

Mexico Chooses The Hard Way

By W. D. Hoffman

Foreign pressure, diplomatic and economic, has not only failed to force the Mexican government to retreat in the matter of oil expropriation; it has actually stimulated the Cardenas regime to go further to the left, notably in added seizures of vast landed areas on behalf of the agrarian peasants.

The result has been an intensification of the charges that the Cardenas government is communistic, a broad attack on Mexico from the outside, a break in relations with Britain, a boycott against her oil exports, depreciation of her currency through silver-purchase retaliation by Washington, a critical drop in her purchasing power, and finally a challenge from our State Department that threatens her good-neighbor relations with the United States.

In spite of outside pressure, leftist labor remains in the saddle in Mexico. The opposition of what is called "Oil Imperialism" down there has only consolidated the various elements behind the industrial union, the Syndicate of Petroleum Workers (the Mexican C. I. O.), including the conservative Crom-Confederation of Trade Unions. The Cedillo insurrection, backed by the oil interests, was crushed overnight, failing of any numerical support. Perhaps there never was a time when any government below the Rio Grande enjoyed such popular unity as now, in consequence of the crisis between Royal Dutch Shell and Standard Oil, their seventeen subsidiaries, and the Cardenas alignment. Popular fervor rose to a high pitch following the expropriations, women contributing their jewels, even the church adding its donations with those of the labor organizations to sustain the government.

The conflict between Oil and Labor has been long-drawn out, the wage struggle becoming acute in 1936 with final successful organization of the Syndicate of Petroleum Workers. The oil companies were charged with exploiting cheap Mexican labor, pay-

ing much less than U. S. workers received for like labor in the face of less investment and greater profits, with being responsible for miserable housing conditions, lack of sanitation and welfare arrangements.

Labor demanded correction of conditions and in May, 1937, 18,000 workers went out on strike. The Mexican Labor Board (Tribunal) arbitrated. The strike ended in June, with the promise of federal fact-finding. In August the board's report verified in the main the claims of the workers, finding that though production was higher per well than in the United States and profits were 15 times greater, wages were under half. In December the Labor Board fixed a 40-hour week, welfare regulations, and 26,329,393 pesos wage increase as fair, though the union had asked 60,000,000 increase. The companies sought an injunction and in March, 1938, the Supreme Court denied the injunction.

March 15 was finally set as the date of compliance, but the Royal Dutch Shell, Standard Oil and the Sinclair groups refused on the grounds of "inability to comply." In the face of another strike threatening the social welfare, President Cardenas issued his degree of expropriation, with payment for the properties within ten years from a percentage of earnings. Followed then the protests of the United States and Britain and the attempt of the government to operate the properties through the federal agency, the General Administration of National Petroleum.

There is little question of the sovereignty involved, since Article 27 of the Mexican Constitution declares the petroleum resources to be the property of the nation, though providing that "private property shall not be expropriated except for rea-

sons of public utility." This right Secretary Hull recognized in his first note, but later his attitude stiffened. Great Britain took an even firmer stand, resulting in the diplomatic break. A tide of bitterness against the Chamberlain government ensued, the Cardenas regime accusing the British lion of roaring at weak and liberal Mexico while winking at destruction of its own ships by Fascists, the rape of Ethiopia and direct affront by the dictatorships. All these incidents consolidated the domestic unity in forwarding the program of "Mexico for the Mexicans" and found added expression in the extension of the agrarian policy of the ejidal peasants.

Trouble from without now besets the southern republic for thus attempting to take control of her natural resources. Secretary Morgenthau's punitive action against Mexican silver shot the peso down 25 per cent, skyrocketing living costs in proportion. The oil embargoes of Britain and her possessions demoralized the market for her oil, threatening the government-administered project. Ironically the world's two great democracies have pressed for immediate compensation that may wreck the entire program, at a time when the German, Italian and Japanese consulates were engaged, according to documentary evidence, in sabotaging the Cardenas regime. Rather than finding a champion among the democracies against the inroads of Fascism, Mexico is faced with direct hostility from her friends. More even than the political pressure, the economic measures against Mexico are making it difficult for her to survive.

Wages, though increased 16.5% by trade and industrial unionists, nominally, are actually falling swiftly in terms of a recent increase of 25% in prices. Essential food stuffs are climbing alarmingly. Rice is up 75% above normal, maize 180%, beans 500%. City worker and agricultural worker alike are faced with a bewildering situation, frustrated in spite of their solidarity and fervor for the government which acted as their *compadre*.



With the best of intentions and with commendable courage, Mexico none the less made the common error of assuming that wages come out of capital, that the government must socialize capital in order to employ labor. In fact it is labor that employs capital. In attempting to administer capital, unnecessarily, she has brought down upon her the wrath of the world, with deadly reprisals that she could have avoided with ease by taking the kernel and leaving the shell in abler, more efficient hands. Had she socialized ground rent alone, allowing the owners of the oil derricks to work for her, necessarily competing with one another to pay her higher and higher ground rent, she would have solved her problem, raised real wages without Labor Board enforcement, and prevented the foreign boycott. It would not have been in the interest of the operators to permit such a boycott, much less bring it about. As working producers, unbuttressed by monopoly of the natural resources, they would have enriched her increasingly, efficiently, forced into competition one with the other to pay more and more to labor and more and more in ground rent, or go out of business. To the ablest operators, willing to pay the stiffest ground fee, would have gone the privilege of applying their management and skill to the

storehouse of wealth that is Mexico.

No exploitation rests in the retention of the physical properties in private hands. Exploitation comes alone from private appropriation of the oil (the land), which is the basic monopoly that inevitably leads to anti-social combinations that make agreements to hold wages down and evade just payment to the government for their privileges. Not only would Mexico have got the kernel had she placed a 100 tax on ground rent, she would have made those who hold the shell her partners, satisfied if not enthused because they had retained their operative tools, from casings to tanks. Mexico would have reaped from the technical, expert management; she would have avoided the blundering that is probable in paternalistic administration.

Likewise, she would have neatly sidestepped the scoldings and the threats of even beneficent statesmen like Secretary Hull in the matter of agrarian realignment if she had let the lands of Mexico revert to the people of Mexico the natural and easy way—through land value taxation, regardless of title "ownership." To the highest bidder of ground rent for the public treasury would go the title of possession without exploitation, because the only ones who could maintain that possession would be those who would pay Mexico most

for the privilege. And of course they could pay 100% rental only by 100% use, which would imply that they would have to go to work themselves on such land as they could 100% develop, surrendering the remainder (doubtless 99%) to other workers who would do likewise. On such small portion of land as they retained, they would become producers, employing labor at the high rate fixed by the availability of land to all labor on equal terms, thus enriching Mexico in proportion as they enriched themselves.

The monopoly without which there can be no exploitation would thus be effectively broken. It is wholly unlikely there would have been any foreign interference with such a program. If so, it would have been futile. With wealth and production mounting steadily, equitably distributed among the masses, stimulating purchasing power and further production, Mexico would be economically unassailable.

Vulnerable silver need then be no longer the measure of her wealth, since she would have "the goods," and any one of a number of convenient objects could be used for counters, as chips in the game of exchange. With the goods she could even get the gold, if that would give her any added sense of security.