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López Obrador proposes austerity budget, creates free economic zone at the border

On December 24, the Mexican Chamber of Deputies approved the first budget of the new “leftist” president of Mexico, Andrés Manuel López Obrador (AMLO). The funding package is characterized by a massive increase in military spending, negligible funds for social programs, and the creation of a new free economic zone at the US-Mexico border to further exploit Mexican, US and Central American workers.

AMLO proposed the budget under conditions in which his party, the Movement for National Regeneration (Morena), holds large majorities in both houses of Congress. Millions of people voted for AMLO and Morena with the expectation that, holding every lever of power, they would be able to carry out what AMLO has called a historic “fourth transformation” of Mexican society.

The new administration’s financial plan strips away his populist pretensions and exposes precisely what is meant by “change” under the capitalist government of AMLO. The new government’s leftist credentials consist of paltry programs that will leave social conditions intact, while blaming government employees and corruption—not the capitalist system—for the top 10 percent of Mexicans controlling 70 percent of the country’s wealth.

Markets and international commentators have celebrated the budget for its “fiscal responsibility,” with the value of the peso increasing by 0.7 percent after its release. “The new administration is keen to show more conservative fiscal management from the get-go,” wrote BNP Paribas bank.

Finance capital has commended the budget precisely because it protects the interests of the ruling elite. Meanwhile, massive sums have been granted for repressive measures that will be used against any independent movement of the working class as it becomes disillusioned with Morena and turns to a fight for genuine social equality.

AMLO and Morena awarded the Mexican military its largest funding package in history, with an 11 percent increase from the Peña Nieto administration's 2018 budget. Although he campaigned under the promise of removing the Armed Forces from domestic security operations, AMLO has backtracked by announcing the creation of a new National Guard that will be composed of between 120,000 and 150,000 members by 2021. The National Guard amounts to a new wing of the military and will be controlled by military brass.

This massive military increase must be seen in the context of a growing crisis at the US-Mexico border. On December 20, the Trump administration announced that it would **immediately deport** new Central American asylum seekers to Mexico pending the resolution of their asylum claims, which the AMLO administration agreed to enforce. This sets the stage for an explosion of anger by tens of thousands of immigrants who did not escape extreme poverty and gang violence to be condemned to a life of shantytowns at the border. As workers and peasants become more desperate, the Mexican military and National Guard will be deployed to carry out the dirty work of US imperialism.

A policy of repression is being combined with a slashing of social assistance for refugees. Despite the fact that refugee applications skyrocketed by more than 1,140 percent in the past four years, the new budget reduced refugee funding by 20 percent.

As for the "profound and radical" change promised by AMLO, this amounts to a sum of about \$48.5 million (922.7 billion pesos), or less than \$2.50 for every person in Mexico for the entire year.

One of AMLO's flagship programs, "Youth Building the Future," will provide 300,000 high school students with \$117 (2,400 pesos) each month. Another 2.3 million youth will be given \$191 a month to work as interns for one year. The cosmetic nature of the program becomes transparent when compared to the objective needs of the working class, including trillions of dollars for universal, high-quality education. Only 17 percent of youth between 25 and 64 have a college degree, and the average educational attainment for Mexicans is middle school. Only 21 percent of those who enroll in college graduate, half of which drop out due to insufficient financial resources to continue their education.

Another one of AMLO's supposed progressive programs is the doubling of pensions for retirees and the disabled to \$74 (1,500 pesos) per month. Individuals must be 68 years old

to receive the funds, while indigenous populations must be 65 years of age. The sum is less than half of the minimum monthly wage and will keep millions of workers from retiring who cannot afford basic necessities like rent or health care. About 34 percent of adults over 60 and 14 percent of adults over 75 were active in the labor force in 2017.

A pittance for the poor is being combined with a bonanza for corporations. On Monday, AMLO has announced a new free economic zone at the US-Mexico border that will slash the value-added tax in half, from 16 to 8 percent. The top income tax at the border will also decrease from 30 to 20 percent. The new free economic zone will reportedly be the largest in the world and will stretch from Baja California in the Pacific to Tamaulipas in the Gulf of Mexico.

AMLO has sought to sell what amounts to a new state-sponsored center of exploitation by raising the minimum daily wage in the new economic zone to \$9—or a little more than one dollar per hour in an eight hour day. Despite having nominally higher minimum wages than the rest of Mexico, these remain poverty wages that will be clawed back through more exploitative working conditions and fewer benefits for Mexican, Central American and US workers. The tax cuts are also estimated to leave a budget shortfall of \$610 billion (120 billion pesos), which will be paid for through cuts in social services for these same workers and youth.

The first month of AMLO's administration has already confirmed the assessment made by the *World Socialist Web Site* on the eve of last year's [elections in Mexico](#) that “Sooner rather than later, a Morena-led administration will betray the mass aspirations for an end to the social hardship and suffering that López Obrador has cynically exploited.”