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LADB Staff

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President Zedillo Begins Search for New Central Bank Governor

by LADB Staff

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President Ernesto Zedillo has begun the search for a new chief governor of the Banco de Mexico (central bank), but is not expected to announce a decision until late November or early December. According to administration sources, Zedillo will delay a final decision on a nominee until after his 1998 budget has been debated in the Chamber of Deputies. Zedillo is expected to face a particularly tough fight regarding approval for his budget proposal now that a coalition of opposition parties controls the Congress (see SourceMex, 10/01/97).

Nevertheless, sources close to the administration say the president has begun to prepare his list of candidates to succeed central bank governor Miguel Mancera Aguayo, who has reached the mandatory retirement age of 65. Mancera, who has headed the bank since the early 1980s, leaves a mixed legacy. According to detractors, the retiring central bank governor presided over what some term "disastrous periods" of inflation. Mancera's supporters, on the other hand, argue that he was working under extremely difficult conditions and that he prevented Mexico from falling into a hyperinflationary spiral and eventually brought the inflation rate under control.

Deputy governors Gil Diaz and Sidaoui considered front-runners

Zedillo is expected to nominate a governor who will continue the tight monetary policies employed during Mancera's tenure. According to economists, this means the front-runners could be the bank's current deputy governors Francisco Gil Diaz and Jose Sidaoui. The more controversial choice would be Gil Diaz, whom some economists consider too independent for the post. "Gil Diaz would not adopt a flexible stance in his relations with the executive or legislative branches," said Mauricio Gonzalez of Grupo de Economistas y Asociados (GEA).

On the other hand, other economists suggest Gil Diaz's independent nature may actually help him secure the post. According to Jonathan Heath of the Mexico City-based Macro Asesoría Económica, Zedillo may view Gil Diaz's appointment as a "counterpoint" to balance the legislation coming out of the opposition-led Chamber of Deputies. Economists also have mixed reactions to Sidaoui, who has served as deputy secretary in the Secretaría de Hacienda y Crédito Público (SHCP).

Critics say Sidaoui lacks the necessary leadership to head the central bank in the event of an economic crisis. On the other hand, others view him as a competent economist who could grow into the job. While most speculation has focused on Gil Diaz and Sidaoui, some economists consider deputy governor Jesus Marcos Yacamán as the best choice to succeed Mancera. Yacamán's supporters point to his long tenure at the central bank, his clear political neutrality, and his technical economic competence. Yacamán has also pledged that a post-Mancera central bank would maintain the policies begun in recent years. "The change in leadership at the central bank does not imply a change in Mexico's monetary policies," Yacamán told participants at a banking industry meeting in Monterrey. "The objective of these policies is to promote price stability and control inflation."

The central bank's other deputy governor, Guillermo Gmez Garcia, is not expected to receive the same consideration as his three colleagues. Outside candidates also among possibilities Zedillo could select the new governor from outside the list of deputy governors. The list of other potential candidates includes such prominent names as Eduardo Fernandez Garcia and Roberto Cueto Legaspi. Fernandez is the current director of the Comision Nacional Bancaria y de Valores (CNBV), while Cueto is the chief executive officer of Banamex- -Mexico's largest private bank.

Some current and former cabinet members have also been mentioned as possibilities, including former finance secretary Pedro Aspe Armella and current Communications and Transportation Secretary Carlos Ruiz Sacristan. However, Aspe is unlikely to receive the appointment because of his close ties to the administration of former president Carlos Salinas de Gortari. Aspe is widely blamed for enacting the economic policies that led to the devaluation of the peso in late 1994 and the ensuing economic crisis. For his part, Ruiz Sacristan has denied any interest in obtaining the post. "The SCT has many challenges to overcome in the next few years," said Ruiz Sacristan. "I want to dedicate myself to these challenges." (Sources: El Economista, Novedades, 09/23/97; Reuter, 09/22/97, 09/24/97, 09/29/97; El Universal, 08/04/97, 09/17/97, 09/23/97, 09/24/97, 10/02/97; Excelsior, 08/22/97, 09/08/97, 09/22/97, 09/23/97, 09/25/97, 09/30/97, 10/01/97, 10/02/97; La Jornada, 09/23/97, 10/02/97; The News, 09/25/97, 10/02/97)

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