

One Hundred Years of Banco de México. A Shared History.

Introduction

The task of bringing Banco de México's history up to date involves delving into a century of pivotal moments that have shaped its legacy. Understanding its journey requires placing it within the broader network of interconnected histories, recognizing the various events that have shaped it and, from there, articulating the milestones that define its essence a century after its historic founding. This exhibition traces that living memory, which continues to grow day by day, in order to reflect on the pulse of a solid and lasting institution.

One of the pillars of its permanence has been the importance of its mission and its continuous evolution, an effort that has allowed the Central Bank to maintain lasting institutional strength. The Central Bank upholds an unwavering commitment to its primary objective of preserving the purchasing power of the national coin to maintain a low and stable inflation; While also strengthening its human capital to better serve all Mexicans.

This exhibition showcases multiple narratives, both to recount the history of Banco de México itself and to chronicle the events that have surrounded it. Through images, objects, documents, and numismatic pieces, the institution's most representative events are illustrated while also evoking the social, cultural, and political dynamics of the country and the world. Like historical fragments, the pieces are organized by decade to show the connections between simultaneous events and their mutual impact. Additionally, each decade is complemented with an illustration by one of the many artists invited to relay said history.

This journey allows the exhibited items to come to life through the spectator's gaze. What's familiar is revived, the unknown is refashioned through individual and collective experiences, and voids are transformed into fertile spaces where each person can create their own story, growing, and weaving their intimate memories into a shared history with Banco de México.

1925 – 1934

Banco de México was established on August 25, 1925 with the enactment of its organic law. Originally, in addition to fulfilling its functions as a Central Bank—regulating the amount of money in circulation, controlling interest rates, and managing the exchange rate—Banco de México also operated as a commercial bank. Operations began in a temporary building while the architect Carlos Obregón Santacilia worked on designing the bank's permanent headquarters, which today house the Governing Board and the Banco de México Museum. Upon its inauguration in 1927, said headquarters became part of a city undergoing a significant transformation, one where the first radio programs in the country united the population, as one of the most far-reaching media outlets. This period also marked the end of caudillismo and the beginning of the era of institutions in the country. Simultaneously, national identity was being reinforced through the paintings of



influential figures such as Frida Kahlo, Diego Rivera, José Clemente Orozco, David Alfaro Siqueiros, and María Izquierdo, as well as the photography of Tina Modotti and other artistic trends, such as the People's Graphic Workshop and Stridentism.

These early years were marked by a series of political and economic difficulties at the national and international level that destabilized the economy; notwithstanding, the Central Bank was able to overcome this hurdle and as a result Mexico underwent significant structural changes. The new Monetary Law of 1931, which demonetized gold in an effort to overcome a shortage of payment methods, prompted the widespread adoption of banknotes as a medium of exchange, which had declined in use following the monetary chaos experienced during the Mexican Revolution. A year later, new reforms to its organic law stripped the bank of its capacity to operate on a commercial level. Under this new framework, most private banks were required to partner with Banco de México to operate, placing it at the heart of the country's financial ecosystem.

1935 – 1944

Following Banco de México's first decade drastic changes unfolded, prompting shifts in its legislation, as the world plunged into the greatest military conflict in history. In 1936, a new organic law was enacted, doubling the credit limit granted to the federal government to cover its expenses. In 1938, this legislation was amended, allowing such credit to be replaced by treasury certificates, financial instruments representing government-issued debt bonds. That same year, following the nationalization of oil, the government decreed a devaluation of the peso and intervened in the foreign exchange market, with certain limits, for almost three years. Finally, in 1941, a new amendment completely eliminated the cap placed on public financing, repealing the 1936 law.

Due to World War II, Mexico experienced a significant increase in demand for Mexican exports as well as an influx of foreign capital and a repatriation of certain assets. During this period, while the Bank of Mexico maintained a restrictive policy, the federal government boosted public spending to revive the economy. Faced with excess liquidity, Banco de México implemented an increase in the legal reserve, the percentage of money that commercial banks are required to keep on deposit with the Central Bank. At the same time, the development of the financial market was being promoted through open market operations (OMO), a mechanism in which a central bank buys and sells securities to regulate the amount of money in circulation. At the end of the war, two rival superpowers emerged and European nations saw their influence wane, signaling the onset of decolonization in Asia and Africa. Amid these transnational transformations, the Bretton Woods Conference of 1944 established the postwar global monetary system, leading to the creation of the International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (IBRD), which would later become the World Bank. At this conference, the Mexican delegation played an important role in achieving consensus among Latin American countries.

1945 – 1954

In 1946, Banco de México took notable steps to consolidate its contribution to the national economy. A significant milestone in this process was the establishment of the Mexican Institute of Technological Research which aimed to advance the bank's economic research functions. Additionally, the mass distribution of banknotes and coins through the Air Transport Department was resolved and general modifications were made to improve the working conditions of employees.

By then, in line with the country's developments, Banco de México became committed to governmental progress. Since the late 1920s, the Federal Government has created new public financial institutions to drive economic growth. Examples include Nacional Financiera created in 1934, the National Bank of the Army, and the National Film Bank, both created in 1947. Further, development funds were established within the Central Bank, such as the Trust Funds for Rural Development in 1954.

During these years, there was a boom in the Mexican film industry, as it underwent a golden age, with films such as *Nosotros los pobres* (We, the Poor) released in 1948 and *Los olvidados* (The Forgotten) released in 1950. In line with the growing fascination surrounding the moving image, the first commercial television broadcasts within the country began in 1950.

During the Korean War, the Mexican economy benefited from a strong external demand; however, as the conflict came to an end, the drastic reduction in the flow of foreign currency created a difficult situation for the country. In response, the federal government opted to devalue the peso from 8.65 to 12.50 pesos per dollar in 1954, a decision that sparked outrage but allowed balance to be restored without slowing down economic growth.

1955 – 1964

Starting in the mid-1950s, Mexico experienced an unparalleled cultural flourishing. In literature, novels such as *Pedro Páramo* by Juan Rulfo and *La región más transparente* (Where the Air Is Clear) by Carlos Fuentes were published; in cinema, Emilio "El Indio" Fernández's films received international acclaim; and actors such as Pedro Infante, María Félix, Jorge Negrete, and Cantinflas were popular cultural icons. At the heart of Mexico City, the Latin American Tower became the tallest skyscraper in Latin America.

Amidst this abundance, Banco de México sought to balance economic growth with monetary stability. Doing so by focusing on two priorities: first, adhering to its mission of ensuring the purchasing power of the peso, both domestically and against foreign currencies. And second, fostering Mexico's growth, one of the main components behind the "stabilizing development" policy. This approach sought to overcome credit restrictions to distribute resources toward strategic productive sectors. Priority areas included agricultural credit, aimed at improving production and exports; support for small and medium-sized industries through industrial credit; and loans for affordable housing.

This economic boost was accompanied by an important cultural initiative entrusted to Banco de México by Frida Kahlo and Diego Rivera, that being the creation of two museums. One in the Casa Azul (Blue House), dedicated to Kahlo's work, and another known as Anahuacalli, dedicated to Rivera's collection of pre-His-

panic artifacts. To ensure their permanence, Rivera appointed Banco de México as trustee, a role that began in 1955, and extended to include the trusts of Isidro Fabela in 1958 and Franz Mayer in 1962.

1965 – 1974

As technology within cities began to advance, payment systems transformed alongside it. Mexico launched the first credit card in Latin America in 1968 and in 1972 installed the first ATM in the capital. On the political stage, the Cold War and the space race dominated headlines, while the Treaty of Tlatelolco, signed in 1967, prohibited nuclear weapons in Latin America.

Moreover, 1968 also brought a wave of worldwide protests, led by youths demanding political and social change. In Mexico, this spirit of discontent manifested in student mobilizations. At the same time, the first Olympic Games in Latin America were inaugurated at the Olympic Stadium in the main campus of the National Autonomous University of Mexico (UNAM in Spanish), with an exemplary and memorable ceremony.

In terms of national development, both the Mexico City Metro system and Banco de México's first banknote printing factory were inaugurated in 1969, with the latter enabling the domestic production of paper money—a milestone for the country, its culture, and numismatic history. The first printed banknote was the 10-peso bill bearing the image of Miguel Hidalgo.

In 1970, Mexico adopted an economic policy of greater state intervention, which entailed high public spending and generated a fiscal deficit. This deteriorated the balance of payments, a record that reflects a country's financial transactions with the rest of the world. Furthermore, seeking to combat unemployment, the government acquired numerous companies, resulting in a significant financial burden. Spending pressures contributed to the Mexican government's increasing external debt. Banco de México, under pressure to finance these imbalances, faced a period of fiscal and monetary disorder that led to a financial crisis and the devaluation of the peso, with the exchange rate falling from 12.50 pesos, the rate it had held since 1954, to 20.50 pesos per dollar.

1975 – 1984

Half a century after its foundation, Banco de México faced a complex economic environment and acute financial fragility. In contrast, the government, optimistic over the recent discovery of oil fields in the southeast of the country, pursued an expansion project fueled by indebtedness. As international oil prices rose to record levels, the world viewed Mexico as a great economic prospect. However, the fall in oil prices quickly weakened the federal government's ability to pay, leading to an overvaluation of the peso, rising inflation, and depletion of the reserves.

Various social mobilizations and protests unfolded against this loss of purchasing power on the streets of Mexico's capital city. The four-on-the-floor beat of disco music was at its peak, moving bodies without distinction, while Roland TR-808 synthesizers resonated everywhere across genres such as disco, pop, or rock music, in discotheques and music video channels. On the national stage, songs like Maldita primavera (Cursed Spring) or others performed by José José echoed joyfully at parties and public squares. For the

first time, these catchy hits could be taken everywhere, thanks to the first portable cassette players. In 1981, Mexicans and the world celebrated the birth of Tohui the panda bear at the Chapultepec Zoo and the first of its species born in captivity outside of China.

Financial services became increasingly diverse and accessible, driven in part by the enactment of the 1975 General Credit Institutions Law, which gave rise to commercial banking by unifying financial institutions that had operated separately, such as deposit and discount banks, and finance companies. Another important contribution for the modernization of the financial system was the introduction of Mexican Federal Treasury Certificates (CETES, in Spanish) in 1978, a highly transactable federal government debt instrument.

In 1981, the collapse of crude oil prices triggered the deepest crisis in recent years. The federal government announced the nationalization of banks in 1982, expropriating 58 private institutions. Banco de México expressed its disapproval, as it significantly disrupted the development of the financial system. By then, the peso had experienced multiple devaluations. Inflation reached unseen levels, even exceeding 100 percent.

1985 – 1994

Early on September 19, 1985, an 8.1 magnitude earthquake devastated Mexico City. Images of collapsed buildings, toppled monuments, and entire neighborhoods buried under rubble, accompanied by the testimonies of thousands of victims, moved the world. While the country endured a slow and painful recovery, international leaders reshaped the course of their nations. Meanwhile, the Cold War's bipolarity collapsed with the fall of the Berlin Wall in 1989, ushering the world toward a dominant economic model.

The federal government focused on integrating Mexico into the global economy. To achieve this, numerous state-owned companies, including telecommunications, aviation, and railways were privatized; and a new law was enacted in 1990 to liberalize the banking system. Additionally, the North American Free Trade Agreement (NAFTA) was championed as a flagship initiative.

In 1993, an event marked a turning point in the history of Banco de México; in order to prevent the abuse of the central's bank financing by the federal government, Article 28 of the Constitution was amended which prohibited any authority from forcing the institution to provide financial support. This terminated Banco de México's funding to the government, breaking with vices of the past. In April 1994, Banco de México's constitutional autonomy came into effect, granting it the authority to make independent policy decisions and the tools necessary to achieve its primary mandate. The Governing Board, tasked with key decision-making, was empowered to act with autonomy and sound judgment, ensuring the institution's resilience to fulfill its objectives. It was thus determined that "its priority objective will be to ensure the stability of the purchasing power of the national currency." This condition was the result of previous work started years earlier to strengthen monetary policy decisions, especially after previously facing inflation rates that reached 130 percentage points.

1995 – 2004

By mid-1994, the economy faced a challenging landscape, due to a debt of 33 billion USD backed by Tesobonos—dollar-denominated financial instruments. This unstable situation was further exacerbated at the end of the year by growing fears of an imminent currency devaluation, which resulted in a financial and balance-of-payment crisis. This turmoil was marked by a massive flight of capital and ultimately required international financial aid from the IMF.

Following the 1994-1995 financial crisis, Banco de México adopted a new operating framework designed to maintain low inflation levels, coupled with a more transparent communication strategy. From that moment on, the institution focused its efforts on strengthening its core principles: autonomy, credibility and trust, institutional strength, appropriate instrumentation, and a clear mandate. Meanwhile, dance floors were in full swing, where music provided an escape for the masses, and house and techno beats fueled collective ecstasy in underground clubs, while Latin rhythms captivated audiences and transcended borders.

However, in 2001, global attention was diverted to reshape geopolitical dynamics, which deeply disrupted financial markets. Simultaneously, technological platforms completely changed communication and transactionality, weaving an increasingly interconnected global network. One year earlier, in 2000, Banco de México, on its new autonomous path, adopted an inflation target, setting an annual goal of 3%, which was formalized in 2002, with a margin of fluctuation of one percentage point. The expansion of the internet unlocked innovative forms of exchange that changed the world, so Banco de México launched the development of the Interbank Electronic Payment System (SPEI, in Spanish), which facilitates instantaneous and secure transfers. On August 13, 2004, this system began operations. The central bank conceived it as a public benefit, serving as a reliable channel for the mobility of resources between individuals with the support of financial institutions. Ever since then, SPEI has proved itself a model worldwide for immediate, low-cost, and secure transfer services. In recent years, and as part of Banco de México's goal to promote the proper management of the payment systems, it developed two new transfer alternatives within the SPEI infrastructure: CoDi (2019) and Dimo (2023).

2005 – 2014

At the end of the first five years of the millennium, the global economy experienced sustained growth, accompanied by a growth of consumerism that overflowed both developing countries and more prosperous regions. In 2007, the exponential popularization of smartphones and social media platforms redefined digital content formats and experiences, and transformed the way information was consumed. In those years, the financial system experienced a great deregulation and a real-estate bubble boom, driven by high-risk financial products. When the bubble burst in 2008, it triggered the collapse of financial markets, ushering a global economic crisis.

Mexico, like other economies suffered a slowdown, inflation, and currency depreciation, but faced the situation with a relatively more solid financial system, well capitalized and with acceptable liquidity levels. Since May 2007, Banco de México published its first Financial Stability Report, which studied the national and international environment, the risks and strengths of financial markets, institutions, and the payment systems. This measure was in line with the central bank's purpose of promoting the healthy development

of the financial system, by encouraging increased transparency and accountability. Since then, Banco de México has been a key participant in international efforts, led by the Bank for International Settlements (BIS), to encourage greater financial stability, taking into account the soundness and robustness of the financial system as a whole.

The start of this decade, in August 2005, observed inflation finally falling under 4 percent, converging for the first time within the target threshold. As part of its monetary policy actions, starting on January 21, 2008, Banco de México adopted the Overnight Bank Funding Rate (OBFR), as its operational target, therefore replacing the short banking rate system, which determined the target balance of current accounts held by banking institutions with Banco de México. Since the adoption of the inflation targeting system, monetary policy has encouraged the anchoring of inflation expectations to the inflation target.

2015 – 2024

In our shared present, artificial intelligence has irreversibly woven itself into our daily lives through virtual assistants, search engines, weather forecasts, medical diagnostic tools, image and video generators, as well as augmented and virtual reality experiences. Due to their far-reaching impact, major technological companies have positioned themselves at the heart of the global economy, extending their influence to fields ranging from the financial sector to space exploration.

With our daily immersion in the omnipresent digital world, we have witnessed a succession of events shaping global developments. In an increasingly interconnected world, the COVID-19 pandemic broke out at the end of 2019, leading to a widespread confinement, a surge in remote work, and one of the most significant drops in global GDP in decades.

In light of shocks to the global supply of goods and services and heightened uncertainty, Banco de México was among the first monetary institutions to adopt restrictive measures to mitigate the long-term impact of inflation. By 2022, with the health crisis contained through vaccination efforts, new geopolitical tensions arose, contributing uncertainty and further shocks to global supply. In August and September of that year, inflation in Mexico reached its peak of 8.70 percent and, from that moment, began its descent, now within the 3 percent plus target range. During a period of global crises and technological transformations, the institution faced unprecedented challenges, remaining steadfast in its mission to improve the economic well-being of Mexicans. Since the beginning of this millennium, inflation has remained at single-digit levels, reaching its longest, lowest, and most stable period in the central bank's first hundred years. Preserving the value of the national currency is and will continue to be its permanent commitment. one percentage point inflation target range.

Just a few years away from its first centennial, Banco de México restored its main building and reopened it to the public with a renewed vision of engagement with society. Thus, Banco de México Museum was born. Amid global crises and technological transformations, the institution faced unprecedented challenges while steadfastly pursuing its mission to enhance Mexicans' economic well-being. Since the start of the millennium, inflation has remained at single-digit levels, marking its longest, low, and stable phase in the central bank's first century. The preservation of the domestic currency's value will continue to be its permanent commitment.