

# Manuel Gómez Morín, creator of the Banco de México<sup>1</sup>

*Miguel Mancera Aguayo\**

Since it was established, our central bank has been of great importance for Mexico. In commemorating its foundation, we face the welcome obligation to evoke the memory of an exemplary citizen, Manuel Gómez Morín, who played a crucial role in the bank's takeoff.

The figure of Manuel Gómez Morín and the establishment of the Banco de México are inextricably linked in the financial history of Mexico. I do not believe it is an exaggeration to state that Gómez Morín's was a multi-faceted talent: he was a man of reflection, convictions and action. His sharp intelligence, broad vision, wideranging culture and juridical erudition gave rise to projects, laws, works and institutions. It is this latter facet, that of the designer of institutions, that we seek to stress today.

Manuel Gómez Morín began his career as a lawyer, university official and public servant at an early age. He established his successful law office in 1919, and by 1921, at the age of 24, he was already Undersecretary of the Treasury. Nevertheless, the real upsurge of his creative activity, when he used his entire potential as a national designer and builder, began in 1924, with the most ambitious and all-sided project undertaken by a Mexico which was beginning to bid farewell to arms.

With Alberto Pani heading the Secretariat of the Treasury, the administration of General Plutarco Elías

Calles set itself the objective of transforming the nation's economy. The program was oriented to the entire economic spectrum, from banking and treasury reform through the promotion of foreign trade, industrialization, colonization of the nation's territory and the promotion of agriculture.

Manuel Gómez Morín was probably the inspirer and main executor of Pani's program for rehabilitating the public treasury and reorganizing the country's financial system. In 1925 he presided over the First National Fiscal Convention, served as advisor to the Technical Fiscal Department, drew up the new General Law on Titles and Credit Operations, worked on several fiscal laws, prepared the law and statutes governing the Agricultural Credit Bank, outlined a plan for social security, and also put forward a low-income credit plan. Yet the most significant contribution he made that year may have been his key participation in formulating the law, statutes and charter of the Banco de México, which opened its doors on September 1, 1925.

Gómez Morín had shown special interest in this project since the enactment of our Constitution. In 1921 he drew up a number of documents regarding the creation of a "single bank of issue." In one of these documents he objected to the initiative General Alvaro Obregón presented to Congress, which proposed to delay the establishment of the single bank and created eight regional currency issue banks in its place. Another criticized the plan put forward by Minister De la Huerta, proposing the creation of an institu-

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<sup>1</sup> Speech by Miguel Mancera Aguayo, during the inauguration of the symposium "The Banco de México and national reconstruction."

Photos: Archivo Gómez Morín



Manuel Gómez Morín.

tion which would be administered by the government alone. Gómez Morín's opinions, as well as the proposals contained in other pertinent documents from the period of the Carranza administration, were included in a personal report presented to the Chamber of Deputies in July 1921. This report recommended the foundation of what was then called the "Single Bank of Issue," and some guidelines were put forward for organizing the bank. Nevertheless, this work was interrupted due to the crisis between the oil companies and the government of General Alvaro Obregón.

In late 1921 Gómez Morín moved to New York in order to take charge of the Mexican Financial Agency located in that city. Having settled there, the young official enrolled at Columbia University with the central objective of studying the functioning of central banks, in particular the U.S. Federal Reserve Bank. From his outpost in New York, in his correspondence with De la Huerta he insisted on the need

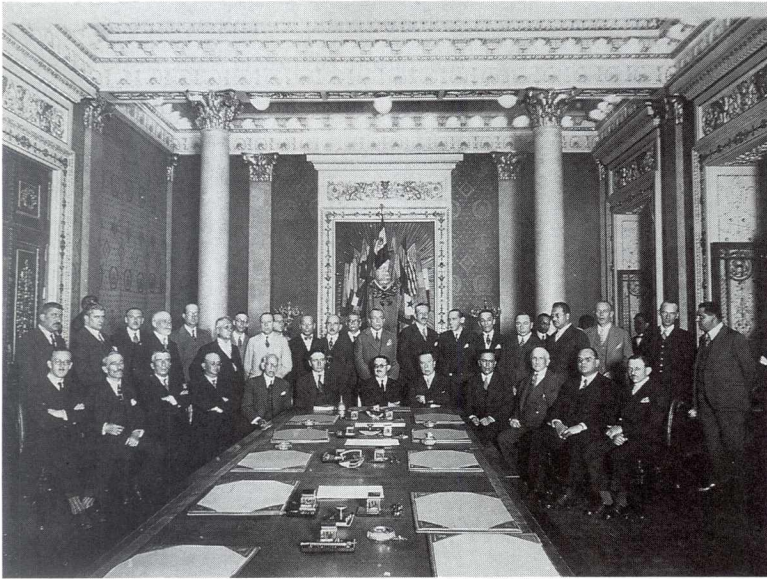
to found a single bank of issue "as a demonstration of power and responsibility in the face of pressures from American bankers and oilmen."

Towards the end of 1924, thanks to a very scrupulous handling of public finances, Minister Pani achieved an objective that had remained unfulfilled since the promulgation of the Constitution during the Carranza administration: accumulating the surplus needed as capital for the hotly debated and much-desired single bank. Pani then proceeded to form and preside over a commission charged with drawing up the law, statutes and charter governing the bank.

The extraordinary powers which Congress conferred on the executive branch regarding treasury matters meant that the work aimed at setting up a central bank did not have to be drawn out in extensive legislative debates such as those

which had prevented the formulation of a definitive project over the course of the previous seven years. The commission for drafting the bill was made up of three people: Manuel Gómez Morín, the Sonora lawyer Fernando de la Fuente and a very experienced foreign banker, Elías de Lim. This group was humorously dubbed "the three musketeers."

Despite rumors alleging that Gómez Morín sympathized with the De la Huerta movement—known for the uprising of 1923—Pani chose him as a member of the drafting commission. Fernando de la Fuente—a figure who maintained close ties to his fellow Sonorans Calles and Obregón—interceded in favor of Gómez Morín's appointment. Gómez Morín's participation in the commission's work was so outstanding that when the Banco de México was inaugurated on September 1, 1925, President Calles decided to name him president of the new bank's Administrative Council. In his message to the nation on that occasion, Calles specifically mentioned the three men who had



Meeting of the Administrative Council in Gómez Morín's directorship.

worked hardest on founding the central bank. This kind of recognition was at that time unprecedented in presidential reports.

A group of highly knowledgeable and prestigious individuals was chosen to make up that first Administrative Council: experienced lawyers, successful businessmen and veteran financiers. Yet no member of the group displayed as much economic knowledge and vision as Gómez Morín.

From the foundation of the Banco de México in September 1925 until his resignation in 1929, Manuel Gómez Morín was not only the leader and guide of the bank's Administrative Council but the person whose technical opinion was indispensable in the strategic decision-making process in the institution's governing bodies as well as in its daily operations. In the final analysis he also served as the bank's critical conscience.

As president of the Administrative Council, Gómez Morín had a record of correct judgment calls and a capacity for foresight, in line with his particular view of "technique." In his words: "Technique does not mean science. It presupposes science, but at the same time goes beyond it by realizing it and subordinating it to a moral criterion, a human ideal. This involves a knowledge of reality, a grasp of the means for action, the concrete determination of a goal whose

realization is possible in accordance with our real abilities, the review of concepts and institutions in order to make action a noble deed." Our duty, he maintained, "is to know where the evils lie which demand action, and to concretize, in achievable programs, the indeterminate common wish for betterment."

According to Gómez Morín, the central bank had been formed "during a time of grave uncertainty, in the midst of an economy that lacked activity as well as values, as the starting point for an optimistic program of action undertaken amidst the greatest pessimism, as a cornerstone rather than a keystone in

the edifice of the nation's economy."

Clearly, an institution arising in such circumstances would require guidance and orientation, and these were provided by Gómez Morín himself. During the first years of the Banco de México's existence, when its operations included those of commercial banking, it exercised a significant influence in making credit more flexible and improving the conditions in which credit was granted. Yet the most important thing was the strengthening and consolidation of the bank, the increase in its resources and the rise in its prestige and authority. This led to Gómez Morín's 1928 statement that, until then, the institution's work had been "oriented especially to consolidating the bank and making it an effective instrument for the tasks it would later fulfill." In 1928 the Council's dynamic young president said that the Banco de México had not been "conceived as an isolated, programless institution. It was not founded in order to provide the country with yet another bank at the same level as the nation's other credit institutions." He added that the bank could not function fully, "nor bear the fruits expected of it, until it develops into what it must be: a central institution among the ensemble of the nation's economic bodies."

Of particular importance were Gómez Morín's conceptions on monetary policy, which the Administrative

Council adopted as its own until the time he left the bank in 1929. He had a clear understanding of the meaning of fiduciary money, which was little understood at that time. He maintained that currency could be exempt from oscillations and upsets only when its issuance and circulation were strictly correlated with demand. This was a way of refuting the “metalistic” beliefs which were still very much in vogue at the time. The value of a coin or currency unit can never depend on the existence of a regulating fund or the availability of metal reserves, nor on its intrinsic value or the “faith invested in an official mint” or the “problematic calculations of a public office.” In brief, the monetary issue was a question of strictly abiding by the thesis he put forward, keeping currency “free from contingencies and the necessities of politics” and making it independent of “any and all idea of barter.”

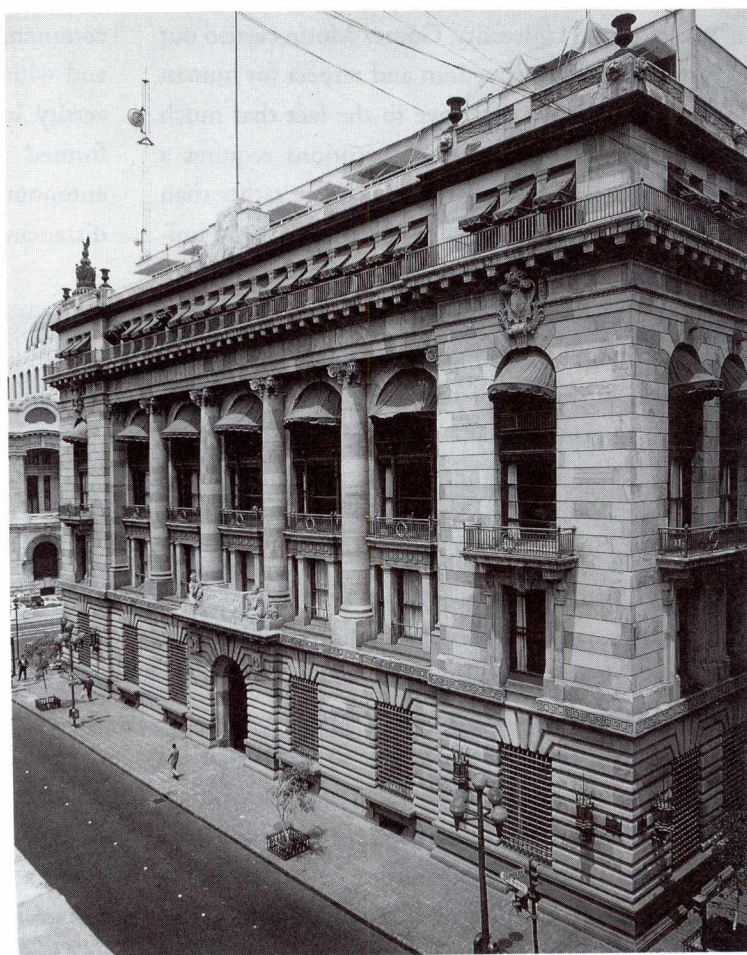
The behavior of the Banco de México in its early years should be judged in light of the economic and political circumstances of the day. The bank arose at a time when memories of the Mexican Revolution’s armed phase were still fresh in the population’s memory; that era of uncertainty meant that citizens were suspicious of paper money. Even after the bank’s inauguration, a number of military risings broke out in Mexico. Thus, while Gómez Morín had said that the bank should keep its distance from the vicissitudes of politics, “so as to avoid being dragged in their wake,” these vicissitudes unquestionably had an effect.

Moreover, the expanding economic cycle Mexico enjoyed at the beginning of the 1920s dissipated rapidly in late 1926; these were the first signs of the great crash of 1929. The prices of Mexico’s two main export products —silver and oil— fell

considerably. To complete the picture, the banking system was prostrated.

The Banco de México’s performance during this period shows that the strategy of consolidation had been correct. There was still no tried and true method for establishing a “single bank of issue” in a country with Mexico’s economic characteristics, let alone one which had gone through ten years of armed struggle. The Banco de México fought to survive and develop, in spite of the dire situation which began in 1927 and prevailed over the course of several years.

The personality of Manuel Gómez Morín did not shine in the financial field alone. At an early age he held important posts in the university milieu. After he resigned from the Mexican Financial Agency in New York, [Education Secretary] José Vasconcelos called on him to head the National School of Jurisprudence,



The Banco de México opened its doors on September 7, 1925.

a post he occupied until early 1925, when he found himself deeply involved in Pani's project for preparing the great banking and financial reform of the Calles years. His position at the head of the School of Jurisprudence was the springboard for his later appointment as Rector of the University in 1934.

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The ITAM (Mexican Technological Institute), which is hosting today's symposium, embodies many of Gómez Morín's conceptions regarding education. As Rector of the University, Gómez Morín carried out a crusade in favor of freedom and respect for human beings. He was very attentive to the fact that much of the work of educational institutions requires a genuine vocation and a spirit of sacrifice rather than remuneration, much less compulsion. His 1934 university odyssey also corresponded to the desire to preserve, "tooth and claw," the cardinal principle behind the creation of ITAM: the autonomy of higher educational institutions.

Like ITAM since the time it was first established, in his tenure at the head of the School of Jurisprudence Gómez Morín conceived of and promoted the creation of new professions and specialties, as demanded by Mexico's always dynamic economic, political and social reality. It is fitting to recall that his project for reforming that department included, for the first time, the establishment of a bachelor's degree in economics. Outstanding constants in the attitudes, work and life of Manuel Gómez Morín were the value of continuous improvement and excellence in both thought and deed, as well as the

idea —so clearly appreciated by ITAM's patrons and leaders— that everything should be submitted to a constant process of renewal and change, and that any task always implies a social responsibility. Given this commonality or concurrence in principles and aspirations, it is very fitting that the host institution for the symposium which begins today is none other than the ITAM.

Thought and action were always linked in the spirit and vocation of Manuel Gómez Morín. This was the source of the spirit of foundation that characterized him and was one of the concrete forms of his urge for action, a rational action enriched by technique and, above all, inspired by high moral values. The Manuel Gómez Morín Cultural Center, whose tasks include administering the library gathered by the man we commemorate today, was created in that same spirit and with that same vocation. In honoring the university heritage of Gómez Morín, this center was formed autonomously from the ITAM, but that autonomy means union or association rather than a distancing between the two institutions. In line with



One of the first bills issued by the Banco de México.

the goals in pursuit of which ITAM was founded, the cultural enterprise of the Gómez Morín family, together with the library it administers, have found a home at that cultural center. The organization of this symposium on the foundation of the Banco de México and national economic reconstruction is a clear demonstration of how fruitful this collaboration is.✕