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Thomas E. Skidmore
Peter H. Smith

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MEXICO

The Taming of a Revolution

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The history of Mexico offers a study in contrast. Rich in natural resources, the country has known both prosperity (if only for the elite) and poverty. For several decades after independence the nation's political life was a prototype of chronic instability. National governments came and went at gunpoint, threatening the new nation's territorial integrity. By mid-nineteenth century Mexico was heading toward a liberal government, which would have greatly reduced church power and the corresponding burdens of its colonial legacy. Political liberalism, however, gave way to the dictatorship of Porfirio Diaz (1876-80 and 1884-1911) and thence to the Mexican Revolution—the first of the world's great twentieth-century revolutions. Out of the Revolution came a political system which produced, since the 1930s, a political stability unmatched in Latin America.

Mexico's emergence from its colonial past has been conditioned by one factor no other Latin American nation shares: a 2000-mile border with the United States. That proximity had produced benefits and liabilities (as a Mexican president once exclaimed, "Poor Mexico! So far from God, and so close to the United States!"). Having tasted bitter defeat on the battlefield, the people of Mexico have retained their dignity and pride—and now, having both discovered massive deposits of oil and been faced with repeated economic crises, the country has encountered the risks involved in becoming a leading member of the international community. Mexico's future, like its past, arouses emotions of anxiety and hope.

Mexico after Independence

The Wars for Independence left Mexico in disorder and decay. Conditions were far worse in Mexico than in Argentina or Brazil, because the actual fighting had been so much more widespread and protracted in Mexico. The economy was in shambles. Spaniards had taken their capital out of the country. The gold and silver mines, once the pride of

Spain's overseas empire, had fallen into disrepair. Insurgents and royalists had both made a point of killing technicians while thousands of miners had gone off to war; without sufficient supervision, the mines had flooded and machinery became utterly useless. Production plummeted to one-third its prewar level. Mining communities languished: Valenciana, for example, had 22,000 residents in 1810 and only 4000 in 1820. It would take another generation—and considerable sums of foreign investment—to restore the precious mines to full production.

The textile industry had also fallen on hard times. The scars of battle were visible throughout the country, especially the central valley. As one traveler recalled, there were "ruins everywhere—here a viceroy's palace serving as a tavern, where the mules stop to rest, and the drivers to drink pulque—there, a whole village crumbling to pieces; roofless houses, broken down walls and arches, an old church—the remains of a convent." Noting the toll on agriculture, too, another observer described how he and his companions "saw the houses roofless and in ruins blackened by fire, and had ridden over the plains still bearing faint traces of the plow; but the ranchers who tilled the ground had been murdered with their whole families during the war."

Roads had been neglected as well, so the country lacked a workable system of transportation and communication. Having ruled for 300 years, the Spaniards had managed to construct only three highways worthy of the name. Travel by stagecoach was difficult and hazardous, and transport—often by pack saddle—was costly and slow. This was a serious obstacle to economic integration.

Economic disorder meant there were very few jobs, and much unemployment. According to one estimate, about 300,000 men, most of whom had fought in the wars, had no job or income when the battles came to an end. This represented 15 to 30 percent of the entire adult male population. They were eager, often angry, and usually armed. They posed not only an economic problem but a social threat as well.

Some of these veterans did find work. Others turned on in the army, way robbery being a particular favorite. Others stayed on in the army. Others drifted into unofficial, quasi-military units that provided support for local political bosses, generally known as *caudillos*, who were soon to play a dominant role in the Mexican political scene.

The wars also had a direct effect on Mexico's social structure. In the late 1820s the new government issued a decree expelling all Spaniards from Mexico. This ruling not only allowed the public to vent its hatred for the Spaniards; it also deprived the economy of an important source of capital. And it eliminated, at a single stroke, a leading segment of the nation's upper class or aristocracy. Now creole landowners, not Spanish-born, made up the upper echelons of Mexican society.

Economic transformations dating back to the Bourbon era, together with gradual recovery in the 1830s and 1840s, had made it possible for new groups to acquire wealth and status. Centered mainly in Mexico

City, these aspirants, like most nouveaux riches, were ostentatious, putting on elaborate displays. As Fanny Calderon de la Barca, the English-speaking wife of a Spanish diplomat, later recalled, the new rich did not understand all the rules of social propriety: "But although there are cabinets inlaid with gold, fine paintings, and hundreds of rich and curious things," she observed in her memoirs, "our European eyes are struck with numerous inconsistencies in dress, servants, &c., in all of which there is a want of keeping very remarkable." In sum, early nineteenth-century Mexico had a creole upper class with two parts: one consisted of old, traditional families who for the most part kept to their land; the other was new, drawn from commerce and the professions as well as land. And it was the new segment, the recently arrived, who became active in politics.

Poverty persisted among the vast majority of the population. Especially in the center and the south, Mexico had a classic peasantry—large masses of *campesinos*, or country people, who scratched out meager livings from the land. Largely of Indian origin, sometimes mixed-blood or *mestizo*, Mexico's peasants furnished labor for the agricultural sector. Many worked on haciendas, where they lived in virtual serfdom, and some went begging in the cities.

The existence of this underemployed peasantry also guaranteed Mexico a large surplus labor force. Partly for this reason, and partly because of antifeign sentiment, Mexican authorities did not encourage immigration from abroad. Unlike Argentina, Mexico never acquired a predominantly European-born working class. Nor did it undergo rapid population growth at any point in the nineteenth century. Starting with about 6 million residents in 1800, the country had about 7.6 million people in 1850; by 1900 the figure had climbed to 13.6 million, but even this represents a modest annual average growth rate of less than 1.2 percent over the fifty-year period. Mexico's population explosion would not come until the twentieth century.

There were two institutional bases of power in Mexico after independence—the church and the military. The church had come through the independence wars with most of its immense wealth intact. According to at least one observer, the church may have controlled nearly one-half the nation's land. The church earned regular income from rents on its vast real estate holdings, its investments were everywhere, and it was by far the largest banking operation in all Mexico. Its generous loans to large landowners not only guaranteed a steady income but also created a firm alliance with the upper echelons of Mexican society. Small wonder that the church and its economic holdings would eventually become a target of opposition, particularly among those who failed to benefit from ecclesiastical largesse.

The second power base was the military, which dominated national politics. During the forty-year period from 1821 to 1860, Mexico had

at least fifty separate presidencies, each lasting for an average of less than one year; thirty-five of these ill-starred regimes were led by army officers. The basic means of winning presidential office was through a military coup. And looming throughout this period was the tragicomic figure of Antonio López de Santa Anna, who held the presidency on nine separate occasions and who installed figureheads at other times.

Santa Anna was the most famous of Mexico's *caudillos*. These strongmen assembled their armed followers—miniature armies—who were primarily seeking wealth. Once they fought their way into national power, however, they often found that the treasury was running out (usually from previous military spending). Eventually the reigning *caudillo* band would break up and a new leader, with new followers, would seize power. The *caudillos* themselves did not bother with the arts of governance. That was left to a cadre of lawyers and professionals, many from Mexico City, who staffed the ministries (and in this, the same faces often reappeared: there were nearly 600 separate cabinet appointments between 1820 and 1860, but they went to only 207 individuals). Thus did *caudillo* politics entail continuity as well as change.

The North American Invasion

Crippled by the Wars of Independence, Mexico was a weak and vulnerable new nation. To the north lay another new nation, which had thrown off its English master fifty years earlier. Now the fledgling United States was rolling westward and southward, headed for the vast, virtually unpopulated northern domains of what was formerly the Viceroyalty of New Spain.

Spaniards had never found the resources to settle the north—the huge territories of California, the entire Colorado River valley, and Texas. The best they could do was to create a network of religious missions, manned above all by the resourceful and loyal Jesuits. These sprawling lands became an obvious magnet for the restless North Americans. In 1821 Stephen Austin and a group of settlers moved into Texas, then a part of Mexico. Eventually chafing under central rule from Mexico City, the Texans revolted in 1835 and declared independence the following year. Attempting to crush the rebellion, Santa Anna led Mexican troops against the Alamo, killing the Texan defenders to the last man, but he later suffered defeat at San Jacinto and Texas remained independent. In 1845 the U.S. Congress voted to annex Texas, whose leaders promptly agreed.

The Mexicans saw the annexation of Texas as equivalent to an act of war by the United States, and disputes over financial claims continued to complicate U.S.-Mexican relations. President James K. Polk sent American troops into a disputed border area, a step that Mexicans saw as invasion. When Mexicans counterattacked, Polk called it war. By

consent of Congress—but with the opposition of such prominent legislators as John C. Calhoun and Abraham Lincoln—Polk had the war he and his supporters sought.

It was a total mismatch. Santa Anna was the hapless Mexican commander and at first his forces managed to resist American troops under Zachary Taylor, but in 1847 Winfield Scott led his columns directly from Veracruz to Mexico City. Ordinary Mexicans joined in the effort to fight off the U.S. army, and young military cadets—since remembered as the “boy heroes of Chapultepec”—chose death rather than to surrender their national flag. But it was to no avail. Mexico lost. The price it paid was heavy.

The treaty of Guadalupe Hidalgo brought a formal end to the war in February 1848. By the treaty, the United States paid Mexico a modest settlement of \$15 million and took the entire expanse of territory from Texas to California—about half of Mexico's national domain. This was a galling defeat, and its painful memory has never died in Mexico. Just as Americans are taught to “Remember the Alamo,” Mexicans learn tales of valiant struggle against overpowering odds. The official name of the dispute offers a clue to sensibilities. In the United States it is called the “Mexican-American War,” but in Mexico they call it the “War of the North American Invasion.”

The Mexican creole elite was deeply shaken by the loss. Their frustration erupted in a bitter attack by the Conservatives on the Liberals, the predominant faction in government since independence. The Conservatives, led by Lucas Alamán, maintained that Mexico had been humiliated because it had foolishly tried to adopt the values of the Anglo-Saxons to the north. What their nation needed, argued the Conservatives, was a return to its Hispanic tradition. Specifically, it needed to promote aristocratic ideals, protect the legal privileges of the military and the church, and create a constitutional monarch (perhaps by importing a European prince).

The Liberals, who continued to enjoy the advantage of power, fought back: in the mid-1850s, a flurry of new reforms, which caused the period to be labeled *La Reforma*, stripped power from the army and the church, and culminated in a new, notably liberal, constitution. Unfortunately, the controversy was not restricted to speeches and laws. In 1858 the Conservatives counterattacked, opening almost twenty years of destructive civil war. Those years included the ill-fated empire (1863–67) ruled by Maximilian von Hapsburg of Austria. It literally enacted the Conservative formula. Not surprisingly, importing a foreign monarch aroused nationalist sentiments on which the Liberals quickly capitalized. Benito Juárez, the Liberal leader, led a successful overthrow of the empire and ordered the execution of the luckless Maximilian. The Liberals consolidated power under President Juárez until his death in 1872. A subsequent interval of instability was ended with one

of the president's former associates seizing power: General Porfirio Díaz.

The Díaz Era: Progress at a Price

For the thirty-five years from 1876 to 1911, Díaz proved himself to be a master of politics. He began with his military colleagues and followers and from there went on to create a broad coalition. He gave the regional *caudillos* room to maneuver, encouraging them to fight among themselves. As his presidency matured, he steadily built up the army. In order to maintain control of the countryside, where the vast majority of Mexicans lived, Díaz relied heavily on the feared *guardias rurales*, or rural police. In short, Díaz patiently built up the power of the federal government where it counted—in military and police power.

At first Díaz did not seem to represent anything new in politics. He was, after all, a product of the liberal movement. As time passed it became clear that Díaz was a Liberal with a difference. He cultivated neutrality on the crucial question of the church, neither attacking it (like most Liberals) or defending it. He conspicuously allowed his devoutly Catholic second wife to serve as a symbol of reconciliation toward the institution the Liberals had pilloried.

In other respects Díaz stuck to liberal principles. In one of his most important and far-ranging measures, he ruled that the ban on corporate landholdings, a liberal measure of the 1850s aimed primarily at the church, should apply to Indian villages. This opened vast new areas to speculators, ranchers, and political favorites. In 1894 Díaz helped the landowners even more by decreeing that unused lands, or *terrenos baldíos*, could be taken over for private exploitation. The crucial source of new capital was to come from abroad. Díaz and his leading ministers sought out prospective foreign investors, especially U.S. and British, and offered them generous concessions. All this was an obvious application of the principles of economic liberalism that had captured most Latin American elites in the closing decades of the nineteenth century. In Mexico the writers, technocrats, and intellectually inclined politicians who articulated these doctrines earned the label of the *científicos*, underlining their supposed link to Positivist philosophy.

Díaz proved his mastery of politics in that most fundamental of ways: he stayed in power far longer than any would have dared to predict. For three and a half decades he held the presidency, with only one interruption (Manuel González: 1880–84). He believed that he was giving Mexico the precious gift of political stability, which he saw as indispensable for economic growth. If that required some repression, it was for a good cause. A shrewd politician, Díaz avoided ever presenting himself as a dictator. He simply had the constitution amended, time and again, so that he could be reelected to the presidency. Díaz knew

how to appeal to the privileged sectors, how to make them loyal, how to orchestrate their support for the economic schemes that would raise their country to a "civilized" level.

Economic development was impressive. Railroads were a striking example. Díaz first tried to build them with public funds, but by late 1880 he was granting concessions to foreigners. In only four years the track in operation grew from 750 miles to 3600 miles. Mexico reached 12,000 miles of track by 1900. (On the other hand, paying interest and dividends on this foreign investment was a burden on the balance of payments.) Originally foreign-built, most railroads were taken over by the state in 1907.

As elsewhere in Latin America, foreign trade rocketed: ninefold between 1877 and 1910. The United States became Mexico's leading trade partner, as mineral exports expanded to copper and zinc, as well as silver and gold. Modest industrialization occurred, centered in textiles, cement, iron, and light consumer goods. Díaz set great store by the need to pursue economic policies that would maintain Mexico's creditworthiness in the United States and Europe. In 1895 the federal government produced a budget surplus, and for the rest of Díaz's regime all budgets were balanced. As celebrations for the independence centennial of 1910 approached, Díaz and his lieutenants could claim that they had realized in Mexico the Positivist ideal of "order and progress."

Economic activity varied in character from region to region, and this led to differing social structures. The north was primarily a mining and ranching area, where the workers were hired laborers—miners, for instance, and cowboys. The central valley, by contrast, produced wheat and grain on both medium- and large-sized farms. Sugar was raised in the south-central region, particularly in the state of Morelos, where traditional peasant lands were being seized for use by the mills. Vast henequen plantations prospered in the Yucatán, where local natives were compelled to work as peons.

Under Díaz, Mexico never developed a strong entrepreneurial class. Concessions and favors came from the state, and capital came from abroad—England, France, and, of course, the United States. The middle sectors were extremely weak as well.

These social factors bore deep political significance. Elsewhere in Latin America middle-class professionals provided pressure and leadership for reformist movements, as in Argentina, and on occasion they drew support from fledgling industrialists, as in Chile. Not so in Mexico. It appears that turn-of-the-century Mexico had the social ingredients for a revolution, but relatively little material for reform.

The economic progress of the Díaz years also had its cost. While the wealthy prospered and duly copied the ways of European aristocracy, the vast majority of Mexicans faced grinding poverty. Given its labor surplus, Mexico's wage rates remained very low. Indeed, one estimate

(doubtless exaggerated) showed that average purchasing power in 1910 was only one-quarter the 1810 level. Mexico exported agricultural products, while production of most Mexicans' dietary staples—corn and beans (*frijoles*)—barely kept up with population growth. There could be no improvement in the notoriously low per capita consumption levels prevailing at the outset of the Díaz era. Vital statistics were alarming. In 1900, 29 percent of all male children died within their first year, and many of the survivors ended up working twelve hours a day in a sweatshop. Only a quarter of the population was literate.

This highly unequal economic "progress" drew repeated protests from workers, both urban and rural. There were strikes, sometimes fierce, especially where wage labor worked under industrial-type conditions. Between 1906 and 1908, for example, Mexican workers at the Cananea Copper Company repeatedly protested the higher wages given to U.S. laborers. Significant strikes occurred also among the railroad workers and at the Rio Blanco textile mills. Labor protest was intensified by the international financial crisis of 1906–8. In the rural sector, peasants in the Morelos area bitterly resented losing their land to commercial cultivation of sugar and other market crops. In the north there was a similar reaction to the loss of land for railway construction.

Díaz and his advisers could pursue a consistent economic policy because they had created the most effectively centralized government Mexico had seen since independence. Decision making was centralized in Mexico City, at the expense of local or regional *caudillos*. Political office, especially at the federal level, was sought after by the higher level of society. Those who made it were envied, since economic gain so often required contact with the government. Díaz himself knew full well the kind of system he had promoted. Near the end of his regime he explained: "We were harsh. Sometimes we were harsh to the point of cruelty. But it was necessary then to the life and progress of the nation. If there was cruelty, results have justified it. . . . Education and industry have carried on the task begun by the army." Many of Díaz' opponents agreed on the need for national power, but denounced the way Díaz used it. Pressure was mounting, as frustration grew among the younger elite who were excluded from the Díaz core: Time was working against Díaz, but who could have predicted how his carefully constructed house would come tumbling down?

The Mexican Revolution

Few revolutions are precipitated by the oppressed. Far more often they begin with a split within the dominant elite. Disgruntled dissidents, frequently young, become angry enough to attack the system. So it was in Mexico in 1910.

One of the leading critics was Francisco I. Madero, scion of a family

that had made a fortune in cattle and mining. It was also linked to Díaz' political machine. Evaristo Madero, Francisco's grandfather, had been governor of the state of Coahuila from 1880 to 1884, and the Madero family had cultivated a close friendship with José Y. Limantour, Díaz' long-time finance minister. Francisco got the best of a foreign education, studying in Paris and at the University of California. He returned to apply his skills in commercial agriculture, especially on the family's cotton plantation. He was a strong liberal in economics, which fit the Díaz era, but also in politics, which did not. His belief in political democracy soon alienated him from the rigidities of the late Díaz regime. He became an outspoken opponent, arguing that Mexico was ready for liberal democracy and that if Díaz chose to run for reelection in 1910 (as everyone expected), then the vice presidential candidate must come from outside the presidential clique.

Díaz was by now the captive of his own success. Why should he take seriously the lamentations of an ambitious and spoiled young oligarch? When the president failed to heed his message, Madero did the unthinkable: he entered the 1910 campaign as the candidate of the Anti-Reelectionist Party. Díaz now faced greater opposition than at any time in decades. His machine produced another victory, but it was far from effortless. The police had to jail 5000 of the opposition, including Madero. The young rebel, now emboldened, refused to recognize the legitimacy of Díaz' reelection. Instead, he issued (while in jail—which suggests Díaz hardly had an iron grip) his famous Plan of San Luis Potosí, and called for armed resistance. The rebel movement grew rapidly, as its troops took Ciudad Juárez (across the border from El Paso). Díaz now dropped the mask of the infinitely resourceful autocrat. In a surprising show of weakness, he capitulated and left the country in May 1911. A new presidential election was held and Madero triumphed. In 1912, he became the nation's president before delirious crowds in Mexico City. Democracy, it seemed, was on its way.

Francisco Madero and his fellow dissidents may have started the Mexican Revolution, but they did not long control it. Other rebels had larger goals: Emiliano Zapata, for example. Zapata had emerged as the rock-hard leader of landless peasants in the southwestern state of Morelos. They were the country dwellers who had seen their traditional land rights taken away by the smooth-talking lawyers and speculators using the new laws of "liberal" inspiration. These *zapataistas* (as they inevitably became known) saw the rebellion as a chance to restore justice. That meant regaining their lands.

The *zapataistas* quickly became disillusioned with Madero, and with reason. Why should this son of a great landholding family sympathize with their cause any more than the Díaz gang? In November 1911 Zapata and his followers in Morelos angrily attacked Madero in their *Plan de Ayala*. "Having no intentions other than to satisfy his personal ambitions, his boundless instincts as a tyrant, and his profound disrespect"



Emiliano Zapata gave determined leadership to the revolutionary peasant movement that began in the state of Morelos.

for the Constitution of 1857, they said, Madero "did not carry to a happy end the revolution which gloriously he initiated with the help of God and the people." Instead, he let the Porfirian political machine continue, thereby showing his indifference to the plight of the people. The rural dwellers now had only one option: direct action. "We give notice [that] . . . the *pueblos* or citizens who have the titles corresponding to those properties will immediately enter into possession of that real estate of which they have been despoiled by the bad faith of their oppressors, maintaining at any cost with arms in hand the mentioned possession." The *zapataistas* were as good as their word. These rural smallholders had believed the Revolution would help them regain their lands. When Madero failed to deliver, they contemptuously dismissed him and declared their own revolution.

Madero was hardly a true revolutionary. He was a would-be parliamentarian who thought Díaz' abdication would open the way to true democracy. Madero belonged in England or Scandinavia, not Mexico. He flinched at the thought—suggested to him by less squeamish rebels—that he should strike at his opposition before they struck at him. The mistake cost him his life in 1913. His killer was his own military chief of staff, Victoriano Huerta, a high-ranking general under Díaz. Huerta dragged the indiscreet U.S. Ambassador Henry Lane Wilson into his plot, thereby insuring that the United States would continue its notorious role in Mexican politics.



In the north Pancho Villa created a powerful military juggernaut, but his personal flamboyance earned him a dubious reputation in Mexico and the United States (Courtesy of the Library of Congress.)

Huerta was a crude figure, who thought he could reestablish a version of the Porfirian regime. He tried to impose his authority across the aroused country, but soon met resistance. Many Mexicans who had been caught up in the revolt against Díaz now saw Huerta as the usurper. Opposition began to build, and as it gathered force it coalesced into the genuinely "revolutionary" phase of the Mexican Revolution.

One of the most powerful centers of resistance to Huerta was the northern state of Chihuahua, where Pancho Villa gained control. Villa was a rough-hewn ex-cattle rustler who had mobilized a small army. Unlike Zapata, with whom he was often compared, he led no peasant rebellion. Villa's supporters, at least initially, were small ranchers, unemployed workers, and cowboys: men who wanted jobs, not small plots of land. So it was not surprising that when Villa pronounced an agrarian reform, in December 1913, he called for confiscation of large haciendas, but not for their subdivision into plots. The state would administer the haciendas, and their commercial crops would help finance Villa's military machine.

Villa quickly put this idea into practice. It may have created administrative problems, but it achieved its goal. Money was produced and supplies were obtained (mainly from the United States, which maintained the great arms supplier for all Mexican revolutionaries). Villa's army was well fed and well equipped. Indeed, Villa's followers now had a sure source of employment in his army, which emerged as a well-paid professional mercenary outfit.

There were other challenges to Huerta's bloody accession to power. One was in Madero's home state of Coahuila, where governor Venustiano Carranza mounted a strong resistance movement. Carranza, like Madero, was a dissident member of the elite, having risen to the level of senator during the regime of Díaz. A wealthy landowner, he had also been an interim governor. As the anti-Díaz forces slowly gathered strength in 1910, Carranza first cast his lot with Bernardo Reyes, another opposition candidate for president. During the campaign, however, he joined the "Anti-Reelectionist" group. Once in power, Madero rewarded Carranza by naming him governor of their home state, Coahuila.

Carranza contested Huerta's usurpation with little more than a counterclaim. Carranza's *Plan de Guadalupe* (March 1913) simply declared that Huerta held power illegitimately and that he, Carranza, should be recognized as "First Chief of the Constitutionalist Army." Once established, the new president would then convoke new elections. The *Plan* included no attempt to discuss larger socioeconomic or ideological questions. The *carrancista* movement looked like another *caudillo*-type rumbling. Support was scattered, mostly rural, obviously limited to the north.

All attention now centered on Huerta: Could he hold power? The opposition hammered away from the southwest (Zapata and the agrarian rebels) and the far north (Villa and his roaming army). Huerta's most dangerous enemy, however, was Carranza, the ultra-respectable elite politician. Mexico was now plunged into a bloody civil war that saw the federal army swell to more than ten times what it had been at the end of Díaz' rule. The *zapataistas* drew off Huerta's forces by their stubborn rebellion in Morelos, while the Constitutionalist forces by their kept up their pressure. Eventually it was foreign intervention, not Mexican arms, that doomed Huerta. U.S. President Woodrow Wilson, determined not to recognize Huerta's government, had sent marines to occupy Veracruz after an incident involving the arrest of U.S. sailors. To counter the U.S. marines Huerta had to pull troops out of the civil war. Soon he saw his situation was hopeless. In early July 1914 he resigned, accusing the United States of having overthrown him.

By mid-1914 the Revolution was up for grabs. All of the forces that had overthrown Huerta gathered to discuss a possible coalition government. Carranza was immediately suspicious of the common agrarian origins of the Zapata and Villa forces. He withdrew from the negotiations, attacking the legitimacy of that putative "government," and set up his own regime in the eastern seaport of Veracruz.

The social fissures in the Revolution were now becoming painfully obvious. Villa, and especially Zapata, represented claims for radical social change. Carranza sensed that he would have to offer more than the liberal rhetoric that had sustained Madero. In a December statement Carranza began to edge leftward. He promised, without details, "legis-

lation for the improvement of the condition of the rural peon, the worker, the miner, and in general the proletarian classes." The following month he pronounced an agrarian reform, calling for the restoration or creation of agricultural communities (*ejidos*), requesting procedures for restoring legal titles, and establishing a national agrarian commission. In February 1915 Carranza made his move toward labor: he got the anarcho-syndicalists—the best organized of the small urban labor movements—to agree that in return for favorable labor laws their Red Battalions would back the *carrancista* cause.

During 1915 the issue was joined. Villa, the most formidable of Carranza's military enemies, pressed forward for a quick victory. He met his match in Alvaro Obregón. Carranza's brilliant army commander from the northern state of Sonora. In mid-1915 Obregón decisively defeated Villa, who retreated to the hills of Chihuahua to continue a guerrilla war but no longer to offer a national threat. The *zapatas* could not mount a sustained challenge to Mexico City, and withdrew into their native Morelos to hold out against federal incursions.

With his principal enemies safely at bay, Carranza could afford to call a constitutional convention in late 1916. In May 1917 he formally assumed the presidency. The stage was now set for the writing of the Mexican Constitution of 1917, a premier document of the Mexican Revolution.

Carranza himself had no radical ideas. He drafted a pale imitation of the Constitution of 1857, little more than a restatement of principles of classical liberalism. The convention delegates had other thoughts. They promptly took control and wrote a charter that was startlingly radical for this pre-Bolshevik era. Article 27 empowered the government to redistribute land. Article 123 announced rights for labor that had certainly never been heard of in North America. Article 3 subjected the church to new restrictions, which imposed a virtual straight-jacket. Socialist overtones permeated the constitution. Suddenly it became obvious that what had started as a mere revolt of dissident elites against Díaz was threatening to become a social revolution, to change significantly the power and property relationships in Mexico. After 1917 every aspiring political leader had to adopt at least a rhetorical posture in favor of Mexico's workers and the peasants.

The agrarian rebels—Villa and Zapata—continued to hold their strongholds and represent a possible threat to Carranza. Zapata was taken care of in 1919, murdered by *carrancista* troops in an ambush. The following year Carranza faced his own problem: he wanted to impose a little-known politician, Ignacio Bonillas, as his successor. In this Carranza was short-sighted. The "no reelection" slogan of the 1910 campaign had been its most powerful rallying call and it found explicit expression in the new constitution. Now Carranza was violating that rule in spirit by imposing a successor who would be his stooge. The Revolution reverted to its bloody practice: the valiant Obregón, the ar-

chitect of victory over Villa, led an uprising. Carranza was forced to flee and, while on the run, was assassinated by one of his own guards, probably acting on behalf of Obregón. The succession problem, which had led to Díaz' fall, was still far from solved.

Institutionalizing the Revolution

Obregón succeeded to the spoils of the presidency. The need was for reconstruction after years of civil war, but the world recession after World War I sharply reduced Mexico's export earnings and deepened a domestic economic slump. Nonetheless, the government launched an ambitious rural education campaign under the leadership of the noted intellectual José Vasconcelos. In the area of labor, the Obregón government bet heavily on the newly founded *Confederación Regional Obrera Mexicana* (CROM), which Obregón soon co-opted, while at the same time harassing the communist- and anarchist-led unions. On land distribution Obregón was cautious, fearing a loss of production. The last of the original popular rebels, Pancho Villa, succumbed to a fusillade of bullets in 1923, and the era of effective demands for fundamental social reform was over for the moment. Obregón did make two important contributions to the stability of the Revolution. First, he achieved an understanding with Washington—an agreement on how U.S. oil firms would be treated, in return for U.S. diplomatic recognition. Second, Obregón managed to transfer power peacefully to his successor, something no Mexican president had done since 1880.

The new president was another general from Sonora, Plutarco Elías Calles. This solid officer-politician soon proved to be the man who would put the revolutionary political system on a solid footing. For Calles, however, the threat was from the right. Calling themselves the *cristeros* ("Christers"), Catholic militants presented the revolutionaries with the first broad-based, ideologically committed opponents of the secularizing Revolution. The *cristeros* were by no means limited to the wealthy defenders of the old economic order; they included many simple folk who saw the Revolution as the work of the devil, to be stopped only by the sword. This pious belief was reinforced by reactionary clergy, especially in the state of Jalisco, where they desperately needed foot soldiers in their crusade against the anticlerical Revolution.

When the presidential term of Calles expired in 1928, Obregón, never politically reticent, presented himself for election anew. It was not a reelection, Obregón reassured Mexico, because he was not the incumbent. He won easily but did not live to enjoy his power play: before the inauguration he was assassinated by a religious fanatic.

Into the vacuum stepped the lame-duck Calles. He got the political leaders to agree on a new election and on the creation of a new party, the *Partido Nacional Revolucionario* (PNR). During the subsequent short-term presidencies of Emilio Portes Gil (1928–30), Pascual Ortiz Rubio

(1930-32), and Abelardo L. Rodríguez (1932-34), Calles continued to be the power behind the scenes.

Most observers expected Calles to continue that role in the presidency of Lázaro Cárdenas, elected in 1934. Cárdenas was a relatively obscure army officer and politician from Michoacán who surprised everyone, promptly sending the stunned Calles into exile. It was the first of many moves that proved Cárdenas was going to be his own man.

Many peasants had grown cynical about the "revolutionary" goals of their rulers. Where was the land they had been so often promised? Cárdenas decided to make good on those promises. During his term (1934-40) he presided over the distribution of 44 million acres of land to landless Mexicans, almost twice as much as that distributed by all his predecessors combined. Cárdenas knew the dangers in simply distributing land without the necessary supporting services. All too often that led to subsistence agriculture, with the farmer able to feed his family but unable to produce a surplus for the market. That would create grave problems in the food supply to the cities, as well as for the export markets.

Cárdenas' solution was to rely heavily on the communal system of the *ejido*. It had the advantage of being genuinely Mexican, while being neither capitalist nor socialist. The land distribution was made to the *ejido*, which was then the owner, even if plots were subsequently apportioned for individual use. *Ejidat*s could include hundreds, even thousands of families. The plans called for schools, hospitals, and financing, which was to be provided by the newly founded *Banco de Crédito Ejidal*. Not all the land distribution was made to *ejidos*. Individual peasants and families got plots as well.

The huge distribution created an initial euphoria, as over 800,000 recipients saw a life-long dream realized. But the longer-term results were not uniformly happy. Agricultural production for the market fell in many areas, as had been feared. The social and financial services promised by the government often never materialized in the volume needed, despite some successes. The result was low productivity and disorganization on many communal units and an insufficient integration into the market for many smaller units. Notwithstanding these problems, Cárdenas earned enormous popularity among the peasants for his boldness in distributing so much land. He had deeply reinforced the agrarian character of the Revolution.

Cárdenas also reorganized the party structure. Calles had led the way by creating a stronger machine than he found upon entering office in 1924. In 1938 Cárdenas reorganized the official party and renamed it the *Partido de la Revolución Mexicana* (PRM). It was now to be built around four functional groups: the agricultural (peasant) sector, the labor sector, the military sector, and the "popular" sector, which was a residual category including primarily the middle class. In applying this concept of functionalist representation, Cárdenas and his political ad-

visers were borrowing from corporatism, the political doctrine then in vogue in Mediterranean Europe, especially Italy, Spain, and Portugal.

In this fashion Cárdenas devised a strategy for dealing with the lower classes: mobilize and organize *both* the workers and the peasants, but keep them apart from each other. Thus the creation of separate (and competing) sectors for each group within the official party. This way the government could maintain control of popular movements and prevent the possible appearance of a worker-peasant coalition. (As of the 1990s, the regime appears to have achieved its goal.)

Cárdenas also took a more radical line in relations with the United States. The toughest issue was oil. In the early twentieth century, Mexico possessed a significant percentage of the world's confirmed oil reserves. By the 1930s, foreign oil firms, mostly U.S. but some British, had huge investments in Mexico. The companies inevitably got into a wage dispute with their Mexican employees, and it was finally carried to the Mexican Supreme Court, which ruled in favor of the employees. The foreign companies disregarded the court decision, assuming that now, as before, there must be a way around such legal problems in backward Mexico. To everyone's surprise, the president intervened and announced the expropriation of the companies. The precipitating factor cited by Cárdenas was the companies' refusal to obey the Supreme Court decision. The legal basis given for expropriation was Article 27 of the 1917 constitution, in turn based on the long-standing principle in Spanish law that all subsoil rights belong to the state (crown), not to the owner of the surface rights. The oil companies were infuriated. The U.S. firms demanded that President Franklin Roosevelt intervene on their behalf. Right-wing propagandists in the United States had a field day at the expense of the "atheistic" Mexican revolutionaries who had first attacked religion and were now attacking property.

In Mexico the news of expropriation provoked an ecstatic response. Mexican nationalist sentiment, never far below the surface, poured forth; Cárdenas was now an authentic hero for standing up to the gringos.

At first Roosevelt issued some angry demands to the Mexicans, but cooler heads prevailed in Washington. After all, Roosevelt's much ballyhoed "Good Neighbor" policy meant, at a minimum, no more U.S. invasions of Latin America. In fact, the Mexican government had already said it would compensate the companies. Dispute then centered on the value of the expropriated properties. The companies filed enormous claims, including the future value of all the oil in the ground they had owned. The long negotiations which followed favored the Mexican government, since the Roosevelt administration had early on ruled out intervention on behalf of the investors.

The companies were paid and the Mexicans created a state oil monopoly, *Petróleos Mexicanos* (PEMEX). It has since remained a high sym-

bol of nationalism—above all, because its target had been the United States. The oil companies and their friends in the U.S. government did not forget either. For another thirty years they enforced a world boycott against all Mexican oil and effectively obstructed the development of PEMEX's refining operations by getting it blacklisted with all leading foreign equipment suppliers. One reason the companies and the U.S. government thought they had to punish the Mexicans for their nationalist boldness was to prevent other Latin American governments from being tempted to similar expropriations. Mexico paid a price for standing up to Uncle Sam.

Cárdenas succeeded in giving the Revolution new life for many Mexicans. On the other hand, the wealthy sector—landowners and large merchants—hated him, much as their counterparts in the United States hated Franklin Roosevelt. In both countries the right saw these charismatic reformers as only preparing the way for radical leftism. Cárdenas gave his enemies ammunition with highly publicized gestures, such as granting asylum to Leon Trotsky in 1937 and welcoming Spanish Republican refugees fleeing Franco's vengeance at the end of the Civil War. But these were gestures on the world stage, not policies for Mexico.

Stability, Growth—and Rigidity

Cárdenas would have been difficult for any politician to follow. The choice of his successor followed a pattern which has been repeated at the end of every six-year presidency since 1940: endless speculation, mostly ill-informed, over the likely nominee. The mechanics of choosing have varied, but it has remained essentially a negotiation among top-level political bosses, carried out in private, with frequent trial balloons to test public opinion. In short, perfect material for political rumor mills.

In 1940 the choice rested with Cárdenas, who had accumulated overwhelming influence in the official party. He chose neither of the two much-discussed front-runners (one radical and one conservative), but turned instead to his little-known minister of war, General Manuel Ávila Camacho. Clearly there was a consensus on steering the Revolution onto a moderate course.

In his campaign, Ávila Camacho made it clear that he was not anti-clerical; he even declared himself a believer. And he actually faced an opponent: Juan Andreu Almazán, candidate of the *Partido de Acción Nacional* (PAN), a fledgling pro-clericalist party on the right. The official PRM candidate easily prevailed.

In several key policy areas Ávila Camacho soon proved more moderate than Cárdenas. One was land redistribution. Cárdenas had endeared himself to the Mexican peasantry by his much-publicized land grants, given almost invariably to the collective groups who were to

form *ejidos*. Ávila Camacho targeted his distribution at individual families, rather than the *ejidos*, since he favored small-scale, single-family ownership. There was also a contrast in the total amount of land involved. Ávila Camacho distributed about 11 million acres, whereas Cárdenas had distributed 44 million acres.

In the labor field Ávila Camacho made another move away from the left. He replaced the official leader of the party's labor sector with Fidel Velázquez, who was openly hostile to the more militant union leaders and helped to make strikes more difficult. While autonomous union action was being discouraged, the government moved on another front: creating the *Instituto Mexicano de Seguro Social* (IMSS), a social security agency which provided workers with medical care through a network of clinics and hospitals. The coverage was limited to a few hundred thousand workers by the mid-1940s, but it was the precedent for a fringe benefit system which would be steadily extended to the best organized elements of labor.

In addition, Ávila Camacho faced the challenge of a spreading world war. Mexicans felt a strong sympathy for the Allied cause, but an almost equally strong suspicion of an automatic alliance with the United States. After Pearl Harbor the Mexican government broke off diplomatic relations with Japan, Germany, and Italy, but stopped short of declaring war. It was only the repeated sinking of Mexican ships by German U-boats that led the Ávila Camacho government to obtain a declaration of war from the national Congress in May 1942.

Mexico, along with Brazil, was one of the only two Latin American countries to supply combat forces to fight the Axis. The Mexican contribution was an air force squadron, trained in the United States and subsequently attached to the Fifth U.S. Air Corps in the Philippines. The squadron performed valiantly, and brought Mexico honor in the distant conflict with Japan. Mexico also supplied vital raw materials to the United States at government-controlled low prices.

Another step would have grave importance for the future. After an explicit agreement between Presidents Franklin Roosevelt and Ávila Camacho, Mexico began sending agricultural workers north, to fill the gap left in the U.S. fields by the military draft. Spontaneous Mexican migration north had long been under way. As the war continued, the Mexican laborers (known as *braceros*) began to fill nonagricultural jobs as well—a development that aroused the opposition of U.S. organized labor. The war ended with an important precedent established: the officially endorsed northward movement of Mexican workers to perform jobs for which no Americans could be found. Yet there were enormous problems. The Mexicans, used to far lower levels of pay at home, were often willing to be cajoled (or forced) into conditions of employment inferior to what had been officially agreed upon. When the war ended, some 300,000 Mexicans had undergone the experience of working in the United States. Although many had encountered prejudice and dis-

crimination, most had earned much higher wages than was possible in Mexico. The promise of a higher income across the border, however tarnished, remained a constant attraction to impoverished Mexicans after the war.

With the end of World War II, Mexico saw industrialization as a way out of persistent poverty. The man to lead the way was Miguel Alemán, the first civilian president since the Revolution. One of Alemán's first acts was to reorganize and rename the official party, now called the *Partido Revolucionario Institucional* (PRI). Adding the word "institutional" signaled a turn toward pragmatism. The party was made up of three sectors: peasant, worker, and popular, the form it has since retained. It emerged as an utterly dominant official party, different from any other in Latin America.

The new president's hallmark was to be economic development. What Mexico most needed was infrastructure—roads, dams, communications, port facilities. Alemán therefore launched an ambitious program of public works, stressing irrigation and hydroelectric projects. There was also highway and hotel construction to facilitate the tourist trade from the United States. This investment paid off, as tourism became an all-important foreign exchange earner for Mexico, although with cultural and social implications that Mexican nationalists found distasteful.

The Mexican economy did show significant growth. The foundations were laid by sharply increasing protection against imports. The short-run justification was to ease Mexico's severe balance-of-payments deficit, but the net effect was to provide a guaranteed market for domestic production—which made sense in a market as large as Mexico's. Domestic manufacturing responded with a spurt of growth, averaging 9.2 percent a year between 1948 and 1951. Agricultural production did even better in those years, averaging 10.4 percent. Inflation and a balance-of-payments deficit slowed the rate of growth in 1952. An additional cloud over Alemán's economic record was the constant charge of corruption.

The bosses of the PRI knew, when it came time to choose Alemán's successor in 1952, that they had a serious problem in improving the government's image. The man they chose was at least a partial answer. Adolfo Ruiz Cortines had been governor of Veracruz and later secretary of the interior in the Alemán presidency, yet he had managed to earn a reputation for honesty. Once elected president, Ruiz Cortines made good on a campaign pledge to root out grafters by firing a series of suspect officials.

The most important policies of Ruiz Cortines came in the economic sphere. Since the war, Mexico had been experiencing an inflation rate which was high for Latin America. The Mexican economic managers made a crucial decision. They opted for a "hard-money," low-inflation strategy, which meant setting an exchange rate (peso/dollar) and then

managing their economy (by conservative fiscal and monetary policy) so as to maintain that exchange rate. The first step was to devalue the overvalued peso from 8.65 pesos to the dollar to 12.5 pesos to the dollar in 1954. This devaluation was larger than almost anyone expected. It gave an immediate stimulus to Mexican exports, now cheaper in U.S. dollars, and made Mexico cheaper for foreign tourists. Mexico quickly became known as a promising target for international investors.

When Ruiz Cortines left office at the age of sixty-seven, the king makers chose a successor two decades younger. He was Adolfo López Mateos, secretary of labor in the previous government. Since López Mateos had the reputation of being pro-labor, some thought the pendulum might be swinging back toward the center or even the moderate left.

Somewhat cryptically, López Mateos himself declared that his administration would be "on the extreme left, within the Constitution." Mexico was not highly unionized. The vast majority of lower-class citizens, especially the *campesinos*, had no organized means of protecting or promoting their own interests. The unions that did exist were closely tied to the regime itself. This contrasted sharply with Argentina, where Peronist trade unions had represented a base of political opposition since the mid-1950s, and with Chile, where worker movements identified with one or another political party. In Mexico, unions functioned as part and parcel of the political system.

Notwithstanding this pattern, López Mateos soon found himself facing an exception. He was quickly challenged by militant railworkers, who staged a major strike in 1959. Their leader, Demetrio Vallejo, was contesting the government-dominated structure of labor relations, not least since the railroads were government owned. He was demanding the right to genuinely independent union action. The workers followed the strike order and braced themselves for a long siege. López Mateos applied an old-fashioned remedy: he arrested the leaders and ordered the workers back to work. The strike was broken and Vallejo remained in jail for years, an object lesson to other would-be militants.

The López Mateos government did not rely only on the stick in dealing with labor. It also instituted a profit-sharing plan under which many workers increased their take-home pay by 5 to 10 percent a year. But this measure was typical of the PRI style of social policy: a beneficence granted on government initiative, not conceded under worker pressure. Given the fact that Mexico still had surplus labor, workers had little economic leverage. If they tried to organize independently, the apparatus was at hand to co-opt or repress them.

López Mateos nonetheless saw a need to change the course of the Revolution. He and his aides sought to distance his presidency from the pro-business administrations since 1940. The obvious starting point was land ownership. A chance to acquire land remained the greatest dream for Mexico's poorest rural dwellers. López Mateos ordered the

distribution of approximately 30 million acres of land, giving him a land reform record second only to Cárdenas. Furnishing basic services (and credit) for these new landowners was much more difficult, and too seldom achieved. Nonetheless, revolutionary momentum had been resumed in a crucial realm.

In economic policy López Mateos continued the hard-money policies implicit in the 1954 devaluation. Investment remained high, and Mexico began raising capital abroad, above all in the New York bond market. The attraction was high interest rates, guaranteed convertibility (into dollars), and apparent political stability. The government succeeded in achieving extraordinarily low inflation, thereby making it possible to stick with its fixed exchange rate of 12.5 pesos to the dollar. Yet Mexico was by no means a 100 percent free market economy. Indeed, state intervention in the economy increased in the years of López Mateos. U.S.- and Canadian-owned electric companies were nationalized, for example, as was the motion picture industry, which had been largely U.S. controlled.

The López Mateos years (1958–64) brought some significant changes in other areas. In foreign affairs, the Mexican government succeeded in finding a definitive solution to the longstanding Chamizal border dispute with the United States. A 1964 formal agreement between López Mateos and U.S. President Lyndon Johnson gave Mexico sovereignty over a long-disputed river bank territory in the area of El Paso. At the same time, López Mateos preserved independence on another issue: Fidel Castro's Cuba. After 1960 the United States was pushing incessantly for anti-Cuban votes in the Organization of American States. Mexico was the only Latin American country never to break relations with Cuba. It took pride in its refusal to bow to the U.S. call for a uniform response from its Latin American allies.

The official candidate to succeed López Mateos in 1964 was Gustavo Díaz Ordaz, whom many thought would swing the PRI back toward the right. He was from the state of Puebla, Mexico's Catholic stronghold. As the incumbent secretary of the interior he had earlier ordered the arrest of certain "radicals," including the world-famous artist David Alfaro Siqueiros.

Díaz Ordaz countered this expectation by pledging to continue the policies of his predecessor; he soon failed the first test. López Mateos had taken seriously the criticisms of the PRI's one-party system and pushed through a constitutional amendment that guaranteed opposition parties a minimum of congressional seats if they won a minimum national vote. Applying this principle in the 1964 elections, both the PAN (a right-oriented party) and the PPS (a left-wing party) had won seats in Congress, although still overwhelmingly outweighed by the PRI representation.

Díaz Ordaz began by honoring this reformist thrust. But the en-

The student movement of 1968 began as a limited protest with an eclectic ideology, as suggested by the declaration of solidarity with Ché Guevara during this peaceful march along the Paseo de la Reforma in Mexico City. It eventually became a tragic crisis for the nation's political system. (United Press International.)



trenched PRI soon made known their fury at the newly appointed leader of the party, Carlos Madrazo, who was attempting to open up the nomination procedures—always the critical link in a one-party electoral system. Responding to the party machine complaints, Díaz Ordaz fired Madrazo. The new hard line was further evident when the federal government annulled mayoral elections in two cities in the state of Baja California Norte which PAN candidates had won. The democratization of the one-party system had overreached its limit.

Díaz Ordaz would have been lucky if mayoral elections had been his only political worry. But it was his fate to govern in the era of student protest that shook the Western world in the late 1960s. The precipitating factor was Mexico's hosting of the summer Olympic games in 1968. The government went all out to "sell" Mexico to the world. The Mexican left, always strong among students in Mexico City, was upset at the idea that the government might succeed in this public relations venture. There began a test of wills. A secondary school clash in Mexico City in July 1968 was met by brutal force from the riot police. Protest spread to the national university in August, culminating in a strike. The government thought it was a "subversive conspiracy," bent on disrupting the Olympic games. President Díaz Ordaz responded by send-

ing army troops onto the campus, thereby violating its historic sanctuary status. The battle was joined. Could the student left stop the Olympic games?

The tragic rhythm of confrontation between students and troops continued. On October 2, 1968, a rally of students in the Mexico City section of Tlatelolco drew an unusually heavy contingent of security forces. An order to disperse was allegedly not observed and the police and paramilitary forces moved in. Later they claimed to have taken sniper fire from surrounding buildings. They began shooting and the crowd was caught in a murderous cross fire, as hundreds fell dead and many more wounded. The massacre at Tlatelolco sent a shudder through Mexico. There was no inquiry, no convincing explanation from the military or civilian authorities responsible for the slaughter. A chorus of critics said the massacre had proved the bankruptcy of the PRI monopoly on power. By the same token, the brutal show of force convinced virtually everyone that mass challenges to authority would only bring more wailing ambulances. The effect was chilling.

Despite the turmoil on the political front, the Mexican economy continued to boom. The gross national product grew at 6 percent a year, although the distribution of income remained troublingly unequal. Between 1950 and 1969 the income share going to the poorest tenth of the population dropped from 2.4 percent to 2.0 percent. Meanwhile, the richest tenth increased its share from 49 percent to 51 percent. The top two-tenths widened their share at the expense of the bottom segments. By a standard measure of overall inequality (the Gini coefficient), Mexico's "miraculous" growth had only increased the maldistribution of income.

When the time came for the PRI bosses to nominate Díaz Ordaz's successor, they settled on Luis Echeverría, the secretary of the interior responsible for the security forces at Tlatelolco. It was hardly a choice likely to reunite embittered Mexicans. Echeverría tried to show a new face in his energetic campaign, and, after the usual landslide victory, plunged into his new duties. The sphere in which the new president sought to make his greatest mark was the one where he was soon most criticized: management of the economy.

Echeverría and his advisers wanted economic growth, but also better distribution of its benefits at the same time. An obvious place to begin, as always in Mexico, was the rural sector. Effort centered on infrastructure, such as rural electrification and the road system. In order to pacify consumers in the cities, the Echeverría government tightened the existing price controls on basic foodstuffs. In effect, the federal government was committing itself to an escalating subsidy on food for the urban masses. This could be financed only by draining the federal treasury or paying farmers below-cost prices for their goods. The latter would inevitably discourage production and the former would tend to

be inflationary. As Echeverría's term continued, he resorted increasingly to short-term measures that would channel resources (wages, land, social services) to the poor.

At the same time the state was increasing its general control over the economy. In addition to direct spending through federal departments and ministries, the government allocated a large share of the budget—well over half in recent years—to dozens of special agencies and state-supported companies. The leading lending institutions, most conspicuously the *Nacional Financiera*, were operated by the government, and the manipulation of credit regulations endowed the state with considerable influence over the economy. As of 1970, for instance, the government controlled principal shares in nine of the country's top ten firms, in thirteen out of the top twenty-five, and in sixteen out of the top fifty. Most of the leading state-dominated firms were involved in credit banking, public services (telephone and electricity), or in high-cost infrastructure activities (such as steel or oil), so they did not always compete directly with the private sector.

While the Mexican state took an active part in the country's capitalist economy, it retained considerable independence from the private sector. Much of this autonomy stems from the fact that Mexico's public leaders were, for the most part, professional politicians. They did not come from wealthy families, and after finishing school or university, they moved directly into political careers. In contrast to the United States, there was very little crossover of personnel between private corporations and public office. Consequently the Mexican state was not captive to any social group or interest. It tended to collaborate with the private sector, to be sure, but this was not always the case—a situation that gave the government considerable freedom of action.

While this process continued, the Mexican government faced a new problem: a guerrilla movement. Mexican politicians had long reassured themselves that their country was "different" from the rest of Latin America, where guerrillas were rife. After all, Mexico had already had its revolution. But Mexico was not immune. Guerrillas appeared, calling for violent action against the PRI and all its works. Beginning in 1971, they staged a series of bank robberies and kidnappings. The latter reached into the diplomatic corps: their victims included the U.S. consul general in Guadalajara and the daughter of the Belgian ambassador. In 1974 the father-in-law of the president was seized and held for ransom by militant guerrillas. In the state of Guerrero an ex-schoolteacher, Lucio Cabañas, led a guerrilla army that began to strike at will. They kidnapped the official (PRI) candidate for governor and defied the army by direct attacks on isolated outposts. It took a 10,000-man army more than a year to hunt down and kill the rebels and their leader. Despite predictions on the left, Cabañas had no successor in Guerrero or elsewhere, as the guerrilla threat faded. Why? Was it the

genius of the co-optive system of the PRI? Or was it the repressive network developed over the decades as the government's counterpart to its participatory electoral machine?

But Echeverría's major problem was not with the guerrillas. It was with the economy. The weak point in Mexico's economic strategy was inflation. In crude terms, Mexico could not expect to guarantee the peso's convertibility at a fixed rate unless its inflation was no higher than the U.S. level. By 1973 Mexican inflation was running 20 percent and remained at that level in 1974. Mexico's goods, based on the 1954 exchange rate, were growing uncompetitive on the world market. Yet the government stuck with the fixed rate, which had been the bedrock of Mexican development and a powerful political symbol.

Above all, Mexico had to continue attracting foreign capital. It had become crucial in financing Mexican investment as well as helping the balance of payments. Since the Revolution began there had been significant change in the level and allocation of foreign investment in Mexico. Total direct foreign investment in 1911, on the eve of the Revolution, was about 1.5 billion dollars (in 1970 value). By 1940 the level was less than a third that amount. The decline could be traced to revolutionary turmoil, deliberate government policy, and the Great Depression. In the postwar era, however, the level soared to 2.8 billion dollars, with 80 percent from the United States. And in sharp contrast to previous eras, when mining and communication-transportation were the dominant activities for foreigners, nearly three-quarters (73.8 percent) of this investment was in the manufacturing sector, mostly in critical industries: chemicals, petrochemicals, rubber, machinery, and industrial equipment. In this way Mexico obtained a considerable share of the financial resources for economic growth from abroad—and foreigners, notably Americans, assumed substantial if indirect influence on the direction of economic policy.

Commerce and tourism provided an additional type of dependence on the U.S. economy. About 60 percent of Mexico's international commercial transactions—imports as well as exports—were with the United States. About 85 percent of the income from tourism, needed so badly to offset balance-of-payments deficits, came from the United States. However much Mexicans wanted to achieve economic sovereignty, in fact they retained intimate ties to their northern neighbor. Nothing could have made this plainer than the economic crisis at the end of the Echeverría presidency.

Why was inflation plaguing Mexico? Many Latin Americans might have reversed the question: How had Mexico avoided it for so long? The answer was that the Mexican government, trying to please so many constituencies, was running large deficits, and financing them in an inflationary manner. There was also pressure from the balance of payments, which went into serious deficit by the middle of Echeverría's term of office. Mexico's continuing industrialization required heavy

capital goods. But a relatively new import was even more worrisome: food. The economy's failure was in agriculture. Production had grown for selected foods (tomatoes, strawberries) for export, especially to the United States, but output of basic foodstuffs, especially cereals, was falling short. Imports to meet this demand put an enormous burden on the balance of payments.

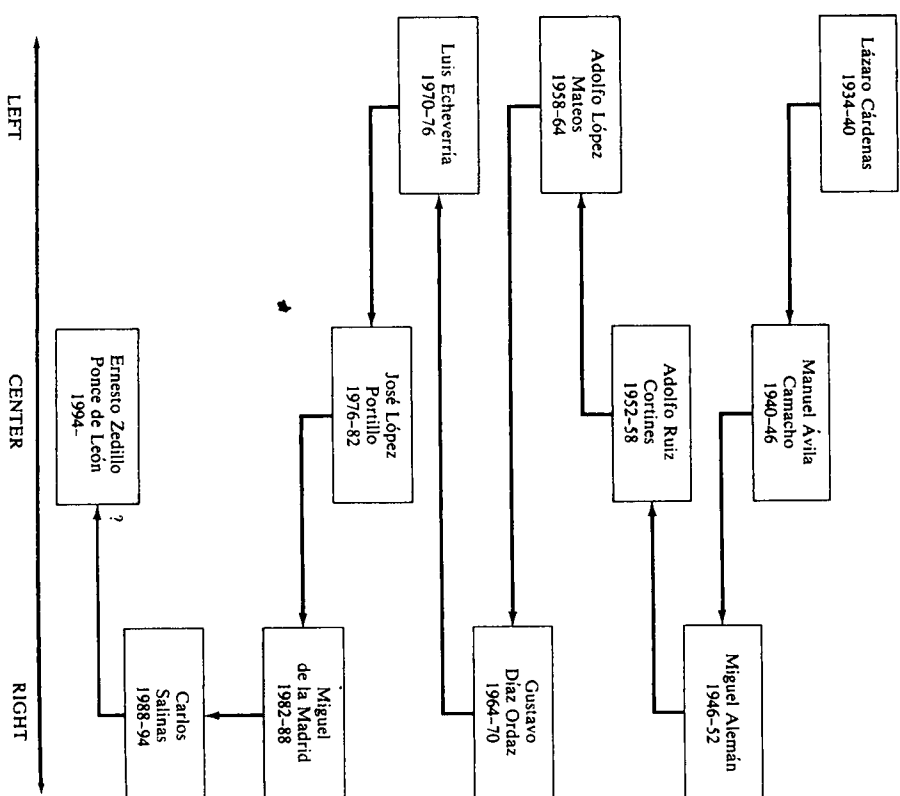
The reckoning came in Echeverría's last year as president. The drama centered on the greatly overvalued peso. With the government stubbornly maintaining its fixed rate of 12.5 to the dollar, every Mexican of means tried to convert pesos into U.S. currency. The government's ever more frequent denials of devaluation rang hollow. In September 1976, after capital flight had reached panic proportions, the government gave way. The peso was devalued by 60 percent. Government credibility was so low that a month later another devaluation of 40 percent was needed to settle the market. Could this incompetently managed devaluation convince investors (including Mexicans) to make new commitments in pesos? Although Mexico at last had a realistic exchange rate, the Echeverría government had failed to attack the rising public sector deficit—an essential step if future overvaluation of the peso, and thus future balance of payments crises, were to be prevented.

Echeverría ended his term in a flurry of histrionic gestures. Only eleven days before the end of his presidency, he expropriated rich farmlands in the north for redistribution to landless peasants. Panic spread among landowners. For the first time in years, Mexicans talked seriously about the possibility of a military coup.

Apparently Echeverría was motivated in part by a desire to win the secretary generalship of the United Nations, then up for election. Mexican politics suddenly seemed hostage to the ambition of one man. But the system—both in the UN and in Mexico—proved stronger than Echeverría. His term ended peacefully and on schedule. In retrospect, his presidency appears as merely another swing of the pendulum. (See Figure 7-1 for a schematic representation of the political positions of the presidents since 1934; question mark signifies the uncertainty of the current president's location on the political spectrum.)

The new president was José López Portillo, a leading moderate in Echeverría's cabinet. López Portillo made the moves to be expected of a new president shifting government policy back toward center. As the finance minister under Echeverría, he had presided over an economy that seemed to be wildly out of control. Mexico had growing deficits, both in its federal budget and in its balance of payments. Inflation had reached 30 percent. Although modest by Latin American standards, it was enough to erode confidence in the Mexican growth model, which had been based on guaranteed peso convertibility and free capital movement. López Portillo therefore gave first priority to that eternal task of restoring foreign confidence in his economy. Within weeks after his inauguration in December 1976, the new Mexican president trav-

FIGURE 7-1 Presidencies and the Political Spectrum in Mexico since 1934

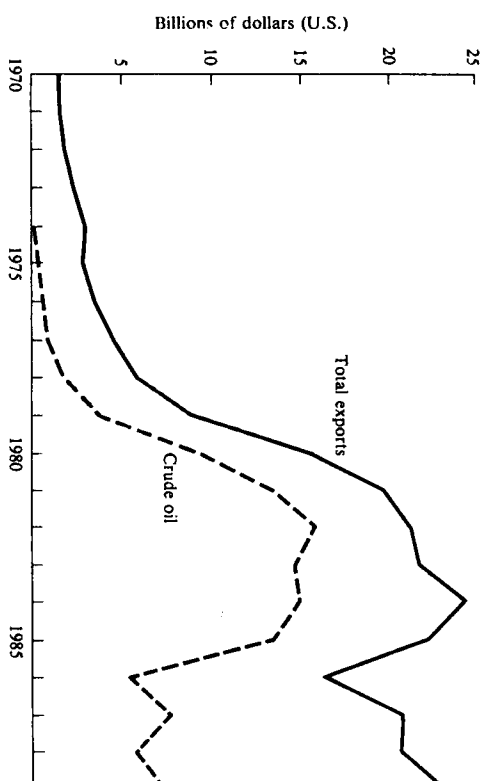


eled to Washington for a highly publicized visit with outgoing President Gerald Ford and an address to a joint session of the U.S. Congress. It was a powerful reminder that the Mexican elite still saw its fate closely linked to U.S. opinion.

López Portillo's presidency came to be dominated by economic issues. Just as he took office Mexico began discovering vast quantities of oil, and by 1980 López Portillo could announce that the country possessed proven reserves of 70 billion barrels and potential reserves of more than 200 billion. In a world apparently beset by chronic shortages and soaring costs for energy, Mexico had suddenly acquired new international clout. Declared an ebullient López Portillo: "There are two kinds of countries in the world today—those that don't have oil and

Mexico: The Taming of a Revolution

FIGURE 7-2 Mexican Exports, 1970–89



Sources: International Monetary Fund, *International Financial Statistics* (April 1977), 250–51; (April 1980), 268–69; (April 1983), 288–91; (December 1990), 78, 366; IMF, *1985 Yearbook*, 111, 450–51; and IMF, *1986 Yearbook*, 11, 460–61.

Optimism and pride surged through the nation. Government officials declared their intentions to increase production only gradually, not rapidly, in order to avoid the sad experiences of Venezuela and Iran—where the influx of petrodollars spurred inflation and exacerbated social inequities. Exports grew and world prices mounted, however, and Mexico's petroleum earnings jumped from \$500 million in 1976 to more than \$13 billion in 1981. As shown in Figure 7-2, the dollar value of nonpetroleum exports grew at a much less rapid rate. Somewhat in spite of itself, Mexico was becoming excessively dependent on oil revenues.

Economic problems persisted. Mexico was finding that the hard-money strategy which had worked so well between the mid-1950s and the late 1970s was no longer possible. The government could not get inflation below 20 percent, except for one year (1978), and by 1982 it shot up to almost 60 percent, an unprecedented rate for postwar Mexico. Another painful devaluation became inevitable in early 1982. Mexico had simply not adapted its financial system to inflation (as the Brazilians, for example, had managed to do).

Mexico had hoped to avoid all this by cashing in on its huge oil reserves, but the world slump in oil prices after 1981 reduced dramatically the projected foreign exchange earnings. The López Portillo government was therefore driven to heavy foreign borrowing, which raised the foreign public debt to \$57 billion by the end of 1981. Most

ing jobs at a rate fast enough to absorb all the Mexicans entering the work force.

When faced by opposition, the Mexican regime's most frequent response was to bring its critics into the system—by offering a voice, a job, or a policy concession. As one observer neatly summarized the government's approach: two carrots, maybe even three or four, then a stick if necessary. By embracing (and defusing) the opposition, the Mexican state managed to strengthen its support.

In keeping with this tradition, López Portillo sponsored a program of political reforms. These included two innovations that seemed particularly far-reaching: first, the rules for registration of political parties were made easier, so much so that the Communist Party gained official recognition; and second, opposition parties were guaranteed a total of at least 100 seats in an expanded, 400-member Chamber of Deputies. Such alterations seemed unlikely to lead to a fundamental change in the locus of power, but they at least provided an outlet—within the system—for the opposition. The official presidential nominee was Miguel de la Madrid, a Harvard-trained technocrat and the minister of budget and planning under López Portillo, and he won a predictable victory in the elections of July 1982.

Before de la Madrid could take office on December 1, however, the Mexican economy was shaken by another and much larger, financial crisis. Mexico had run out of dollars with which to make payments on its foreign debt—now over \$80 billion. Near panic ensued in Washington, New York, Frankfurt, and London, where it was feared that other Latin American debtors might follow Mexico's example and declare a *de facto* default. If that were the case, U.S., European, and Japanese banks would face huge losses, posing a formidable threat to world financial markets. The causes of the crisis were obvious. The price of Mexico's prime export (oil) had nosedived, interest rates had spiraled upward, and rich Mexicans had transferred billions of dollars out of the country. The U.S. government, the IMF, and the commercial banks rushed a "rescue" loan package to Mexico. These new loans enabled Mexico to continue paying interest but did not allow for amortization.

The rescue had its price: Mexico had to adopt an IMF-approved austerity plan. A key goal was to reduce the inflationary public deficit, which was at a dangerously high 15 percent of the GDP. This meant phasing out government subsidies on food and public utilities. Mexico also had to reduce its tariff barriers, thereby stimulating greater industrial efficiency and thus greater competitiveness in world export markets.

President de la Madrid dutifully followed the IMF prescription but at the price of inducing a deep recession. By 1985 real wages had fallen by 40 percent from their 1982 level; living standards fell even further as subsidies for such staples as corn tortillas were ended. In September 1985 a severe earthquake in Mexico City compounded the economic

disaster. The 1985–86 drop in oil prices depressed export earnings, further weakening the economy.

Amid these difficulties de la Madrid and his advisers decided to adopt a dramatic shift in economic policy, a new emphasis that came to be characterized as "liberalization." There were two main pillars to the program. One was to reduce and—recast the economic role of the state. This was to be done through continued cuts in public spending and through a program of "privatization" of state-owned companies. Of the 1115 publicly owned companies that his government inherited in late 1982, de la Madrid managed to sell off nearly 100 and to close down 279 by late 1986.

The second component of the new policy was commercial liberalization and "opening up" of the economy. This was most dramatically demonstrated by Mexico's accession to the General Agreement on Tariffs and Trade (GATT) in September 1986, which meant a long-term commitment to the reduction of barriers to imports from abroad. Mexico promptly began lowering and phasing out its tariffs and promoting its exports, especially nonpetroleum exports. For all practical intents and purposes, these changes amounted to a near-complete abandonment of the postwar policies of import-substitution.

In July 1986 Mexico needed another emergency loan package from its foreign creditors. Once again Mexico was told to bear down on its public deficit (down to 8 percent of the GDP in 1984 but nearing 15 percent again in 1986) and further reduce its protectionism. Mexican nationalists angrily charged that reducing protection would destroy their industrial base, and benefit foreign producers.

By early 1988 the de la Madrid government could see little prospect for relief. Inflation had accelerated to an annual rate of 143 percent, the public sector deficit was approaching 19 percent of the GDP, and the domestic capital market had been shaken by a 75 percent drop in the Mexican stock market. Yet another U.S.-engineered capital infusion came in December 1987. In a complex scheme Mexico would buy U.S. bonds to post as collateral against commercial bank loans. The move offered no prospect for large-scale relief from the debt, which had clearly become unpayable.

Despite these agreements, there would be continuing friction with the United States. A dramatic example was the 1985 case of an agent on assignment in Mexico for the U.S. Drug Enforcement Agency. Apparently his investigation had gone too well. He was kidnapped, tortured, and murdered, allegedly on orders from one of Mexico's multimillionaire drug kings. The pace of Mexican justice infuriated U.S. officials, who in retaliation ordered slowdowns at U.S. customs checkpoints on the Mexican border. This act in turn infuriated the many thousands of Mexicans who legally cross the border daily. An additional ongoing cause for bilateral tension was the U.S. policy toward Mexicans working (legally and illegally) in the United States. The Simp-

son-Rodino Act, passed in 1986, laid down tough penalties for employers who hire "undocumented aliens." The prospect of its implementation sent shudders through northern and central Mexico, whose younger generations have long seen jobs in the United States (usually temporary) as their main hope for a decent life. By 1991 the law appeared to have had only a minimal impact on actual migration flows, but Mexicans remained wary.

The debt crisis and economic stagnation in the late 1980s intensified social inequality and popular pressures. Investment plummeted, unemployment increased, and per capita income declined by more than 9 percent during the 1980s. In contrast to the southern cone countries, in the 1960s and 1970s, however, Mexico did not resort to pervasive, large-scale authoritarian repression. Key attributes of the Mexican political system—its restricted competition, its control of working-class movements, its autonomy from private interests, and its tactical flexibility—help explain why Mexico has managed to avoid the violent trauma that has afflicted Chile and Argentina.

Aware of their sagging credibility, PRI leaders made the process of choosing the official nominee to succeed de la Madrid more visible (if not more genuinely open) than the ritual had ever been. The choice was another U.S.-trained economist, Carlos Salinas de Gortari, only thirty-nine years old, who as the incumbent budget and planning minister had authored the highly unpopular austerity policies of the 1980s.

The election of 1988 brought surprises—and possible portents of meaningful change. For the first time in its history, the PRI faced serious opposition from both the right and the left (as Cuauhtémoc Cárdenas, son of the revered ex-president, led a breakaway faction from the PRI itself). Organized labor also showed its displeasure with the PRI candidate. Salinas de Gortari won with a bare 50.3 percent majority, according to official returns, and in claiming victory he declared an end to an era of "what was practically[] one-party rule. . . ." Opponents nonetheless accused the regime of electoral fraud. The youthful Salinas took office in December 1988 under exceedingly difficult conditions. Would he be up to the challenge?

Apparently so. The first task for Salinas was to demonstrate political authority. He began by naming a cabinet dominated by his personal associates, instead of mending political fences. In January 1989 he masterminded a spectacular raid on the headquarters of the independent-minded and financially corrupt head of the oil workers' union, who was promptly placed under arrest (for illegal possession of firearms). Shortly thereafter he dismissed the longstanding chief of the large and powerful teachers' union. Unwilling to tolerate flagrant corruption within top governmental ranks, in 1990 he dismissed the naval secretary from his cabinet post, an unusual move in view of the delicate balance of civil-military relations in Mexico.

In keeping with his campaign promises, Salinas de Gortari promoted

a modest political opening. He commanded PRI officials to recognize a gubernatorial triumph for the PAN in the important state of Baja California (just south of the California border). He oversaw reforms of the electoral system and of the internal workings of the PRI. But there were limits to this *apertura*. The PRI claimed unrealistic victories in key elections in the state of México, near Mexico City, an area that had shown itself to be a left-wing opposition stronghold in the presidential election of 1988. The government also harassed and intimidated Cuauhtémoc Cárdenas and his followers, who found it extremely difficult to organize their forces into a coherent and durable political party. The opening, such as it was, was biased toward the right (and the PAN); it did not include the left.

Indeed, for the first time in memory the question of human rights appeared on the national agenda. Critics called attention to a number of abuses committed by Mexico's national police force in alleged pursuit of drug dealers. They reported the assassination or "disappearance" of at least sixty pro-Cárdenas sympathizers in 1990 alone. They expressed outrage at the murder of a prominent human-rights activist. To assuage the criticism Salinas appointed a National Commission on Human Rights, led by former university rector José Carpizo, but did not give it genuine authority.

It was in the economic arena that Salinas sought his most lasting achievements. In hopes of completing Mexico's structural adjustments, he continued and extended the "liberalization" strategy initiated under de la Madrid. Salinas and his team kept lowering trade barriers. They aggressively promoted privatization of state-owned industries, even putting up for sale such sacred cows as the telephone company and the banking industry (nationalized by López Portillo in 1982). With the support of the U.S. government, Salinas negotiated a new debt restructuring agreement that promised to reduce the net outflow of funds by \$2 billion a year until the mid-1990s. The government also sought to assist local development by establishing a "program for national solidarity" to provide seed money for self-help projects throughout the country. Perhaps in response to these measures, the national economy showed signs of picking up: annual inflation moved down to the 20–30 percent range while annual growth rates for the GDP rose to 3.1 percent for 1989 and 3.9 percent for 1990.

North American Free Trade

The crowning achievement of the Salinas *sexenio* was the North American Free Trade Agreement (NAFTA). Unable to attract large-scale investment from Europe or Japan, the Salinas administration in June 1990 announced its intent to negotiate a free-trade compact with the United States. The proposal entailed a total repudiation of the protectionist strategies of import-substituting industrialization, and it dis-

carded the national tradition of keeping a suspicious distance from the "colossus of the north." Small-scale industrialists and grain farmers expressed fear that they might be destroyed by U.S. competition, and some intellectuals mourned the imminent demise of the nation's economic sovereignty and cultural pride. Salinas persisted nonetheless.

Unveiled in August 1992, the NAFTA accord envisioned the creation of a three-nation partnership (including Canada as well as Mexico and the United States) that would forge one of the largest trading blocs in the world—with a population of 370 million and combined economic production of approximately \$6 trillion. It would promote the free flow of goods among the member countries by eliminating duties, tariffs, and trade barriers over a period of fifteen years. Sixty-five percent of U.S. goods gained duty-free status immediately or within five years; half of U.S. farm goods exported to Mexico immediately became duty-free. There were special exceptions for certain "highly sensitive" products in agriculture, typically one of the sectors most resistant to economic integration; phase-outs on tariffs for corn and dry beans in Mexico and orange juice and sugar in the United States would extend to the year 2009. Tariffs on all automobiles within North America would be phased out over ten years, but rules of origin stipulated that local content would have to be at least 62.5 percent for vehicles to qualify. Not surprisingly, spokespersons for Asian governments regarded this clause as a thinly disguised effort to exclude their industries and products from the North American market.

NAFTA opened Mexico to U.S. investments in various ways. Under the treaty U.S. banks and securities firms could establish branch offices in Mexico, and U.S. citizens could invest in Mexico's banking and insurance industries. While Mexico continued to prohibit foreign ownership of oil fields, in accordance with its constitution, U.S. firms became eligible to compete for contracts with *Petróleos Mexicanos* (PEMEX) and operate, in general, under the same provisions as Mexican companies. One item was most conspicuous by its absence: beyond a narrowly written provision for movement of corporate executives and selected professionals, the treaty made no reference at all to large-scale migration of labor.

NAFTA precipitated strenuous debate within the United States. In the heat of the 1992 presidential campaign, Democratic candidate Bill Clinton pledged to support NAFTA on condition that there be effective safeguards for environmental protection and worker rights; by September 1993 the governments reached "supplemental" or side agreements on labor and environment. As the U.S. Congress prepared to vote on ratification, Texas billionaire (and erswhile presidential hopeful) Ross Perot led the charge against the treaty, claiming that NAFTA would entice business to seek low-wage Mexican labor and thus lose jobs for millions of American workers. Proponents insisted that NAFTA would stimulate U.S. exports, achieve economies of scale,

and enhance U.S. competitiveness. Disregarding vociferous opposition from unionized labor, a historic bastion of support for Democrats, Clinton lobbied tirelessly on behalf of the treaty. And after Perot stumbled badly during a memorable television debate with Vice President Al Gore, the House of Representatives finally approved the NAFTA accord by the surprisingly lopsided margin of 234–200; the Senate followed with a vote of 61–38.

In final form, the NAFTA accord had several outstanding characteristics. One was its implicit commitment to regional economic integration. Despite its title, NAFTA was not primarily concerned with "free trade." By 1990 tariff and even nontariff barriers to U.S.-Mexican commerce were already low. NAFTA was primarily concerned with investment. By obtaining preferential access to U.S. markets and a formal "seal of approval" through NAFTA, Mexico was hoping to attract sizable flows of direct foreign investment—from Japan and Europe as well as from the United States. By obtaining untrammelled access to low-wage (but highly skilled) Mexican labor, the United States was hoping to create an export platform for manufactured goods and thus improve its competitive position in the global economy. It was for these reasons that the NAFTA treaty contained extensive chapters about investment, competition, telecommunications, and financial services. Implicitly, NAFTA envisioned a substantially more profound form of integration than its label acknowledged.

Second, NAFTA made explicit provision for environmental protection. As originally negotiated NAFTA made only passing reference to environmental concerns. In keeping with his campaign pledge, however, President Clinton oversaw negotiations on a supplementary provisions for environmental protection; and under a separate agreement, the U.S.-Mexican border received special attention under a bilateral Integrated Environmental Plan. While some observers raised doubts about the practical significance of these agreements, the mere fact of their negotiation made one point clear: trade and environment had become inextricably intertwined. As one analyst wrote, these developments forcefully demonstrated "that the environment has become a staple of trade politics in the 1990s, for it was politically impossible to contemplate the completion of the NAFTA trade accord without a complementary agreement on the environment."

Yet another distinguishing characteristic of NAFTA was its underlying political rationale. The United States was seeking several goals. One was the preservation of stability on its southern border. The idea was that NAFTA would stimulate economic growth in Mexico, easing social pressure and sustaining the political regime. A second goal was to assure the United States of increasing access to petroleum from Mexico, one of the five leading sources of U.S. imports (Mexican shipments in the late 1980s and early 1990s were roughly half as large as those from the topmost source, Saudi Arabia). A third purpose was for the United

States to obtain an important bargaining chip in its trade negotiations with Europe, Japan, and the General Agreement on Tariffs and Trade. And fourth, the United States wanted to consolidate diplomatic support from Mexico on foreign policy in general. As demonstrated by disagreements over Central America during the 1980s, this had long been a source of bilateral tension. But with NAFTA in place, Mexico became unlikely to express serious disagreement with the United States on major issues of international diplomacy.

For its part Mexico was seeking, first and foremost, preservation of its social peace. The hope was that NAFTA would attract investment, stimulate employment, provide meaningful opportunity for the one million persons entering the job market every year—and thus reduce social tension. Second, NAFTA offered Salinas an opportunity to institutionalize his economic reforms, insulating them from the historic vagaries of presidential succession by inscribing them in an international treaty. Third, Mexico was seeking international benediction for its not-quite-democratic political regime. This was especially important because, in comparison with Argentina, Chile, Brazil, and other countries undergoing processes of "democratization," Mexico no longer looked like a paragon of political civility. Finally, Mexico believed that NAFTA would provide the country with diplomatic leverage vis-à-vis the rest of Latin America and, by extension, the Third World as a whole. Association with Canada and the United States would link Mexico with advanced industrial democracies and leaders of the First World. Consequently Mexico could serve as a "bridge" between the developing world and the developed world, as a representative and interlocutor for aspiring peoples of the South.

Technocracy in Crisis

All the optimism resulting from the NAFTA accord promptly came under assault. On January 1, 1994—the day that NAFTA went into effect—a guerrilla movement in the poverty-stricken state of Chiapas rose up to denounce the free trade accord, the *Salinista* economic model, and the undemocratic character of the political regime. With colorful and able leadership, the Zapatista National Liberation Army (EZLN) captured national and international attention during the course of highly publicized negotiations with governmental authorities. Despite a variety of governmental responses, from military pressure to political negotiation, the Zapatista movement would remain a thorn in the side of the regime.

Two months later, as public attention turned toward presidential succession, an assassin's bullet struck down Luis Donaldo Colosio, Salinas' handpicked successor and the candidate of the PRI. Salinas hastily chose another nominee, the forty-two-year-old Ernesto Zedillo Ponce de León, who scurried to develop a credible campaign for the upcoming

ing August election. These developments inflicted a devastating blow to Mexico's international image. Mexico could no longer be seen as an up-and-coming country on the brink of joining the First World; it looked, instead, like a Third-World society threatening to come apart at the seams.

Earnest and intelligent, Zedillo was a technocrat par excellence. A Ph.D. in economics from Yale University, Zedillo had spent most of his career in the central bank and the planning ministry. As a result he had very few contacts with career politicians or officials in the "political" ministries of the federal government. Despite a lackluster campaign, Zedillo won the August 1994 elections, by all accounts the cleanest in Mexican history, with 48.8 percent of the vote (compared with 26.0 percent for the rightist PAN and only 16.6 percent for Cuauhtémoc Cárdenas' populist Party of the Democratic Revolution, PRD), thus becoming the fifth man in a row to reach the presidency without ever holding prior elective office.

Inaugurated in December 1994, Zedillo faced crisis right away. Fearful of the overvaluation of the peso, investors withdrew more than \$10 billion from Mexico within a week. In response the Zedillo administration had to devalue the peso, which eventually lost more than half its value against the U.S. dollar, and the government came within only a few days of insolvency. Early in 1995 the Clinton administration put together a multilateral package of nearly \$50 billion, including \$20 billion from the U.S. government. One major goal of this measure was to head off a potential default on \$30 billion in *tesobonos* (short-term bonds issued by the Mexican treasury, payable in dollars), which would have inflicted major damage on U.S. pension funds, mutual funds, and other institutional investors. Another was to sustain the credibility of economic reform and the viability of NAFTA itself.

The financial crisis provoked a political crisis as well. As criticism mounted against Salinas' insistence on maintaining an unrealistic exchange rate throughout 1994, the ex-president publicly criticized Zedillo and his economic cabinet for mishandling the December devaluation. Zedillo reacted by sending Salinas into de facto exile in the United States, then authorizing the arrest of the former president's older brother on charges of corruption. The detention by U.S. authorities of an assistant attorney general under Salinas led to further denunciations of corruption, family intrigue, and official involvement in the assassination of a high-level PRI leader in September 1994. Serious fissures threatened to split apart the Mexican political elite.

The public promptly showed its disapproval. For the first time in decades, rumors began circulating that an elected PRI president might not be able to finish his term. One poll in early 1995 showed that nearly half the respondents believed a military coup was possible. Voters in the state of Jalisco, long a bastion of the PRI, elected an opposition-party PAN candidate as governor. Even where the PRI claimed victory

ries, as in statewide elections in Tabasco and Yucatán, the results were sharply contested. Clearly, the PRI was losing its ability to curry and deliver votes.

By the mid-1990s it appeared that Zedillo, and Mexico, were confronting three long-term challenges. One focused on the economy, which fell into recession in the first half of 1995. The need was not only to regain investment and stimulate growth. It was also to alleviate problems of poverty and inequality. Between 1963 and 1981, according to one study, the proportion of Mexicans below the poverty line dropped from 77.5 to 48.5 percent; but from 1982 to 1992, under the pro-market reforms, it rose again to 66 percent. And despite its cooperation with international creditors, Mexico still confronted a massive external debt of more than \$120 billion, with annual interest payments consuming about 15 percent of export earnings. The debt crisis of the 1980s was casting a long shadow.

A second challenge focused on law and order, especially in light of the emergence of new and powerful drug cartels. Soon after taking office, Zedillo received an official report which warned that "the power of the drug-trafficking organizations could lead to situations of ungovernability." The most dangerous of these cartels were involved not so much in marijuana or heroin, traditional products of Mexico, but in trans-shipment of cocaine from Colombia. With an estimated \$7 billion in annual profits, these groups could spend as much as \$500 million per year on bribery—more than twice the total budget of the attorney general's office. By the mid-1990s Mexico had about a half-dozen drug organizations of truly international scope (in Tijuana, Sinaloa, Ciudad Juárez, Guadalajara, and in the state of Tamaulipas, where traffickers operated a flourishing cocaine pipeline along the Gulf of Mexico). Drug cartels were implicated in a wave of violence that swept through Mexico, including the assassination of a Roman Catholic cardinal in 1993. Former prosecutor Eduardo Valle Espinosa proclaimed that the country had fallen under the heel of drug traffickers and, like Colombia, had become a "narco-democracy."

Third, and perhaps most difficult, was the challenge of political transition. It was clear that the old system of PRI domination was undergoing change. Between 1964 and 1994, for instance, the proportion of voter districts showing "strong" PRI hegemony declined from 52.2 percent to only 2.3 percent; by 1994 about 26 percent showed two-party competition, 55 percent revealed multiparty competition. While it seemed possible that Mexico was heading toward a *de facto* three-party system, the most pervasive fact about the political system was uncertainty. As novelist Carlos Fuentes observed, "The obvious truth about Mexico . . . is that one system is falling apart on us, but we have no other system to put in its place."

EIGHT

CUBA *Late Colony, First Socialist State*

Cuba's historical development has been deeply affected by its location. Cuba is an island, lying astride a network of vital sealines that feed the rich Caribbean basin, extending from Florida to Guyana. Columbus discovered modern-day Cuba on his first voyage (1492), and it soon became a staging ground for the Spaniards' many expeditions to the Mexican and North American mainland. During the sixteenth and seventeenth centuries the island did not command much imperial attention, but its commercial and strategic importance grew in the eighteenth century with the expansion of the regular fleets between Spain and its American colonies.

The indigenous population, descended from immigrants from the Lesser Antilles, scarcely survived the first century of the Spanish colonization. Here, as elsewhere in Latin America, the European conquerors turned to black Africa for their labor supply. As a result, Cuba became a multiracial society: by the twentieth century, according to one estimate, the population was 40 percent black, 30 percent white, and 30 percent mixed (including Oriental and Indian).

Cuba's economy languished under the rigid mercantilist policies of the Spanish crown until the reforms of Charles III (1759–88) provided the stimuli that led to growth. The nineteenth century saw Cuba burst forth as an agricultural phenomenon. A brief coffee boom gave way to the cultivation of tobacco, which became a major crop by mid-century—a position it still holds, as Cuban cigars (*puros*) continue to be regarded as among the finest in the world.

But the most important source of wealth, the one that would shape the contours of Cuban society and history, was another product: cane sugar. Emphasis on sugar began in the eighteenth century and continued over time. By 1860 Cuba was producing nearly a third (500,000 tons) of the world's entire sugar supply. The human power to fuel this boom continued to come from the nightmarish slave trade, which delivered more than 600,000 Africans in chains to Cuba between 1800 and 1865. Slavery itself lasted until 1886, longer than anywhere else in the Americas save Brazil.