata dodged federal troops during the bloodiest phase of the Mexican Revolution. Now the descendants of these guerrillas were patiently waiting their turn to present their requests and make their complaints to the highest authority. Each of them would get just 30 seconds to present his or her case.

The speeches are brief because the meeting has been very carefully arranged. *Señor Presidente:* Valle de Vazquez covers 12,000 acres, of which roughly 11,000 are dry hills and only 1,000 can be farmed when it rains. We are 2,000 inhabitants. With the money you have given us, about U.S. \$63,000, we have invested in fences and pastures and water troughs and a corral, benefiting our families. Lastly, we peasants of Valle de Vazquez ask you urgently to provide us with an irrigation system to better use our land. For all this, we thank you."

Notwithstanding the republican and revolutionary trappings of his office, the president of Mexico is a priest and a

king. He travels often among the dusty villages of his realm, as do few of the world's heads of state, in a continuing ritual to renew the security and legitimacy of the rule of the *Partido Revolucionario Institucional* (PRI), which has governed Mexico for the past half century.

The presidential pageant is accompanied by flags, flowers, mariachi bands, speeches, recitals of the conquests of the Revolution and vows of support for the president of the republic, who brings gifts for his people. The pageant triumphantly passes through a blur of baked Indian faces on baked village streets, half hidden by banners and posters bearing portraits of Zapata, the Indian with glistening eyes who rose from the mass of peasants whose communal lands had been stolen. Zapata refused to be bribed and had to be killed. In death as in life, however, then and now, he haunts the essentially conservative leaders of the Revolution, who have been unable to cure many of the sufferings that led him to rebel. All the more reason for the president to listen, and try to help. The populace must not think of the government as being remote and unresponsive.

Señor Presidente: The lands of Morelos are turning to dust," announces Manuel Peralta Subdiaz over the loud-speaker in Tehuixtla, the next stop for the presidential motorcade. "We are the state that most needs conversion of dry farmland for irrigation. But the participation of the officials in charge of the irrigation programs has been

mean and devious. Please help us. *Muchas gracias.*"

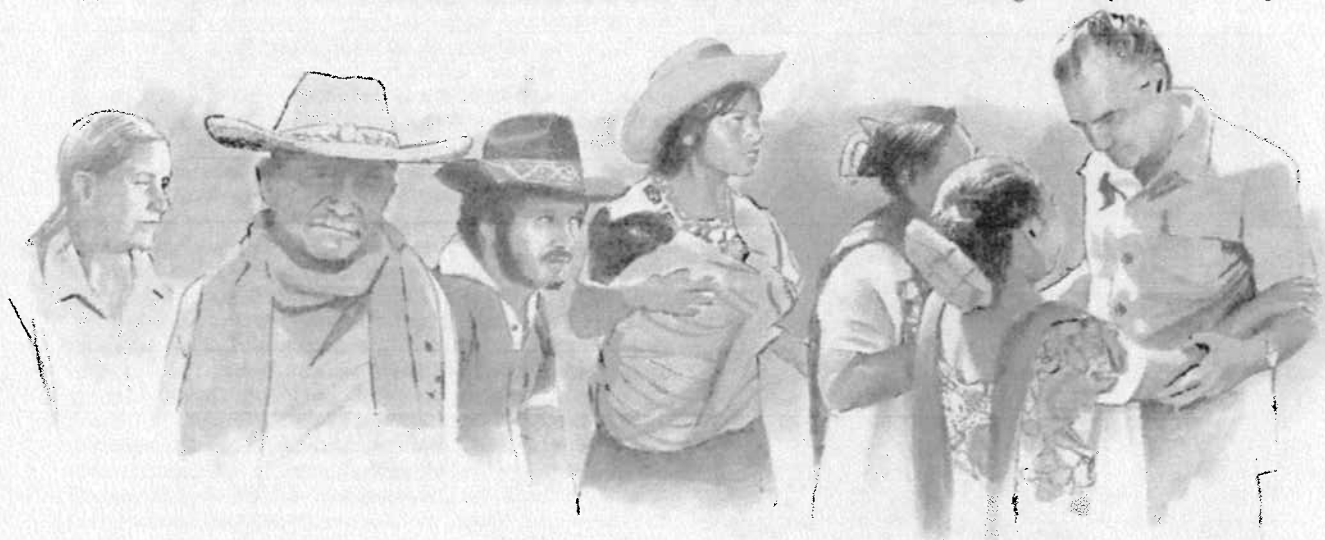
Big problems and small ones, the president is expected to solve them all. The priestly and kingly functions of the Mexican president come from the Aztecs, whose emperor declared himself to be a god. The incessant presidential touring began in the reign of General Lázaro Cárdenas (1934-40). This hulking, taciturn son of a small-town pool-room proprietor became the towering figure of the Mexican Revolution after he nationalized the foreign oil companies in 1938. It was Cárdenas who established the ritual that, 45 years later, Miguel de la Madrid is now observing. In those days the provincial revolts and counterrevolts still had not ended, and a presidential presence in the interior was a political imperative.

President de la Madrid does it somewhat differently, however, from most of his predecessors. Instead of giving a speech in each village, the newly inaugurated (December 1982) president listens with great care to the speeches of others in the ritual acted out before him. Behind his

crisis since the armed phase of the Mexican Revolution and the Great Depression of the 1930s. But today we are a bigger and more complex country. In 1930, after the civil war ended, we only had 16.5 million people. Today we are 75 million Mexicans. The size of our economy is much greater, and so are the dimensions of our crisis. For the first time in this century we are going through 100% inflation and economic stagnation at the same time.

Nevertheless, I don't think you can compare Mexico with other countries where economic problems have led into social and political crisis. Although Mexico still is backward in several aspects of its economy and its society, it has been continually modernizing ever since the Revolution.

We have a stable political system, very stable when you compare it with the rest of Latin America and political systems elsewhere in the world. Moreover, Mexico is endowed with large and diversified natural resources. We are the world's fourth-ranking country in oil and gas



silence may lie the brutal fact that the president of Mexico now has little to promise and less to give. Nevertheless, small requests are made and often granted. Symbolism counts for much.

In Tehuixtla the merchants of the municipal market asked the president for a desk and chair, filing cabinet, typewriter, 30 folding chairs and a roof for their stalls. In another request, Hipólito García Albarrán told the president: "Man does not live by bread alone. He needs entertainment. For this reason we have formed a brass band that we wish to expand with two trombones, four trumpets, three saxophones, a drum and a pair of cymbals."

The requests were granted. The President has renewed his ties, and his party's ties, to the people.

Miguel de la Madrid: We shall overcome our difficulties.

The following are excerpts from an interview with Miguel de la Madrid, president of Mexico, conducted in Spanish by FORBES Contributing Editor Norman Gall:

The U.S. and Mexico are increasingly interdependent and so people in the U.S. are worried about Mexico. Our people discuss the possibility that Mexico may become another Central America or another Iran. You yourself have referred many times to the gravity of this crisis.

De la Madrid: Mexico is going through its worst economic

reserves. We have abundant mineral resources, most of them still to be discovered. We have abundant farming and cattle land whose productivity gives us a wide margin for improvement. Mexico already has reached 14th place in the world in fisheries production, and we are only beginning.

For thousands of years, the presence or lack of water has been a matter of life or death in Mexico. Recently Mexico has been lacking water.

De la Madrid: I agree that water is one of the great problems of Mexico. Our hydraulic resources are very unevenly distributed. They are concentrated in the tropical south-east, where the problem is flooding, swamps and runoff of valuable water to the sea. On the other hand, the central plateau and the north, where three-fourths of the population is concentrated, can be considered desert country by standards of rainfall.

Over the past half century, one of Mexico's great achievements has been the building of gigantic hydraulic works—dams, irrigation canals and deep draft wells—that have brought increasing amounts of land under cultivation. Nevertheless, water remains scarce. Large areas of farming and cattle land depend on rainfall, and, as you have said, there is great scarcity of water in the cities just as the cost of extracting, transporting and distributing water is increasing.

We need a new culture of water in Mexico. We must learn

how to use it better. In the future we must build more small dams and irrigation canals to maximize development of our water resources. The result will be a new culture of water that will create greater awareness in Mexicans of problems of scarcity by raising the price of water.

Water is far from being the only necessity subsidized by the Mexican government.

De la Madrid: One of our economic strategies is revision of our policy of subsidies, which have grown to be an important part of the budget and have put us under heavy pressure.

Growing deficits, caused by artificially low prices of public goods and services, to a great degree explain the inflation we are now suffering. Adjusting these prices will imply some sacrifices and some important changes of



habit. But it will bring us closer to economic rationality.

At the same time, we must realize that Mexico was a much weaker country four or five decades ago than it is now. We have modernized and absorbed new population that has grown at the world's highest rates. Our school population is now 24 million, more than the whole Mexican population in 1940. We have taken great strides in education, health and housing in a country that, before the Revolution, was primitive, lacking institutional stability and internal communications. Mexico today has reasonably good communications. Although the tasks ahead of us are great, I feel that our potential is sufficient to overcome these temporary problems.

In the 1950s and 1960s Mexico became known internationally for its prudent management of its public finances. How did these finances get into so much trouble?

De la Madrid: Our public sector deficit reached 18% of the domestic product last year, which is one of the main causes of our present inflation. Our program of economic reorganization for 1983 aims to bring this deficit down to 8.5%. This is a gigantic effort, without precedent in Mexi-

co or the rest of the world. We are achieving this by increasing government income—raising sales taxes and prices of public sector goods and services—and by cutting public spending. This is an enormous sacrifice, painfully affecting living standards and expectations. But I am convinced that there is no other choice.

In Mexico our deficit comes from a low tax burden, not because rates are low but because of inadequacies in administration of the revenue system. There still is much tax evasion.

Mexico City has become the second most populous metropolitan area in the world. Isn't it cheaper and more viable to resettle people in other places?

De la Madrid: The cost of the city's expansion is extremely high and it represents an injustice to the rest of the republic. Subsidies have made the city more attractive and have stimulated migration even more. In our new Development Plan for 1983-88, one basic goal is decentralization of national life. Within our system of freedom—of work and movement—we cannot impose coercive measures to block people from coming to Mexico City or to expel them. But we can take measures to encourage them to move to new poles of attraction that are being developed in other regions.

Many millions of Mexicans do not produce or earn enough to live. This is why subsidies were started. They seem to paper over a basic imbalance between population and resources.

De la Madrid: We are convinced that we should reduce our rate of population growth. In the 1960s the population was growing by 3.5% yearly. Today the rate is going down, and we intend to reduce it to 1% by the end of the century. Over the past decade the government has been supporting family planning, and this will continue.

It is true that many of our people live at the subsistence level. But many others have achieved standards of living that we could not have dreamed of a few decades ago. We also must take into account the improved capacity provided by technological innovation, in Mexico and throughout the world. Thus, with better use of our own natural resources and with improved technology, we can continue aspiring toward dignified standards of living for all our people, even when this means changing many patterns of past behavior.

Some critics say the basic problem in Mexican economic policy is the domination of the public sector over the private sector.

De la Madrid: Mexico wishes to continue living in a mixed economy and will take measures to ensure that the public and private sectors coexist. We are introducing more realism into pricing policies to ensure sufficient profitability for private business to work and invest. We are promoting a reasonable equilibrium between the public and private sectors by helping companies with their financial difficulties, by recognizing the realities of prices and by stimulating private activity through fiscal, credit and tariff policies. Over the next few months, once we pass the worst phase of our economic crisis, I expect the private sector to resume its role as a force for economic growth. As for prices, we cannot free them all at the same time because this would accelerate inflation. But I must remind you that in December, the first month of my government, we freed half of our price controls.

Many thanks, Mr. President.

De la Madrid: Your questions penetrated our reality. They are my questions as well. I ask myself them every day.



"From the highways you can see groups of peasants in the open fields kneeling around statues of the Virgin, desperately praying for rain. It did not rain last year, nor this year either. If it does not rain by mid-June the crops are lost. . . ."

Geography is destiny.

In interviews with reporters from the U.S., Mexican Treasury Secretary Jesus Silva Herzog has repeatedly said: "I don't think Mexico is capable of living with a stagnant economy beyond 1984." He said it again in an interview with *FORBES* in his spacious offices in Mexico City's colonial-era National Palace. He was giving a clear message to Mexico's creditors. It was: If you squeeze us too hard or too long, you will end up losing everything.

Yet Mexico continues to struggle bravely to put its financial house in order—imposing tough sacrifices on business and consumer alike. To its credit, it is doing so with a will that the U.S. Congress has failed to display in curbing fiscal extravagance in this country. So why does the principal architect of this austerity, the urbane Silva Herzog, harp constantly on the limits to this austerity? Because he is aware of the political realities of his situation.

It is easy enough to say that wasteful government spending, egregious policy errors and shameful corruption are at the root of Mexico's current near-insolvency. All this is true, but it is not the whole story, nor does it get to the root of the situation.

Where did Mexico go astray after 40 years of economic growth that was one of the wonders of the world? Why did its public sector deficit zoom from 3% of gross domestic product in 1970 to 18% in 1982, while inflation went from 5% to 100%? Inflation, swelling deficits and overconsumption are global problems today, but an event specifically Mexican also contributed to the end of stable growth. This was the student demonstrations in several cities that preceded the 1968 Olympics. These uprisings led to the death of an estimated 200 people when the army and security forces attacked demonstrators in Mexico City's Plaza of the Three Cultures.

The demonstrations shook the ruling politicians and brought shivers of terror to a people aware of the potential for violence that always lurks just beneath the Mexican surface. Novelists and poets have long recognized that there is an almost mystical tendency to violence penned up in Mexico—and sometimes it bursts out.

The politicians responded by yielding more and more to "populist" demands. And what does "populism" really mean, stripped of its rhetoric? It means taking money from investment and putting it into the stomachs and pockets of the people. It has its virtues, but it also has its delayed price. This new surge of populism led to what many

Mexicans now call the *docena trágica* (the tragic dozen years) under the presidencies of Luis Echeverría (1970-76) and José López Portillo (1976-82). This is not to say that the ordinary Mexican was rolling in affluence during those years. He certainly wasn't. But with resources scarce and population soaring, the nation could ill afford populist demagoguery. Sacrificing investment for consumption is dangerous for any economy, but especially bad for Mexico. Why? In a word: Water.

When writing about Mexico, most journalists concentrate on the surface events—the price of oil, corruption, industrial inefficiency, the crushing burden of international debt, the flight of funds abroad. They rarely mention water. And yet water is in the most profound sense Mexico's greatest need. The nation has plenty of land, but it is desperately short of water. It is for the most part an arid land, lacking rivers and lakes. Short of water, it cannot wring from its soil sufficient food for its swelling population—75 million now, soon to be 100 million.

Under Mexican irrigation conditions, it requires 3,000 tons of water to produce 1½ tons of corn—enough to feed eight people for a year. The cost and difficulty of getting this much water severely limits Mexico's ability to raise food. This year Mexico will have to import half the grain it needs, thus losing precious foreign currency that could otherwise help service its debt, supply its industry and import badly needed capital goods. It's a vicious cycle. Lack of water drains away capital that otherwise might help solve the water problem.

History records that, along with an international financial crisis, internal drought was one of the factors that brought down the long dictatorship of Porfirio Díaz (1876-1911) and brought on the bloody Mexican Revolution that began in 1910. But now drought has become a permanent curse, not only because of Mexico's natural aridity but also because the population has grown so much faster than water resources.

Listen to Governor Tulio Hernández Gómez of the tiny state of Tlaxcala, near Mexico City: "The absence of water changes people's moods. From the highways you can see groups of peasants in the open fields kneeling around statues of the Virgin, desperately praying for rain. It did not rain last year, nor this year either. If it does not rain by mid-June, the crops are lost because corn planted after that is killed by the autumn frosts before it ripens. Peasants either plant corn or move to the cities."

Mostly they come to Mexico City, cradled in the central valley of the country. This valley was once largely covered with water. The lakes, coupled with the basin's fertile

volcanic soils, made highly productive by large-scale irrigation and drainage works, supported one of the world's largest urban centers by the 7th century A.D.—Teotihuacán, the ancient ancestor of Mexico City, with a population of 125,000.

But now there are 16 million people, not 125,000, and each year Mexico City adds 900,000 people, more than its entire population in 1920. "This city is an absurdity," says Elias Sahab Haddad, executive director of the Valley of Mexico Water Commission. "We know this. But it is a fact, a reality." On the average, the inhabitants of this overcrowded absurdity sleep six to a room—and a lot more than that among the two-fifths of the population living in squatter settlements. Even on a subsistence basis, they require vast amounts of water. In the Valley of Mexico the excessive extraction of water from underground beds has led to a steady sinking of the land on which the city is built, by some 30 feet during this century, forcing abandonment of important buildings such as the Basilica of the Virgin of Guadalupe, the national religious shrine. As for the ancient lakes, they are long vanished.

Mexico's creditors and friendly nations would do well to remember all this when Mexico appeals for debt extensions and for fresh loans. The problems facing any Mexican government are almost overwhelming.

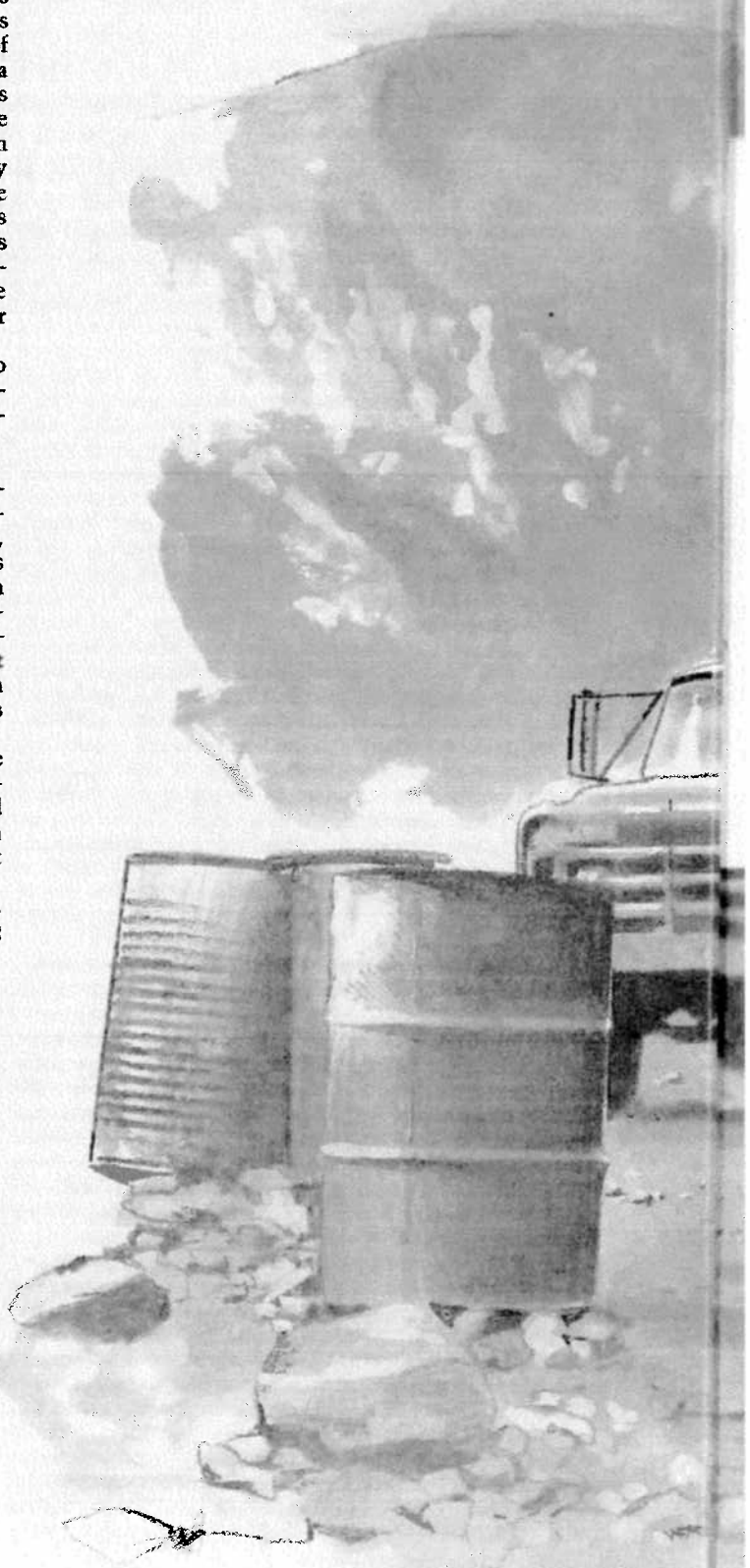
One of the most highly regarded people in President Miguel de la Madrid's cabinet is Silva Herzog. A potential presidential successor, in 1988, Silva Herzog coolly analyzed the situation for FORBES and explained how the government faces grave risks in striving to bring consumption down to a level the economy can afford: "There is no consciousness or understanding among the [Mexican] people that the government needs income to meet basic social needs. They tell each other that their tax money goes straight into the pockets of corrupt politicians.

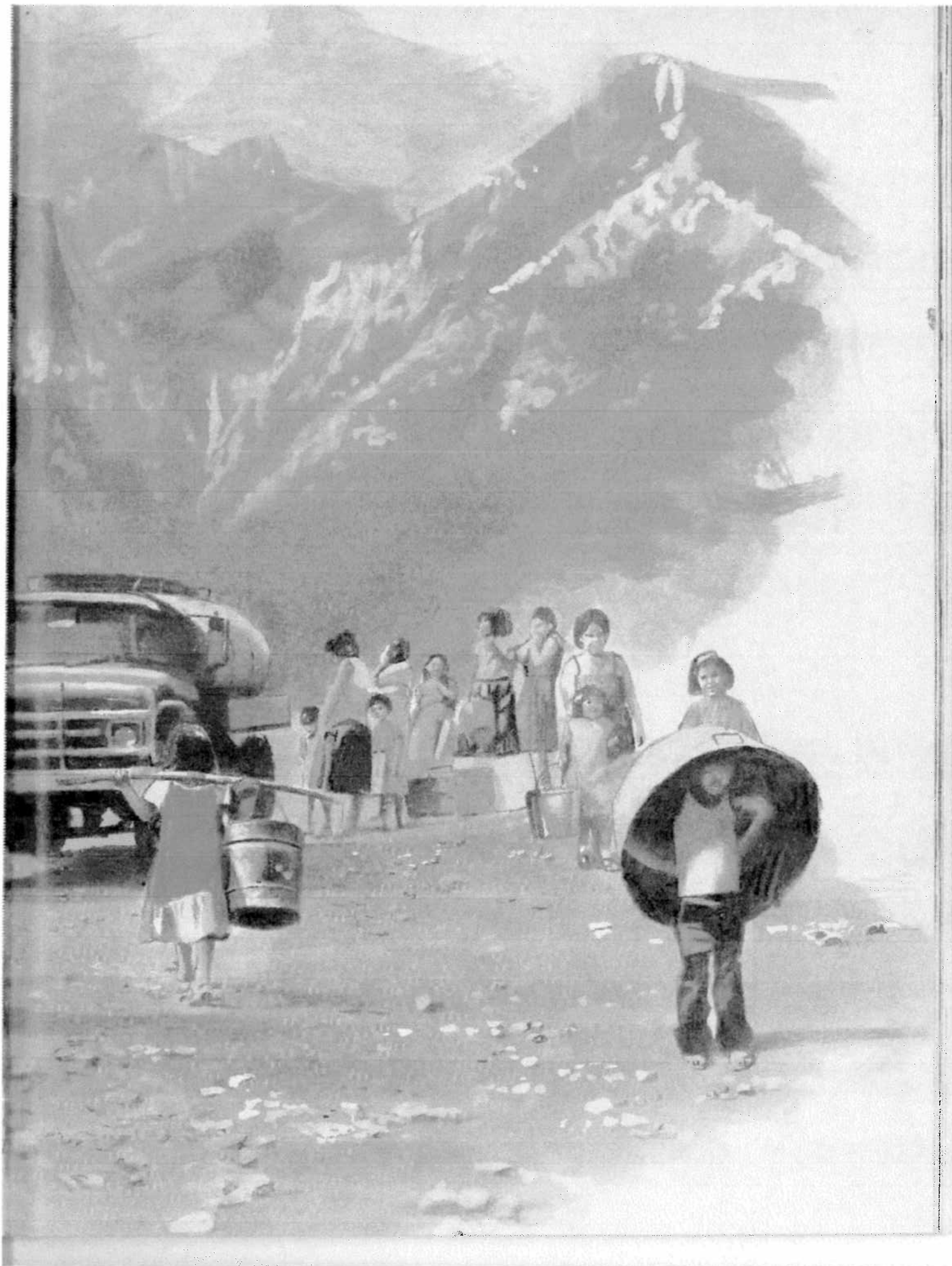
"With oil and with the heavy foreign borrowing that the oil made possible, the government could avoid living within its means. The government could paper this over and still hand out more and more because lots of foreign money was coming into Mexico over the past six years: \$50 billion in bank loans and \$50 billion for oil exports.


"But now the easy money is spent, and we are deeply in debt. We have become somewhat unpopular by decreeing big increases in taxes and in prices of gasoline and electricity, which have been kept artificially low by state corporations for many years, and more steep increases are coming.

"We intend to meet our commitment to the International Monetary Fund to cut our public sector deficit from 18% to 8.5% of GDP this year. This is an ambitious and extremely painful undertaking. Last year the Mexican economy shrank by 0.2%. This year it will continue contracting by between 2% and 4% of GDP, and in 1984 there probably will be no growth at all."

But until Mexico regains its capacity to invest, it has little hope of dealing effectively with its hydraulic problem. This will require billions of dollars. Gigantic schemes are being implemented to pump water uphill into the Mexico City metropolitan area from coastal or intermountain valleys lying between 3,000 and 6,000 feet below the metropolis, over distances and on a scale never before attempted anywhere, in order to more than double the city's water supply by the year 2000. The first stage of this effort, the Cutzamala System, already is partially complete and, when finished, will pump 19 tons of water per second uphill to an additional height of 4,100 feet. But by the time it is finished, Mexico will need yet more water and more water.







"He is talking about the possibility of bloodshed, of possible revolution, of the potential influx of millions of Mexican refugees into the U.S. Mexicans know only too well that when things go wrong in their country they can go very far wrong indeed."

Technologically it is feasible to build such projects, but financially it is a crushing burden for a society that needs so many other things, too, and has so little capital available. The capital and operating costs of these efforts are very hard to measure in money because the Mexican peso is so unstable now in terms of the world's major currencies. The energy costs probably are more meaningful. If gas or heavy fuel oil were used to pump 19 tons of water per second over these heights and distances, at prevailing efficiencies of oil conversion and pumping, then 4.3 million barrels of oil would be absorbed yearly at a cost, in terms of forgone exports, of \$125 million at the current OPEC benchmark price of \$29 per barrel. For the nearly 55 tons per second of new water flow now planned, the energy cost for pumping alone would be \$362 million per year.

"We cannot pay for the pumping of water to Mexico City," says Andrés Moreno Fernández, head of the city's water system. "Instead, we must stop the growth of the city." And not only Mexico City suffers. Some 16 million urban Mexicans live in squatter colonies where many depend for water, not on pipes or wells, but on a weekly visit by a water truck—and the truck doesn't always come. But still people pour into the cities, seeking food, water and a chance at earning a few pesos.

The failure to manage water resources has helped to destroy many civilizations. It may sound melodramatic to people in the U.S., who take water for granted, but many Mexicans are asking each other whether the PRI regime, which has ruled Mexico for more than half a century, is now reaching that stage of hydraulic disaster. Water and food are closely related. Mexico's politicians and technocrats have been very active on the food supply side. Over the past half-century they have more than doubled the area of irrigated land for farming. However, because of fast population growth, the irrigated acreage per capita is less than half what it was 50 years ago. Moreover, all the easy dam-building and irrigation projects have been done, while the population keeps growing. In other words, both in the city and the countryside, Mexico has entangled itself in the hydraulic trap while following the commendable and sensible goal of trying to keep Mexican bellies full.

Food and water were not the only priorities in the post-1968 surge of spending on subsidies to consumption. These were years of giant giveaways. To facilitate them, the government systematically enlarged its role in the economy. When they can't enlarge the bureaucracy anymore, politicians can do the next best thing for patronage by absorbing private business into the bureaucracy. In these

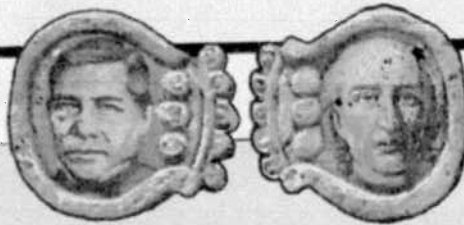
years the number of state corporations grew tenfold, from 84 in 1971 to 845 in 1976 alone, while subsidies and transfer payments rose from 3% of GDP in 1970 to 15% in 1982. "Until recently each big-spending presidential administration was succeeded by one of austerity that cleaned up the mess," a leading physician explained. "Since 1970 we have had two big-spending governments in a row."

"Besides direct spending, there were vast price subsidies to keep the price of necessities in check. Our policies of excessive subsidies gave us the problems we have today," says Planning and Budget Secretary Carlos Salinas de Gortari, a small, wiry, 35-year-old political economist with a Harvard doctorate. These subsidies embrace a bewildering variety of goods and services—from corn and sugar and gasoline to water and electricity and rail and bus transportation. There are even public coin telephones costing less than one-seventh of a U.S. penny per call (\$0.0013). Ramón Aguirre Velázquez, the presidentially appointed mayor (*regente*) of Mexico City, told *FORBES* that "these subsidies are part of a redistribution of national wealth to achieve social justice." At the cost, alas, of badly needed private and public capital investments and, ultimately, of national solvency.

Such subsidies, improvident though they were, helped keep the political peace after the violence of 1968. So when Mexico's Treasury Secretary warns that there are time limits to his government's ability to impose austerity, he is not only complaining about the political inconvenience involved. He is talking about the possibility of bloodshed, of possible revolution, of the potential influx of millions of Mexican refugees into the U.S. Mexicans know only too well that when things go wrong in their country they can go very far wrong indeed.

They are only too aware of the events that overwhelmed the long dictatorship of Porfirio Díaz and led to a civil war that dragged on for nearly two decades and killed or starved over 2 million Mexicans. It was a civil war in which U.S. citizens died. At one point, in 1914, U.S. troops occupied the port of Veracruz. Later the fighting spilled over into the U.S. Southwest when Pancho Villa's guerrilla forces raided New Mexico and General "Black Jack" Pershing led U.S. soldiers across the border in retaliation.

All this was long ago, but there are parallels between then and now that are close enough to worry thoughtful people on both sides of the border. Too much, of course, can be made of historical parallels. Miguel de la Madrid is no Porfirio Díaz, and for decades Mexico has had one of the world's highest rates of economic growth. The development of its oil resources provides a



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huge new source of wealth. Since its revolution, whose violence lingered on until the 1930s, Mexico has enjoyed a political stability matched in the hemisphere only by the U.S. and Canada. It is Mexico's good fortune that—in spite of the well-known larcenous tendencies among its politicians—it has a trained, talented leadership, equal in some respects to any in the world. The ruling party, the PRI, is to the Mexican Revolution what the Vatican is to St. Peter. The party rules in a direct succession from the middle-class leadership of the old revolution. The leadership is continually renewing itself with young men and women.

President de la Madrid himself is only 48 years old. Several cabinet ministers and state governors are much younger, while party chieftains often are in their early 30s.

But while there are some things to be grateful for in present-day Mexico, anyone who thinks the crisis has passed is deluding himself. President de la Madrid, just nine months into his six-year term of office, must move fast to restore solvency before the necessary austerity becomes intolerable. His task is made trebly difficult by the ruling party's slackened grip on the reins of power. After liberalizing the election law over the past decade—partly in response to protests after the 1968 massacre—the long-ruling PRI has been suffering both losses and unaccustomed close calls in state and local elections. One obscure town in Oaxaca state has actually come under Communist rule, with backing from Salvadoran peasants camped there. Just last month the PRI lost control of capitals in two key northern states—Chihuahua and Durango—as well as Ciudad Juárez, a border city of almost 1 million people. In these same northern states—where, not incidentally, the Mexican Revolution erupted—the PRI faces a strong challenge from the conservative, Catholic-oriented *Partido de Acción Nacional* (PAN). Conservative PAN may be, but its growing strength limits the president's freedom of action.

Dealing from a declining position of power, with this legacy of other presidents' mistakes and with the ancient problem of water, is a crushing job. Whether sitting under a tent hearing peasants' complaints or sitting in his air-conditioned offices dealing with big problems of economics and politics, President de la Madrid is acutely aware that hell hath no fury like a populace suddenly deprived of the largesse it has grown accustomed to.

For nations, geography is destiny, and Mexico's geography is particularly grim. Writing nearly 180 years ago, the German naturalist Alexander von Humboldt reported:

"In the whole equinoctial part of Mexico there are only small rivers. . . . The narrow form of the continent pre-

vents the collection of a great mass of water. . . . Saline substances cover the surface of the soil. Through this abundance of salt, the table land of Mexico bears a great resemblance to many places in Tibet and the saline steppes of central Asia."

Humboldt was writing about a Mexico with 5.8 million inhabitants—sparsely populated like Tibet and central Asia. But this same arid land today must support 75 million people. This is not to say that Mexico cannot support a large population, but it cannot do so without huge capital expenditures for hydraulic works, for agriculture, for job- and capital-creating industry. Whence is the capital to come, while at the same time keeping the populace minimally content? That is the grim geographic and financial reality.

The foreign lenders who sent \$81 billion to Mexico with virtually no strings attached still delude themselves. It is obvious that Mexico and other developing countries do not have, and never had, the cash-generating capacity to repay the foreign loans they have piled up over the past decade. The money is gone. The interest burdens alone have become too big to manage. It is a flight from reality to expect countries like Mexico and Brazil to divert up to 5% of their annual national incomes and a much larger share of their foreign exchange earnings to paying interest on their foreign debts continually over the next decade or two. Payments on this scale would wipe out their chances to earn an economic surplus that must be invested in meeting urgent national needs.

Mexico is trying to meet its obligations and impose a degree of discipline on government spending, but we in the U.S., should listen carefully to Treasury Secretary Silva Herzog when he says: "I don't think Mexico is capable of living with a stagnant economy beyond 1984. This would carry an additional risk of social and political instability."

Abstract words, those: "social and political instability." What do they mean? They mean that decades of peace and progress in Mexico could end in bloodshed and disorder, with incalculable consequences for the U.S. In the long run, helping Mexico to handle her horrendous problems is much more useful to the U.S. than collecting bank loans to the last peso. And how can the U.S. help? By supplying food, technology and capital to our neighbor on favorable terms. This wouldn't be charity. It would be simple common sense. Of the Mexican-U.S. relationship, John Gavin, Ronald Reagan's ambassador to Mexico, recently declared: "It is a marriage without possibility of divorce." That says it all. ■