

Mexican Government successfully sheds the US Dollar from its economy

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Mexico has always considered the US dollar almost a secondary currency to their Peso as the fact that billions of US dollars spent their way through the Mexican economy in 2009 and 2010 which speaks for itself, but sometimes even the best of friendships come to an end.

The Mexican government in September 2010 enacted a new law which basically restricts the use of US Dollars for almost all purchases inside of Mexico.

In early 2010 travelers and visitors could shop at many of the large US corporations inside of Mexico such as Wal-Mart, Home Depot or even one of the hundreds of American food establishments such as McDonalds or Dominoes Pizza and pay for their meal using US Dollars but under the new law using US Dollars is no longer an option.

Just image the surprise of many Americans being told by Wal-Mart that US Dollars are no longer accepted at their store especially since Wal-Mart is one of the most iconic “American” businesses in the world with such buying power that they set the prices which manufactures must sell them their items for.

Wal-Mart’s buying power is so well known in fact that most people would normally be able to safely assume that with such buying power that Wal-Mart could also force almost any country into allowing them to accept the US Dollar to further their in store sales, but apparently not even Wal-Mart is that powerful.

Therefore it was no surprise that when this story broke in late September of 2010 that Mexico was no longer accepting US Dollars the internet was abuzz with conspiracy theories claiming a banking holiday was in short order or the crash of the US dollar was intimate while others were raising the “BS” flag and claiming Mexico would never stop accepting US Dollars because those dollars were its economic life support but as the year closed out and those “end of the world” predictions didn’t come to pass and the fact Mexico did stop accepting the dollar, well that only left many people wondering what really was going on south of the border.

The Mexican government had made it clear that they will no longer allow ANY businesses to accept US dollars including American companies regardless of the operation or who is paying in American dollars. That’s right, this means if you’re a US citizen and fly into Mexico for vacation or business your hotel is no longer allowed to

exchange cash dollars into pesos at the front desk which was customary up until 2011.

Also in Mexico if you travel to a local bank regardless of the bank name or national origin including HSBC from China which is the fastest growing bank in Mexico you are no longer able to exchange US Dollars for pesos. Only account holders at banks have the option of depositing US Dollars into their bank accounts but this is for deposits only and not exchange and then you have to have a special type of account set up that is more costly. Of course even if you do have a special account that allows you to deposit US dollars your bank will charge you a service fee for depositing foreign currency into your account and then probably another service fee for a withdrawal but that's another issue all together.

Ok so many readers are probably asking if the banks no longer exchange money or business are no longer allowed to accept US Dollars then what is a person who has US dollars suppose to do.

For those who have traveled to Mexico there is a good chance you are familiar with Casa de Cambios which are small exchange centers for US dollars and often littered on every corner of any large tourist city or the closer to the border you are, however these Casa de Cambios themselves have come under strict new regulation as well as have been greatly reduced in numbers as more are closing every day faster than "one hour" Kodak film processing centers or Blockbuster video locations.

Part of the new regulations is that anyone exchanging money for any reason must now present a valid government ID which is copied and placed on file with a copy of the transaction and amount of money being exchanged. This additional paperwork and hassles now mean higher operational costs for these businesses which in turn mean those costs will be passed onto the consumers who are often the one that end up paying for everything anyway.

Another drawback is that since there are now fewer Casa de Cambios this means less competition and so the exchange rate doesn't have to be as competitive or even what the banks posted exchange rate is, after all you really have no other option in exchanging your US dollars. Gone are the days of such advantageous exchange rates that allowed anyone exchanging US Dollars into Pesos additional purchasing power by walking away with more for your money south of the border.

The Mexican government wants everyone to believe that these new laws were enacted because the war on drugs and the inability to track all these US Dollars floating around their economy which they claim the drug cartels are using in a black market way but a closer look indicates something completely different.

As the dollar continues to lose purchasing power so does the ever enjoyed exchange rate the US Dollar held for so long. This is a way to actually help devalue the US Dollar while protecting the Mexican economy from going down with the US financial Titanic that has been taking on way too much water in the form of overspending and red ink.

With the value of the dollar sliding lower each day there are some experts who are predicting the US Dollar to reach a point that it will either collapse or need to be reevaluated but either way the Peso is expected to be worth more than the US Dollar and this looks like it will happen sometime very soon at the rate of how things are changing for the Dollar around the world.

This is why it looks as if the Mexican government is doing everything it can to remove as many US Dollars from their economy so there are fewer US Dollars in circulation inside of Mexico so that when the US Dollar does finally go by the wayside there will be less of a direct affect on the Mexican Economy as a whole.

It has now been almost 5 full months since this law took effect and Mexico has been successful in eliminating millions of US fiat Dollars out of its economy and taking steps to vamp up the removal of all remaining dollars by recently instigating even stricter rules at the Casa de Cambios preventing them from exchanging more than \$300.00 dollars per transactions. This means it will be much more difficult for Mexicans to send US Dollars home to their families without enriching the pockets of the bankers and the money transfer companies. These caps on exchanging Dollars will also cause the people to want to get away from the dollar faster as it's more difficult and costly to do business with dollars.

On a side note it's also important to note that the Mexican economy grew at a rate of just over 5% in 2010 and

by the year's end many large companies in Mexico were reporting stronger than ever revenue and sales at rates not seen in many years. Many large companies are actually in hiring frenzies and some companies are desperate to fill slots with qualified workers.

Now while some will argue that any cash regardless if it is drug money or laundered is actually good for an economy but most people can also understand it's not good if that cash you have is losing its value so fast that it isn't going to be worth the paper it's printed on so it's best to get rid of that money as fast as you can.

There has been a rush to sell off US Dollars inside Mexico because the people are sensing a coming financial storm with the US Dollar and they too don't want to be stuck with worthless paper or allowing that worthless paper to drag down their economy especially while their overall economy is going through a growth trend but until that time does come you will still be able to use your credit and debit cards as those funds are simply automatically converted at the time of a transaction but are not physically in the economic system as fiat paper money but rather electronic funds.

A good conspiracy theorist will argue the point that the removal of paper money and forcing people into electronic transactions and requiring those who do use cash to provide ID to be Orwellian and that the bankers come out winning might have a point to some degree but in Mexico the fiat currency in the form of Peso bills can still be used for most transactions. The irony is that many Americans for so long often use to complain about how so many Mexicans living in the United States were sending US Dollars back to Mexico and how it hurt the US economy. The irony is now those Americans are getting their wish that little if any US dollars are being sent to Mexico and in turn this is actually greatly helping the Mexican economy while drastically hurting and aiding in the devaluation of the US dollar.

SO for those planning to travel to Mexico be sure to take your Kevlar and your American Express card (don't leave home without it) and remember Visa is everywhere you want it to be, even in Mexico where the Dollar is no longer accepted.

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