



**Liberation and Development:
A Latin American Perspective**

James Fogarty

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December 1994 marked the winter of Mexico's discontent. The house of cards assembled by Carlos Salinas

collapsed and the Mexican economy went spinning into the void. It was just 11 months after the much touted NAFTA agreement had been signed and “free trade” made its debut in Mexico.

Not at all coincidentally, the Zapatista National Liberation Army (EZLN) also came into existence 11 months earlier. The same day, in fact, that the NAFTA treaty was signed, a directive from Commander Marcos was sent from the jungles of Chiapas. To the Zapatistas, as to many Mexicans, NAFTA spelled trouble from the start. Whole sections of industry would be faced with bankruptcy, they warned, profits would end up in the hands of the few, the rich would get richer, the poor poorer, and foreigners would be calling the shots.

For James Fogarty, a Catholic missionary working in poor Mexico City neighborhoods, it became clear that the new order of unfettered capitalism had provoked a poverty crisis. Mexico, forced by the free trade agreement to stop protection of its domestic industries, to buy more U.S. imports, to pay debts to U.S. banks with a decreasing number of dollars, would do so at the expense of the poor by cutting back funds allocated for social services and domestic growth. In the first months of NAFTA Mexico had chalked up a U.S.\$12 billion trade deficit. The Salinas regime created 22 new billionaires but Mexico’s poorest group, unable to afford the basic food staples basket, had grown from 14 million to 21 million. In the winter of 1994, the new president, Ernesto Zedillo, had inherited the whirlwind. On December 21 the peso fell from 3.40 to the U.S. dollar to 6.50. The stock market dropped 12 percent. The Mexican meltdown had begun and Zedillo scrambled for help.

The U.S. and the International Monetary Fund came to the rescue. But the U.S.\$52 billion bailout (U.S.\$20 billion from the United States itself) would carry a price. Loss of autonomy, a shameful lien on the patrimony of Mexican petroleum and increased poverty for Mexican people. “In effect,” notes Dr. Fogarty, “the masses who did not contract the debts were condemned to suffer the austerity measures imposed by foreign creditors. These measures included drastic cutbacks in public spending and social services, so that a greater percentage of the GNP could be set aside for foreign debt servicing and repayment.”

The price of tortillas (the basic Mexican staple) rose 100 percent in the first 24 months of the crisis. According to a study conducted by the National Bank of Mexico (Banamex), nearly half the Mexican population of 92 million had

a caloric intake below the UN minimum nutritional standard. Social programs were eviscerated; U.S.\$22 billion left Mexico in capital flight as the rich cashed in their chips.

Free trade, NAFTA, foreign loans and economic “development” by first world nations have resulted in “increased job insecurity, a rising crime rate, and growing social inequality,” according to Dr. Fogarty. The crisis of 1994 and its repercussions simply expanded the field of victims to include “small and medium-sized business owners and employees, urban wage earners, women, rural communities and children,” notes Fogarty.

“Not without reason, some Latin American critics of this latest version of laissez-faire capitalism are calling it *capitalismo salvaje* (savage capitalism) which in turn gives rise to what they call ‘economic genocide’ in the sense that it leads to the elimination of the poor who are superfluous to this economic model.”

Fogarty, a proponent of liberation theology and social reform, calls for drastic changes in policies and structures which will allow the poor to become protagonists of their own emancipation from injustice and exploitation. Critical of the traditional role of the church in Latin America, Fogarty calls for a new commitment to social change. He urges clergy and lay people alike to abandon the neo-capitalist and developmental policies which have ravaged Latin America, and work instead for “a more humanistic approach aimed at attacking the root causes of injustice, poverty and social unrest.” He points out the success of alternative models such as Costa Rica which reduced its poverty level by two-thirds in the difficult decade of the 1980s.

Former President Bush’s prediction in 1990 that the free-market system would bring peace and prosperity to Latin America has failed to materialize. What has resulted instead from NAFTA and increased foreign development is social unrest, increased unemployment, higher poverty levels and an unprecedented disparity of classes. “It seems a fact of human experience that when peaceful evolution becomes impossible, violent resolution becomes inevitable,” writes Fogarty. His analysis and final conclusions will upset many readers comfortable with the new economic order. Perhaps that is his intention. ■■

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