THE BACKGROUND OF THE EXPROPRIATION OF OIL IN MEXICO

by

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PREFACE

When I first planned this paper, I intended to cover the Mexican oil expropriations from start to finish--that is, from the events which laid the groundwork for expropriation through until the present time. But--as I was warned by Dr. John T. Ganoe--the job was too big. Therefore, I have covered the subject through to 1918, believing that thereby I could present the major points. Some day, if I have the time, I hope to bring the research up to date and to satisfy my own curiosity on some phases of the problem.

It is a pleasure to acknowledge the kindness and encouragement of professors, librarians and friends who have taken an interest in this work, as well as those professors who through their courses have helped lighten my task. Courses taught by Professor Percy Collier and Professor Oliver Field, and Dr. Elizabeth Montgomery and Dr. Ganoe have greatly aided me in my research and writing. Geology courses by Dr. Edwin T. Hodge and Dr. Lloyd Staples have helped in the technical research of the geology of the oil fields, while Dr. Warren Smith's assistance in suggesting geologic-

al material aided greatly. Courses in economics from Dr. Victor Morris, Dr. Delbert French, Dr. Louis Wood, and Dr. Calvin Crumbaker have given incalculable aid and understanding of the economic problems in this project. Dr. Paul Culbertson's courses in Hispanic-America and Mexican history are the basis from which this thesis was derived. It was during one of these courses that Dr. Culbertson suggested the oil expropriations as an interesting subject for a thesis. Courses in anthropology and sociology by the late Dr. Alexander Goldenweiser have contributed in understanding the Mexican people and their culture.

Librarians of the University of Oregon Library, Eugene Public Library, Oregon State Library at Salem, Salem Public Library, Oregon State College Library, and the Portland Library Association have been most kind in helping obtain material. Mr. H. E. Waterbury of the United States Department of Commerce, Portland, Mr. A. H. Redfield of the Petroleum Economics Division of the United States Bureau of Mines, Washington, D. C., and officials of the Mexican Consulate offices in Portland all have been of invaluable service. The Standard Oil Company (N. J.) was helpful, too, in supplying needed information.

The supervision, criticism, and kind encouragement in the writing of this paper by my advisers, Dr.

Ganoe and Dr. Crumbaker, has been extremely helpful and it is a pleasure to acknowledge their aid. To Mrs. Clara L. Fitch, University of Oregon graduate secretary, I must also extend wholehearted thanks for the assistance she so willingly gave.

The editing of this thesis by my friends, Miss Thelma Johnston, Miss Jean Cramer, and Mr. Steven David has contributed in no small way, and I am especially indebted to Mr. David, not only for most of the editing, but for obtaining valuable information and material for me from the Secretary of National Economy of the Mexican Government while on a trip to Mexico City. I wish also to acknowledge the help given by Mrs. Anna Matchette in translating Mexican material, and the able assistance of Mrs. Meredith Berg in proofreading. And I owe deep gratitude to Miss Cramer, who typed thesis and drafts, for the infinite patience and energy she has displayed.

J. W. T.

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INTRODUCTION

At just three minutes till ten o'clock on the evening of March 18, 1938, President Lazaro Cardenas of the Republic of Mexico stepped from the cabinet meeting room in the National Palace. He was followed through the crowded corridor by twenty weary but relieved men--his ministers. At the full cabinet meeting, which had just terminated, the President had signed a decree which expropriated the property of seventeen British, Dutch, and American-owned petroleum companies. The pertinent sections of the decree were as follows:

> Article 1. The properties of the hereinafter named companies are hereby declared expropriated to the nation, because of public utility; the properties including machinery, installations, equipment, buildings, wharves and other movable and immovable belongings . . . . insofar as may be deemed necessary, in the judgment of the Secretary of National Economy, for the exploration, transport, storage, refining and distribution of the products of the petroleum industry.
>
> Article 2. The Secretary of National Economy, with intervention of the Secretary of Finance as administrator of the national wealth, shall proceed to the immediate occupation of the property which is the subject of this expropriation and to issue the necessary orders.
>
> Article 3. The Minister of Finance shall pay the corresponding indemnity to the expropriated companies, in accordance with provisions of Articles 27 of the Constitution and 10 and 20 of the Law of Expropriation, in cash, and within a period not to exceed ten years. The funds to make this payment shall be taken by the Ministry of Finance from a certain percentage, to be determined later, of the production of petroleum and derivatives, which come

from the expropriated properties, and the proceeds of which shall be deposited, while legal proceedings are carried out, in the national treasury.

Notify the companies and publish in the Official Daily.[1]

Cardenas led the procession of ministers across the corridor to the Ambassador's Salon, where he sat down before a battery of microphones, and as is the present custom of heads of nations, he began to sell to the people of Mexico--and to the world, for that matter--the move he had just taken.[2]

For eighteen minutes, the President in a monotonous military voice read his speech.[3] He declared the oil companies to be in rebellion against the nation, since they had flatly refused to abide by the decisions of the Mexican Supreme Court or the Mexican Constitution. The matter involved the very sovereignty of the Nation.

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[1]Decree Expropriating on Behalf of the Nation the Goods and Chattels Belonging to the Oil Companies Which Refused to Comply with the Award of December 18, 1937, Rendered by Group Number 7 of the Federal Board of Conciliation and Arbitration, in Mexico's Oil (Mexico City: Government of Mexico, 1940) pp. 880-881.

[2]He spoke over a nation-wide hook-up which included all the stations of the Republic as well as the Government wireless at Chapultepec and the short-wave broadcasting station at the Ministry of Foreign Relations.

[3]J. H. Plenn, Mexico Marches (New York: The Bobbs-Merrill Co., 1939) pp. 22-24; Frank L. Kluckhohn, The Mexican Challenge (New York: Doubleday, Doran & Company, Inc., 1939) p. 117; Nathaniel and Sylvia Weyl, The Reconquest of Mexico (New York: Oxford University Press, 1939) p. 279.

Foreign capital organized as ". . . . Mexican companies, under the laws of Mexico, now attempted to evade mandates and obligations laid upon it by the authorities of the Nation." These interests had also carried on an insistent and clever underground campaign in and outside the country to damage the economic interests of Mexico in order to compel the legal decisions of the Mexican authorities to be rendered null and void.

He went on to say that since labor contracts between the companies and the workers had been annulled, the shutting down of the oil industry would paralyze the economic structure of the nation. The case, therefore, compelled the Government to apply the Law of Expropriation, not only as a measure of forcing the oil companies to submission, but so the plants of the petroleum companies could immediately be taken over and operated, and incalculable harm to other industries prevented.

Cardenas then reviewed the labor disputes: attempt at settlement; the bringing of an economic suit by the union before the Board of Conciliation and Arbitration; the appointment of a committee of experts by the President of the Board to determine the ability of the oil companies to meet labor's demands; the refusal of the oil companies to abide by the Board's finding and their suit for <u>amparo</u> (petition for an injunction) which led to the Supreme Court

verdict against them, an order which they refused to obey.

The President also alleged that the oil companies' claim that they had brought enormous capital into the country for the development of the industry was greatly exaggerated; instead, the companies had enjoyed ". . . . great privileges for development and expansion." He declared:

> The potential wealth of the Nation, wretchedly underpaid native labor, exemptions from taxation, economic privileges and Government tolerance: these are the factors that built up the boom in the Mexican petroleum industry.

He asked,

> How many of the villages near the oil fields possess such things as hospitals, schools, social centers, water supply, or purification plants, or athletic fields, or electric plants, even if only fed by the untold millions of cubic feet of natural gas wasted in oil operations?

The oil companies were accused also of supporting strong rebel factions in the oil fields, and while they had plenty of money to support rebel bands, or for the unpatriotic press, they had none for a fair remuneration for work, sanitation, or for saving the enormous amount of natural gas which was being lost. He went on to say:

> Nor is there money, either, to acknowledge a responsibility marked out for them by a judgment, for they hold that their economic strength and their pride shield them against the dignity and sovereignty of a nation that has with such liberality handed over to them its enormous natural resources and that cannot, by legal means, obtain satisfaction of even the most rudimentary obligations.

> It therefore becomes unavoidable, as a logical consequence, ... to take final measures, under our laws, to put an end to this never-ending state of affairs, under which the country labors, its industrial progress checked by those who hold in their own hands the power to throw all obstacles in the way, and the dynamic force of all their activity, and who employ same, not for noble and lofty ends, but for abuse of that economic strength, to such an extent as to jeopardize the very life of the Nation, that seeks to uplift its people by means of the enforcement of its own laws, by turning to account its own resources, and by freely managing its own destinies.[1]

Mexico's pride, which, as many times in the past, had been injured, was avenged. Messages of congratulation and pledges of support poured in; within one hour after the speech was completed, the office of the President was swamped. The reaction in Mexico was one of widespread enthusiasm and national pride was enhanced.

On March 23, 1938, five days after the expropriation, over two hundred thousand Mexican workers in Mexico City marched in a triumphant parade, a demonstration of the defeat of economic imperialism, while over the nation more than a million persons paraded in honor of the event. Students and workers, thirty abreast, for six hours poured past the Presidential Palace where Cardenas saluted them from the balcony. These marchers carried signs such as:

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[1]Lazaro Cardenas, "Message to the Nation on March 18, 1938," Mexico's Oil, pp. 877-879.

"Cardenas against Capital," "Down with Insolent Imperialism," "We Demand Respect from Foreigners," "Oil Companies, You Can't Defy Mexican Laws," and "The Petroleum Expropriation Marks the Beginning of Our Independence."[1] In the words of Verna Millan,

> An entire nation accustomed for centuries to the perpetual humiliation of the under dog, reared its head, probably for the first time.[2]

But the British and American press echoed Cardenas' pronouncement in a different tone. Editorials soon appeared which denounced "Communistic" Mexico for stealing the oil from British, Dutch and American interests which had invested tremendous sums in exploiting Mexican oil and furnished her population with work and her government with taxes. The Indianapolis News said:

> If the United States allows a Communistic government in Mexico to seize foreign property, a direct incentive will be provided for radicals in other republics to prey upon American investments.

From the Louisville Courier-Journal came:

> Backed by the radical element of the country and the Communistic labor unions, ... Cardenas follows the Bolshevik example of sweeping expropriation without any kind of compensation, and he exhorts other Latin American nations to follow his example.

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[1]Plenn, op. cit., p. 25; Kluckhohn, op. cit., p. 121; Verna Carleton Millan, Mexico Reborn (Cambridge: The Riverside Press, 1939) p. 199.

[2]Millan, op. cit., p. 199.

"What the Mexican Government has overlooked," said the Boston Transcript, "in the seizure of British, Dutch and American oil properties, is that confiscation without proper payment simply restores jungle law."[1]

Publications by Standard Oil Company and its associates soon began to appear in the public libraries of the United States with such titles as, "They Took What They Wanted," "Empty Promises," "The Fine Art of Squeezing," "Expropriation," "The Solution for the Mexican Confiscation," and others. Books published by apparently disinterested attorneys condemned Mexico's action and attempted to prove by Mexican and international law that Mexico had no legal right to expropriate the oil properties. Special issues of magazines devoted entirely to Mexican economics appeared, in which a great amount of space was covered by "Mexico's blunder" in expropriating the oil, as a result of which the country was going to the dogs. Reprints from other magazines which had condemned Mexico's policy were received by libraries and college professors. Thus public opinion was molded in the United States and Great Britain, while in

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[1]Burt M. McConnell, Mexico at the Bar of Public Opinion (New York: Mail & Express Publishing Co., 1939) pp. 2, 48, 51. (This book, published and copyrighted by the Standard Oil Company of New Jersey, is made up of editorial comments on the oil expropriation of Mexico by world newspapers.)

Mexico attempts were made by the oil interests to spread fear and anxiety through the Mexican press.

But it was not long until the propaganda of the oil companies was answered by that of the Mexican government. In 1937, Cardenas had created a government Department of Press and Publicity (DAPP) for the purpose of propaganda for the Six-Year Plan.[1] This organization now turned to another purpose: newspaper articles, booklets, leaflets, radio speeches, posters, motion pictures, meetings, dramatic programs, came from DAPP in a steady barrage to keep up the morale of the Mexican people against the oil companies.[2] Not only were publications printed for home consumption, but some were distributed in Spanish to United States public libraries, while others were translated and likewise distributed by the Consulate General of Mexico in New York. Thus, the propaganda of the oil interests was answered by that of the Mexican Government. The oil companies were denounced, among other things, for having stolen the oil from Mexico in the first place; they had refused to abide by the laws of the country and the Constitution; they had contributed to revolt and had subsidized bandits and evaded taxes.

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[1] Infra, p. 355.

[2] Plenn, op. cit., pp. 28-29.

As one reads the propaganda of these conflicting interests, it appears more and more confusing, and it is difficult to know what to believe. One fact, however, seems certain--that the oil expropriation did not happen spontaneously and spasmodically, that there clearly were causes leading up to this event.

Charles E. Chapman begins his Republican Hispanic America as follows:

> History explains the present. The present illuminates the past. Without something of both, one can not adequately appreciate either.[1]

The point made by Chapman is probably controversial; but the oil expropriation did not come as a thunderbolt out of a clear sky. Back of it is the history of a people who, had the sequence of historical events been different, might have exploited Mexico's natural resources themselves and become one of the greatest industrial peoples on earth.

Because it would be impossible in a thesis such as this to cover the entire story of expropriation in the detail necessary, this study places the emphasis on presenting the all-important background. It is a story of the oil, peons and their masters, administrators who gave their country's riches over to imperialistic foreigners, of a people's attempt to keep their sovereignty and bring these

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[1]Charles Edward Chapman, Republican Hispanic America: A History (New York: The MacMillan Company, 1937) p. 2.

riches under their control, and of the oil companies' battle to exploit, without regulations and taxes, what they had secured and spent large sums to develop.

This, then, is the background. Here are the causes and the effects, developments in the oil struggle until, in 1917, the Mexican government through a radically changed constitution set in motion the official machinery which in the following years was to wrest much of the oil from foreign control and place it under one government-controlled organization--whether for the better or worse, no one can say.

Although this study presents the story in detail only through 1917, a rapid review of the important developments from that date until expropriation has been included to permit a complete view and a rounded picture. For this reason, too, certain individual subjects discussed are brought up to recent times.

The first subject considered is the geological background--the oil's location and the potentialities for continued oil production in the country. The background of the people and the nation is examined. Oil development is traced from its beginnings, and that Mexican history which contributes to understanding of the topic. Through this the writer hopes to highlight the developments which brought about the situation that made government officials feel ex-

expropriation was necessary.

CHAPTER I

MEXICO'S OIL

For millions of years, in the deep sea close to shore, floral marine gardens grew with roots anchored on the bottom of the sea and tops reaching the sunlight. They were nourished by calcium carbonate which flowed, in solution, in the rivers that spilled into the sea. Myriad parasitic plants and creatures, some so small that they could not be seen by the naked eye, lived upon these marine gardens. Here life was abundant, and the shells and skeletons of these plants and animals were eventually to be formed into limestone rocks, while their soft parts, containing fats, carbohydrates, and proteins, were, through chemical action, to be turned into oil and gas.

Throughout the ages, the seas advanced and retreated and the rivers flowing down to the seas carried, then as now, vast volumes of mud and sand which were spread out by the currents and tides over these lime beds. The heavier sands settled close to shore, while the lighter muds were deposited farther out to sea. Though mud beds at first, they became consolidated by the pressure of the weight of later accumulations into dense, impermeable shale coverings of the lime beds, preventing the oil and gas formed in

these beds from escaping. Mud and sand deposits, thousands of feet in thickness, were laid down, their weight warping the earth's surface downward and squeezing these sea-bottom muds of a geologic yesterday until they became the shales, limestones, and sandstones of today. The movement of the earth's crust around and beneath these beds crumpled and shattered them, and finally thrust them up above the level of the sea into hills, valleys and mountain ranges. The mountains and hills were partially eroded and the seas periodically advanced and retreated across the land. New muds and sands as well as limestones were deposited on top of these former beds, and they in turn were folded and eroded.

Molten lava from the bowels of the earth dissolved its way upward as the earth was massaged by the tidal stresses of the moon and sun. Finding cracks in the sedimentary rocks, this magma followed some of them, melting its way to the surface and baking the contacted formations into metamorphosed rocks, then belching out upon the surface as basaltic lava, which froze and was later eroded. But the basalts that froze in the ground still remained in the forms of dykes, plugs and sills. The metamorphosed rocks of the contact zones, as well as the basalts, some of which later became fractured and fissured, have acted as reservoirs and, sometimes, as means of escape for the oil and gas which migrated into them. Other times, these

basalts have remained impermeable in sills and have acted as cap rock under which the oil and gas has accumulated, although in general it is the shales and marls that are the cap rocks in the oil fields.

The squeezing and warping of the limestones forced the juices in them into the fissures and cracks that developed, and at the same time tremendous amounts of heat were generated by the friction of the faulting, shattering, and crumpling of the rocks. This heat aided the chemical action which produced petroleum and gas from the organic substances. In some places, marine fossils left cavities which were connected by the cracks in the limestones. Other cavities and caverns were formed by faulting, cracking, and crushing of the limestones, or by ground-water which dissolved them. These cavities became filled with the liquids and gas which were forced out of the limestones, the gas migrating to the highest point while the oil lay above the salt water.

So the history of Mexican petroleum goes back many million years before man existed on earth. It was during the Cretaceous period (about 64,000,000 to 45,000,000 years ago) that the limestones which have produced the oil of Mexico were deposited. It is, in general, within these rocks that oil has been found in commercial quantities.

In order for oil to form and accumulate, four

basic conditions were necessary: (1) Rocks with openings to serve as a reservoir. These, in most of the Mexican oil fields, were porous limestones, although in some cases they were porous basalts and metamorphosed rocks, and even shattered shales. (2) An impermeable cover to prevent the oil from escaping. This was usually shale, though sometimes it was impermeable limestone, and in a few cases impermeable basalt. (3) Strata containing organic matter to provide sources for oil. In most of the Mexican fields, this was the Cretaceous limestone. (4) Elevated structures suitable to facilitate the separation of oil, water and gas. These structures were usually anticlines, the crests of the folded limestones.[1]

The Oil Districts of Mexico

Such geological conditions are responsible for the vast oil fields which were discovered in Mexico. Along the Gulf of Mexico stretches a narrow strip of semi-tropical coastal plain and foot-hill country. Toward the south, at the Isthmus of Tehuantepec, this coastal plain widens out into the valleys of the Coatzacoalcos and San Juan rivers. It is in this coastal belt, which is sprinkled with asphalt deposits and oil springs, that the great oil fields of

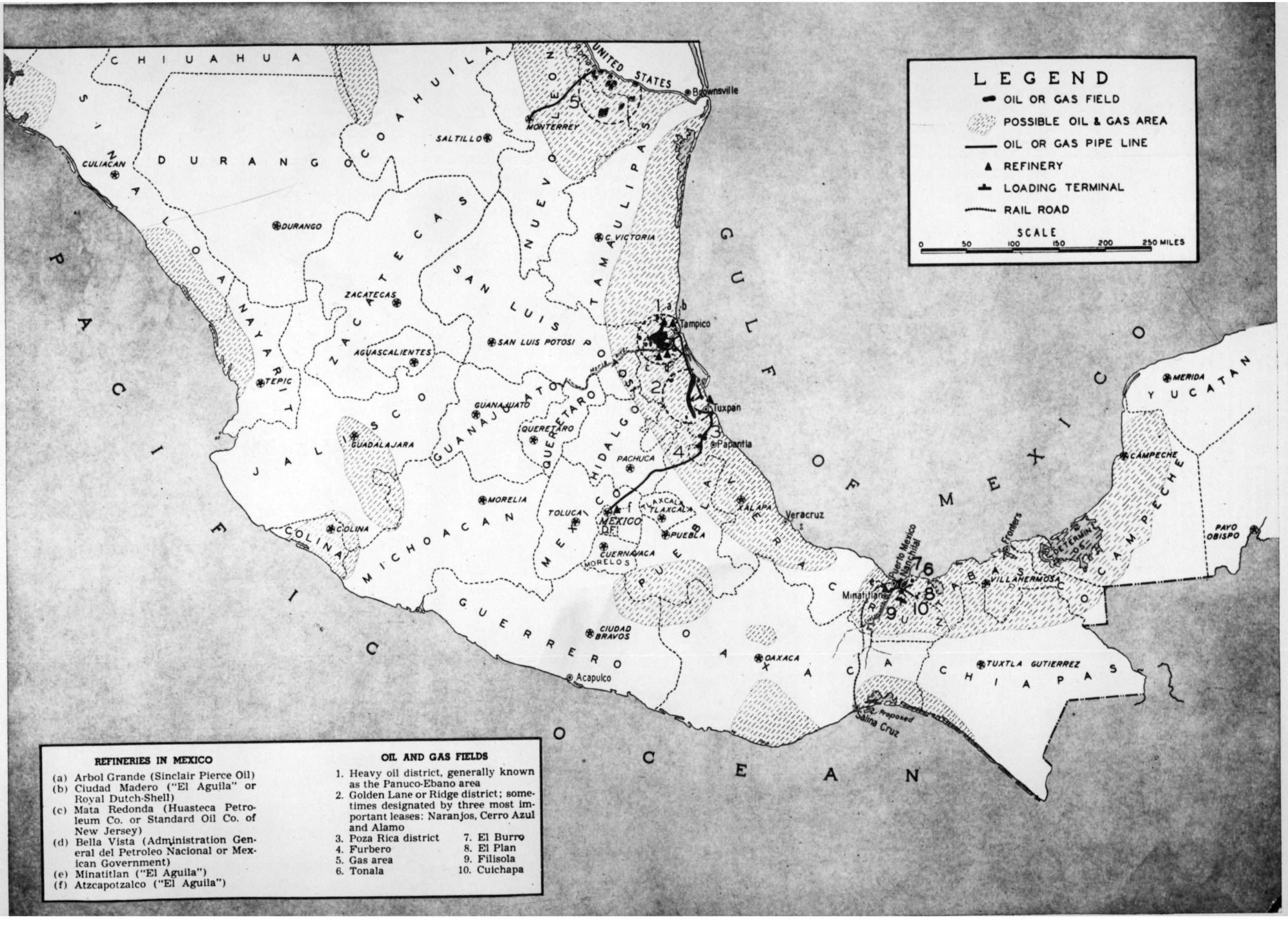
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[1] William Harvey Emmons, Ph. D., Geology of Petroleum (3d ed; New York: McGraw-Hill Book Co., Inc., 1931) p. 2.

PLATE I

Map of Mexico, Showing Oil and Gas Fields and Refineries.

Taken from The Oil and Gas Journal, XXXVIII, No. 2, (May 25, 1939), article by Ruth Sheldon, p. 27.


LEGEND
OIL OR GAS FIELD
POSSIBLE OIL & GAS AREA
OIL OR GAS PIPE LINE
REFINERY
LOADING TERMINAL
RAIL ROAD
SCALE
0 50 100 150 200 250 MILES
REFINERIES IN MEXICO
(a) Arbol Grande (Sinclair Pierce Oil)
(b) Ciudad Madero ("El Aguila" or Royal Dutch-Shell)
(c) Mata Redonda (Huasteca Petroleum Co. or Standard Oil Co. of New Jersey)
(d) Bella Vista (Administration General del Petroleo Nacional or Mexican Government)
(e) Minatitlan ("El Aguila")
(f) Atzcapotzalco ("El Aguila")
OIL AND GAS FIELDS
1. Heavy oil district, generally known as the Panuco-Ebano area
2. Golden Lane or Ridge district; sometimes designated by three most important leases: Naranjos, Cerro Azul and Alamo
3. Poza Rica district
4. Furbero
5. Gas area
6. Tonala
7. El Burro
8. El Plan
9. Filisola
10. Cuichapa
CHIUAHUA
DURANGO
COAHUILA
NUEVO LEON
TAMAULIPAS
SINALOA
NAYARIT
ZACATECAS
SAN LUIS POTOSI
JALISCO
GUANAJUATO
QUERETARO
HIDALGO
MICHOACAN
COLINA
MEXICO D.F.
MORELOS
PUEBLA
TLAXCALA
VERACRUZ
GUERRERO
OAXACA
CHIAPAS
TABASCO
CAMPECHE
YUCATAN
PACIFIC OCEAN
GULF OF MEXICO
UNITED STATES
Brownsville
Rio Grande
MONTERREY
SALTILLO
CULIACAN
DURANGO
C. VICTORIA
ZACATECAS
SAN LUIS POTOSI
AGUASCALIENTES
TEPIC
GUANAJUATO
QUERETARO
GUADALAJARA
PACHUCA
MORELIA
TOLUCA
AXCALA
TLAXCALA
PUEBLA
CUERNAVACA
XALAPA
Veracruz
COLINA
CIUDAD BRAVOS
Acapulco
OAXACA
Minatitlan
Puerto Mexico
Nanchital
Tuxpan
Papantla
Tampico
Proposed
Salina Cruz
TUXTLA GUTIERREZ
VILLAHERMOSA
CAMPECHE
MERIDA
PAYO OBISPO
Frontera
DETERMINED AREA
1a
1b
1c
2
3
4
5
6
7
8
9
10

Mexico are situated. In the northern part of this belt are the Tampico-Tuxpam fields, often spoken of as the "Tampico Region." This area as a whole may be divided into two main regions: the North and the South Fields. Each of these is comprised of a number of oil fields or pools. It is from these two great districts that the vast quantities of Mexican oil have been obtained in the past. The peak of their production was reached in 1921, but since then it has gradually diminished, until now both fields together produce less than 23 per cent of Mexico's oil.[1] Since 1930 a new field has been developed farther south. This is the Poza Rica field, about 30 miles southwest of Tuxpam, which is now the leading producer. It furnishes about 65 per cent of Mexico's oil, and is largely responsible for the increased production of recent years.[2] About 240 miles farther to the southeast are the Tehuantepec fields. Although they have produced since 1902, results were small until recent years when new pools were found, and now they are responsible for nearly 13 per cent of the nation's oil.

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[1] J. W. Ristori, "Petroleum Development in Mexico during 1940," The American Institute of Mining and Metallurgical Engineers--Transactions (Petroleum Division) CXLII (1941) pp. 541-542.

[2] See Production Table, p. 417.

Other districts in Mexico have yielded some oil, but so far only in negligible quantities. Although oil seepages are occasionally found in other parts of the country, and some prospective fields have been drilled, oil in commercialyquantities has not been discovered.[1]

Seepages and Intrusions[2]

Igneous rocks occur throughout a large part of the oil producing regions, having intruded into the sedimentary rocks in the forms of dykes, plugs, and, more rarely, sills. Most seepages are associated with these igneous intrusions and may be found at contact zones with the sedimentary rocks; through the cracks and fissures in the igneous rocks themselves; and from the metamorphosed rocks above an intrusion which did not reach the surface. The principal result of the igneous intrusions is that oil has been able to migrate through these channels into the overlying formations where reservoirs have been formed at shallow depths. The first oil wells of Mexico were in formations of this type. On May 14, 1901, the Mexican Petroleum Company, organized by Doheny and Canfield, brought in its first well at a

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[1] Emmons, op. cit., p. 591.

[2] The material in this topic, unless otherwise indicated, is taken from:
John M. Muir, Geology of the Tampico Region, Mexico (Tulsa: The American Association of Petroleum Geologists, 1936) pp. 143-163.

PLATE II

Seepages

Fig. I. Asphalt and Active Seepages in Southern Fields.

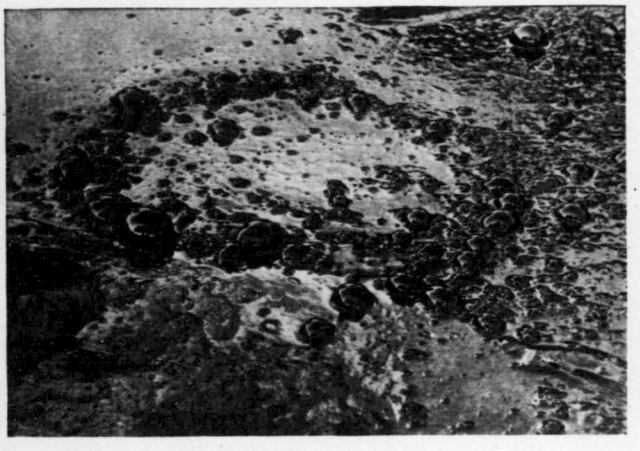
Fig. II. Active Oil Seepage; Numerous Bubbles.

Fig. III. Subsidence of Oil Bubble.

Taken from Mexican Petroleum, pp. 47, 44, 83.



ASPHALT AND ACTIVE SEEPAGE, IN SOUTHERN FIELDS.



ACTIVE OIL SEEPAGE; NUMEROUS BUBBLES.



SUBSIDENCE OF OIL BUBBLE.

depth of 425 feet, in a formation of this kind near Ebano; but the oil producing limestones lay 2,000 feet or more below the surface.

Infrequently, there are other seepages which are not connected with volcanic plugs or dykes. These are found at the crests of the folded limestones (domes or anticlines), along fault or fissure planes, or coming from steeply dipping strata.

Many thousand seepages of oil springs occur throughout the region. On the Cerro Azul property, which once belonged to the Doheny interests, 7,210 active exudes were found on 5,000 acres.[1] Seepages are found isolated or in groups, many of them occuring at intervals along certain trends for considerable distances. These vary from a viscous oil to liquid asphalt, and differ in size from small dribbles to small lakes. Where there are intermittent or "dead seepages," the asphalt is usually hard.

Natural gas is associated with all asphalt seepages, and those of the active type evolve gas bubbles. Even dead seepages emit gas, and in a few places gas is extruded from

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[1] Mexican Petroleum, ed. W. J. Archer (New York: Pan American Petroleum and Transport Company, 1922) p. 79.

PLATE III

Map Showing Productive Areas in Northern Fields

Taken from Muir, Geology of the Tampico Region, Mexico, p. 164.

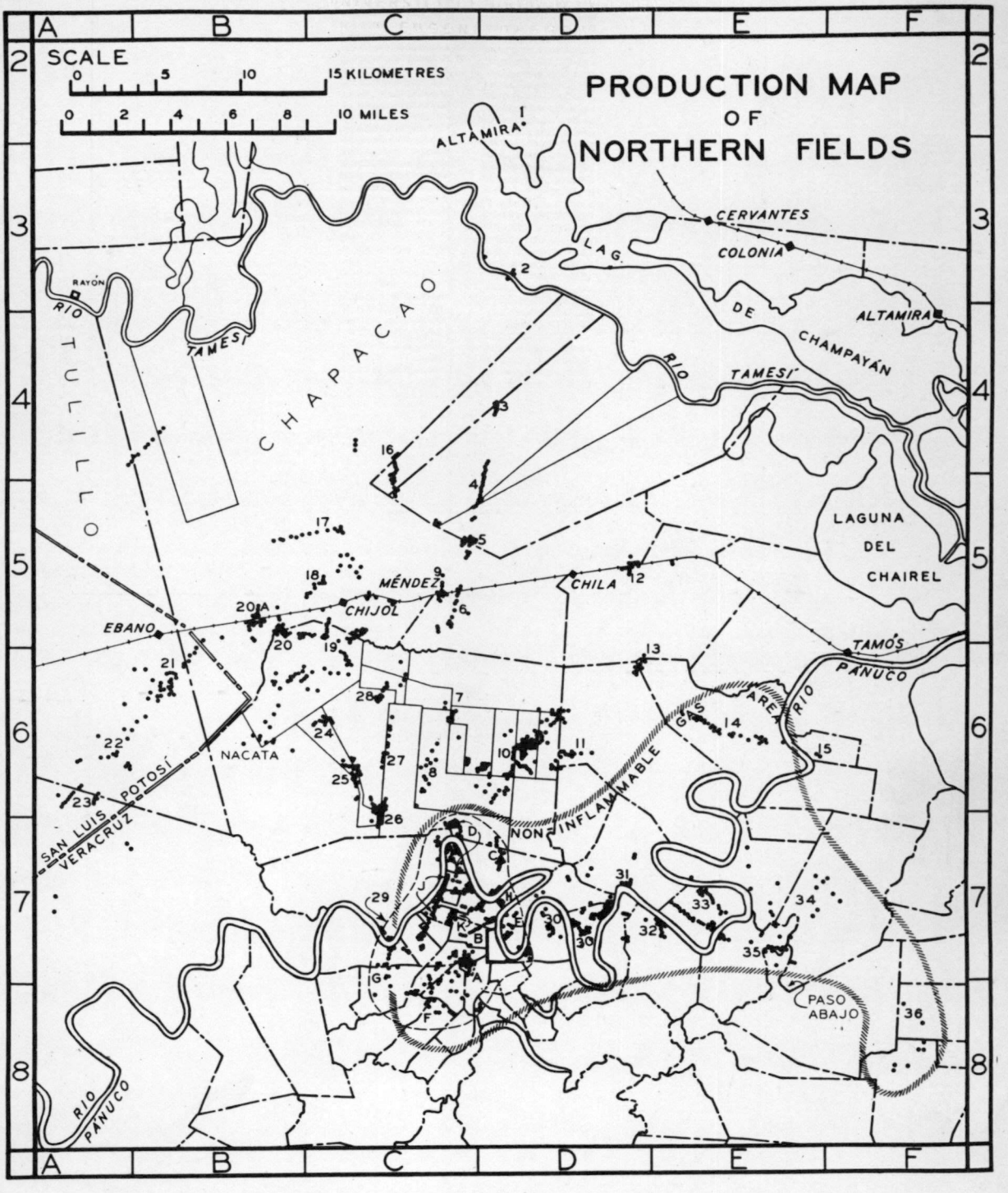


FIG. 23.—Map showing productive areas in Northern fields. Numbers refer to pools named in text.

1, Altamira; 2, Rio Tamesí; 3, Northern Corcovado; 4, Corcovado; 5, Garrucho; 6, Paciencia; 7, Menudillo; 8, East-Central Cacalilao; 9, Méndez; 10, Eastern Cacalilao; 11, El Barco; 12, Salinas; 13, Mata de Chapapote; 14, Caracol; 15, Cerritos; 16, Llano de Silva; 17, North Chijol; 18, South Chijol; 19, La Cima*; 20, East La Dicha; 20A, Ferronales; 21, La Dicha†; 22, Laguna and La Pez†; 23, Limón; 24, Dulce; 25, Calaveras; 26, Tancoco; 27, West-Central Cacalilao; 28, North-Central Cacalilao; 29, Pánuco (with subdivisions indicated by letters inside broken line): A, Tierra Blanca; B, San Manuel; C, West Maguabes; D, Salvasuchi-Reventadero (including to K, Western San Manuel and San José); E, Buena Vista; F, Chijoles; G, Halcón-Camalote; H, Southern Alamo; J, Western Pánuco; K (see D above); 30, Isleta (and Tampuche); 31, Vega de Otates; 32, Palangana; 33, Paciencia y Aguacate (and Western Tamboyoche); 34, Topila; 35, Eastern Tamboyoche; 36, Quebracha (and Loma del Pozo).

* Some difficulty arises regarding a suitable name (single word) for this sector (19) in Lot 5, Cacalilao. For present purposes it is denominated Cima, the Spanish word for summit or crest. The Méndez cropping out here has its highest topographic and structural expression at a height of 67 metres above sea-level.

† La Dicha, Laguna and La Pez are in the Ebano field.

cracks in the earth without oil seepages of any kind. Here skeletons of poisoned animals are often found, and some of these gas seepages are so recent that trees within forty feet of the exudes that killed them are still standing.

In the North Fields, most of the known oil seepages are connected with basaltic intrusions. There are, however, a few that are associated with joint plains, faulting, or fracture zones. But in the South Fields practically all seepages may be considered as connected with intrusions, though the igneous rocks may not show on the surface.

The North Fields[1]

The North Fields lie almost directly west of Tampico. They are comprised of several fields, or pools, including the Panuco, Topila, Ebano, Chijol, Altamira, Quebracha, and Carcovado fields, as well as several pools of lesser significance. Their producing areas comprise about 105,000 acres. The Ebano field was the first to be developed, and became important in 1904, while the Panuco field became famous after 1910.[2] This area is a southern prolongation of the Sierra Tamaulipas anticline, and is the result of the folding which formed these mountains to the north. Two directions of folding are present, but the main

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[1]Muir, op. cit., pp. 163-171, 229.

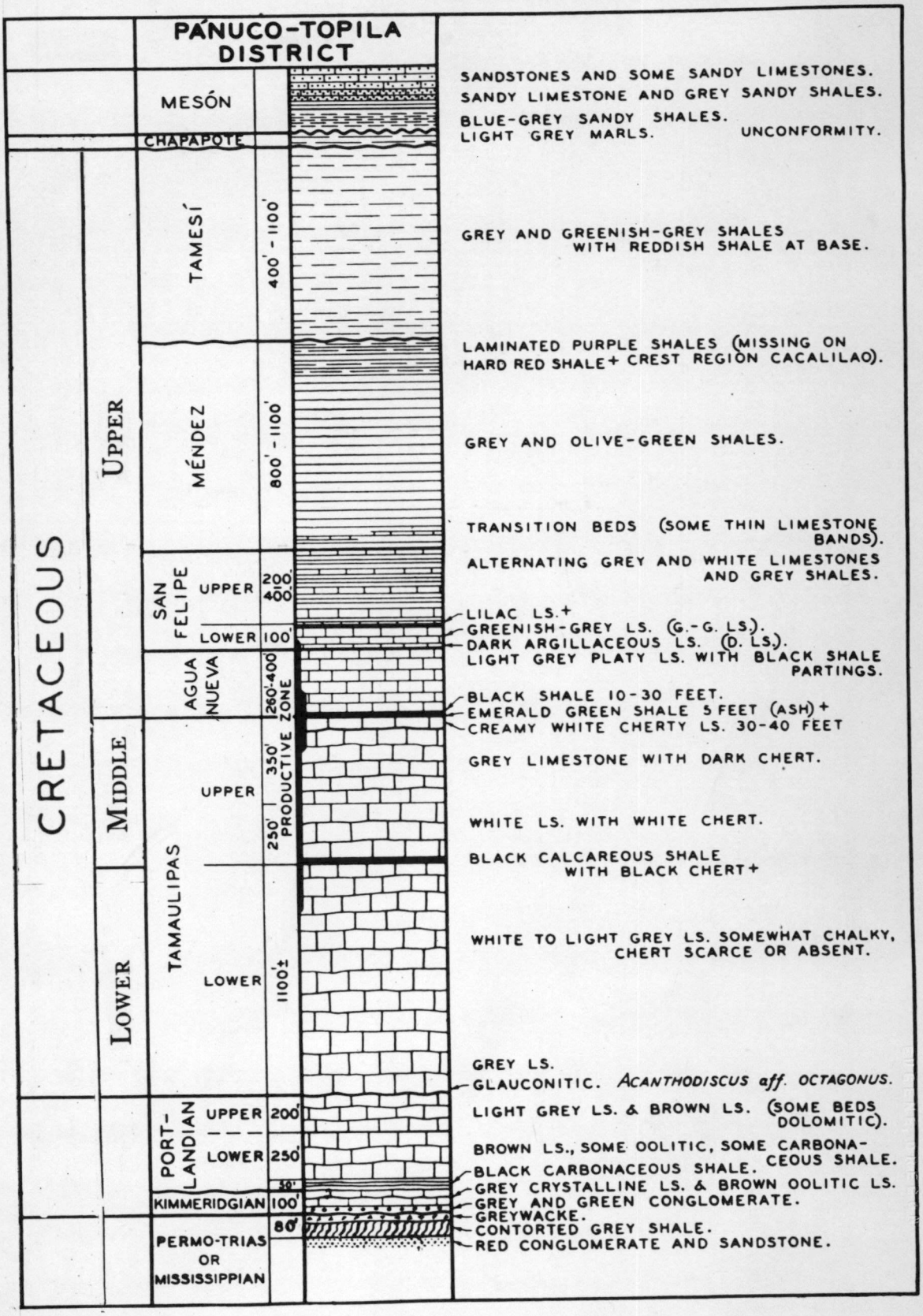
[2]Emmons, op. cit., p. 583.

PLATE IV

Generalized Columnar Section,

Panuco-Cacalilao-Topila Area, Northern Fields

Taken from Muir, p. 33.



—Generalized columnar section, Pánuco-Cacalilao-Topila area.

trend is that of the Sierra Tamaulipas. The productive belts of the North Fields lie on this anticlinal structure.

The oil was found mainly in the Tamaulipas limestones (Lower and Middle Cretaceous) and the Agua Nueva limestones (Upper Cretaceous). These are close-grained and compact, causing a lack of porosity. Many fragments blown from producing levels and taken from drilling cores do not show that the cavities and porosity have been formed by solution. The openings in the producing rocks are termed "induced porosity" and are fractures caused by faulting and other stresses. Openings in the form of crevices occur where the fault surfaces are irregular, with discontinuous contact points along them. Drillers' statements that "the tools dropped into a crevice" imply this condition. Sometimes individual crevices or groups of crevices are sealed off by gangue material, and other wells nearby do not affect this reservoir. In such conditions, wells may range from nearly dry holes to large gushers, and production may be prolific for a limited time only. In some places, where the connecting crevices are not sealed off, wells have been known to affect one another for distances of over half a mile. In other places the fractures are along a zone of weakness, the wells following a comparatively straight line with nearly dry holes on each side. Sometimes the limestones have been shattered by stresses from

the deformation of the earth's crust, especially where there has been cross folding. This is a significant condition, as vast reservoirs are formed and large yields of oil are produced. The Panuco field lies in an area of this type.

There is also some permeability caused by joints in the limestones, although this condition is probably slight. Some pieces of rock, blown out of wells, indicate that oil has been present between the irregular surfaces of the bedding planes of the limestones.

Although cavities formed by solution appear probable in a limestone series, no drilling observations in the North Fields have supported this idea. These limestones, in general, are weakly acted upon by acid because of their siliceous character. Solution, however, must be present to some degree, acting in the open spaces which have been formed by the fissures.

Production in a well may be encountered at any depth, beginning where the strata are sufficiently fractured--usually in the basal San Felipe (Upper Cretaceous)--on down to the salt water level. In any one pool it is rare for two wells to produce from the same level, and one well may produce from several different levels or zones of "induced porosity." It sometimes happens that a well situated structur-

ally low down the flank of an anticline will produce oil from a higher level than a well located on the crest of a structure. Therefore as the oil is drained from a pool by the wells, the rise of salt water and the upward movement of the oil is not uniform.

In the North Fields, the pressure of different wells varied from 240 to 700 pounds. There was considerable variance even among wells that were located close together in the same pool. Often wells producing a great quantity of gas had higher pressure than those producing little gas, though the latter were more productive in oil. It has been observed in a number of pools that the pressure rose a few pounds per square inch and oil production increased slightly, about thirty days after the rainy season commenced each year. This phenomenon is undoubtedly connected with an artesian head where the limestones outcrop in the open Sierra Tamaulipas anticline and a llow the water to pass through to the lower elevation. This indicates that there is some permeability throughout the area. This change in pressure was not noticed, however, until the wells had reached the stripping stage and were flowing through a choke under carefully regulated back pressure.

In the early stages, deep wells could be drilled; some were drilled several hundred feet into the Tamaulipas limestones without striking salt water. In the Panuco

field, with minor exceptions, this flush period lasted from five to eight years. In the later stages, because of the rise of the salt water table, the wells could not be drilled to such a great depth. Some were drilled only into the upper part of the Agua Nueva formation. With the rise of the salt water, there was a loss of gas, and this diminution in pressure changed production conditions. These changes did not occur everywhere at the same time or in the same manner. In some places they came suddenly and in other regions they developed slowly. In the Topila field in 1914, in order to produce clean oil it was necessary to use a choke to hold back emulsion and salt water. This condition did not appear in the Panuco field until 1920.

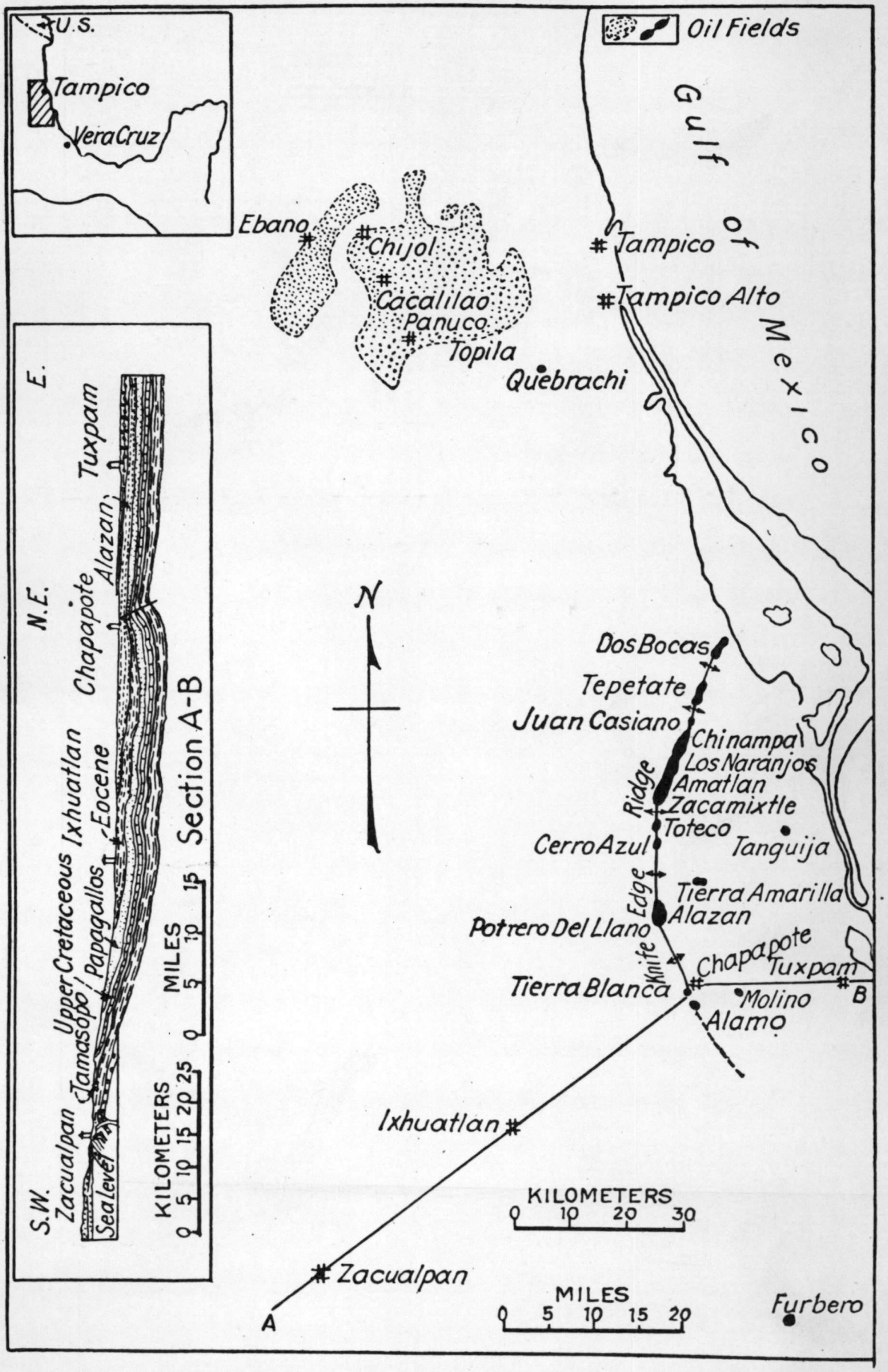
In the Panuco, Topila and other North Fields, about one third of the wells drilled were commercial failures. From one fifth to one fourth were small wells, and only about half of them could be considered satisfactory producers. Until the end of 1921, 60 per cent of the wells drilled produced not less than 500 barrels daily. In later years, after the salt water had risen to the top of the Agua Nueva limestones, the chances of hitting a fractured zone were greatly reduced, so there was a considerable drop in the percentage of commercial wells. Exact comparisons are impracticable, because in the early period wells producing 50 to 100 barrels daily were classed as dry wells

PLATE V

Map of Oil Fields of Tampico and Tuxpam, Mexico,

Southern Fields

Taken from Emmons, p. 584.



Map of oil fields of Tampico and Tuxpam, Mexico,

and were not exploited. At present, with improved methods of production, wells which produce from 25 to 50 barrels of oil daily are regarded as commercial wells.

The South Fields[1]

The South Fields, often called the "Knife Edge" or the "Golden Lane" because they average only about a mile in width, produced the most spectacular of the famous Mexican gushers. The northern boundary of these fields is about 43 miles south of Tampico and the productive belt extends around 50 miles southward in a bow shape, the southern end being almost directly west of Tuxpam. In the north is the Dos Bocas field, and south of this, in the order named, the principal fields are: Tepetate, Juan Casiano, Chinampa, Los Naranjos, Amatlan, Zacamixtle, Toteco, Cerro Azul, Alazan, Potrero del Llano, Terra Blanca, and the Alamo.[2]

Drilling revealed that the structure is a buried limestone ridge which as a whole forms an anticline with a steeper flank on the west side. This structural outline was formed shortly after the close of the Middle Cretaceous period. The El Abra limestones (Middle Cretaceous), in

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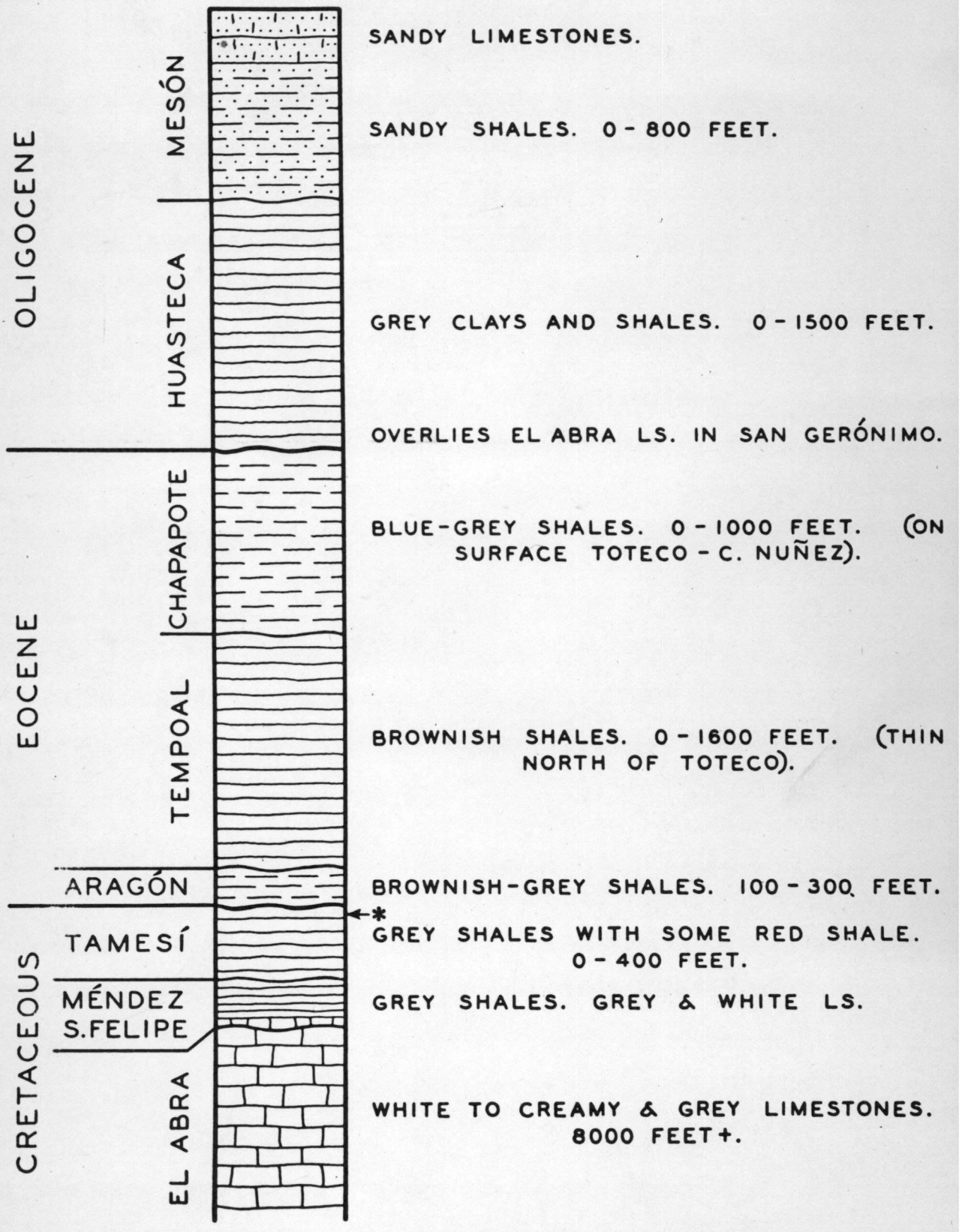
[1]Unless otherwise indicated, material in this topic is taken from Emmons, op. cit., pp. 584-585; Muir, op. cit., pp. 171, 203-229.

[2]See map, Emmons, op. cit., p. 584; Supra, p. 23.

PLATE VI

Generalized Columnar Section of Southern Oil Fields

Taken from Muir, p. 108.



—Generalized columnar section of Southern oil fields.

general, form the reservoir rock, although the overlying San Felipe (Upper Cretaceous) limestones act as a reservoir in a minor way in places where they have been fractured.

The porosity of the El Abra limestones, in the South Fields, is largely caused by hollow casts of fossil shell fish. These are found in some of the outcropping limestones, and examples from wells have substantiated this. Much of this El Abra formation was formed by shell breccia, and probably the porosity occurred to a large extent at an early stage in the building up of the reef. The El Abra limestones of the South Fields differ from the Tamaulipas and Agua Nueva limestones of the North Fields in that they have large caverns which were formed by the action of ground water. In the North Fields this action is ineffective because of the high siliceous contentoof the oil-bearing formation of that area.

The formation of the South Fields shows that during their history the limestones emerged into shallow water where there was wave action. It is, however, doubtful that they emerged to a land mass and were subject to solution by vandose action. The solution cavities have probably formed since then as enlargements of fault fissures. Originally, the limestones were quite porous, due to the presence of hollow casts of fossils. At a later stage, fault fissures,

fractures and shattered zones increased this porosity by breaking open cavities containing oil that formerly had been impervious to the immediate surroundings. This high degree of porosity was demonstrated by the rapid readjustment of the salt water level over distances of more than a mile when the fields were under rapid exploitation.

Most of the wells produced oil from the top of the El Abra (Middle Cretaceous) limestones, although a few came in from the overlying breccia conglomerate. A few produced from the San Felipe (Upper Cretaceous) limestones which were not originally porous; induced porosity probably caused the oil to migrate into this formation.

Pressure in the different sections varied from 500 to 800 pounds per square inch during the flush stages, greater quantities of gas and higher pressure being encountered in virgin wells which were located structurally high on the formation. The International Petroleum Company's well No. 29 registered as high as 1,300 pounds per square inch when first brought in. During later stripping stages, the pressure of this well fell as low as 200 pounds per square inch, while in some other wells pressure fell as low as 100 pounds.

From an economic point of view, the South Fields were much more important than the North Fields throughout the flush periods. The ridge of the former has not the

complexities found in the latter. Muir says that practically every South field well drilled on the structure above the salt water level during the flush stage was a large producer, and that there were probably fewer than 12 small wells or nearly dry holes. Average wells varied from 20,000 to 100,000 barrels daily capacity, but a few wells of 5,000 to 10,000 barrels daily were brought in. Some of these were in the San Felipe formation, lying above the El Abra limestones.

There are very little data available as to the original level of the oil and salt water contact, since in most areas considerable exploitation had taken place before evidence of deeper test wells, drilled in the east flank of the ridge, was available.

Three wells in the South Fields have produced about one fourth of the oil that has come from this area. Including those drilled in 1934, there had been in all 1,002 wells drilled in the ridge, of which 523 were producers. The great proportion of failures was drilled during the stripping stage following the invasion by salt water, and several were dry holes which were drilled in the west flank of the ridge. The total production area is close to 24,700 acres, the average production about 40,000 barrels per acres

Although the South Fields were heavier producers

during the flush stages than the North Fields, they produced, in general, for a shorter length of time. This is probably because of the greater porosity of the limestones, greater gas pressure, and lighter texture of the oil. Although the crude oil varies in specific gravity in the different pools of both regions, the average texture of the oils from the North Fields is considerably heavier than that of the South Fields. The crude oil from the North Fields runs from 11° to 14° A.P. I., is an asphalt base oil,[1] and much of it will not flow through pipe lines unless the oil is warm.[2] The crude oil from the South Fields, on the other hand, is from 20° to 24° A.P.I., and has an asphalt-paraffin base. Both of these oils, however, are rather warm when they come from the well, the maximum temperature of the North Fields running from 106° to 117° F., and that of the South fields from 124° to 152.8° F.

The porosity of the rocks in which the petroleum occurs is a partial explanation for the great gushers found in these fields. The oil collects in a network of caves and crevices in the thick beds of limestone, which allow it to move freely while still underground. The water

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[1]Heavy asphaltic oil is thought to be caused by the underground contact of the oil with waters rich in oxygen and sulphur.

[2]Charles C. Colby, Source Book for Economic Geography of North America (Chicago: The University of Chicago Press, 1926) p. 240

over which the petroleum lies is probably under an artesian head where these limestones outcrop at a considerably higher elevation; consequently, the field pressure is greatly hydrostatic rather than gas pressure alone. This pressure forces the oil to the surface and accounts for the flow of salt water after the oil has been exhausted. The result of this is a condition whereby deposits of petroleum can be exhausted easily by a few wells, whereas a deposit of the same size under different conditions of occurrence would require hundreds if not thousands of wells, and pumping, to exhaust the oil supply.[1]

The wells of both North and South Fields seldom require pumping, this process having been applied to only a few. In one case, the Corona Company's well No. 1 at Salvasucti was put on the pump, but more fuel oil was used in pumping than was gained from this process. Several wells of the Mexican Fuel Company were pumped, but reports are lacking regarding profit or loss.

Stripping Wells[2]

During the early periods of exploitation of a field

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[1]E. DeGolyer, "Paper Read before the Society of Automotive Engineers," Mineral Industry, 1920 (New York: McGraw-Hill Book Company, 1921) p. 509.

[2]Muir, op. cit., pp. 229-230, 233.

in the Tampico-Tuxpam region, wells retained their flush production capacity practically unchanged for several years. Later drilling showed the flush period to be relatively short, ranging from several months to a few weeks, or even a few days. In subsequent phases of exploitation, all the new wells successfully completed were strippers from the start. At present, virtually all the wells in the South Fields are strippers, as are most of those in the North Fields.

Stripping is a process of skimming the oil from the salt water in the field. When salt water appears in a well, an emulsion is formed, starting at a few tenths of one per cent, and if there is much gas the proportion of emulsion may rise to as much as 90 per cent. To prevent this, wells are flowed under back pressure through adjustable chokes which vary from one fourth to three fourths of an inch in diameter. The back pressure prevents the flowing of the well beyond a certain production and clean oil is obtained. A series of chokes, forming a "grid" or a "harp," are used on the large wells; this allows for decreased production without closing the well to fit smaller chokes at a later period. Therefore, in actual practice, a well may be skimmed until only pure salt water can be produced.

Since wells operating under choke are extremely

sensitive, and when on the same pool affect one another, they must be carefully operated at a critical balance of pressure. It has been found that even the earth tides have a slight influence on the appearance of emulsion.

The Poza Rica Field[1]

About 35 miles southwest of Tuxpam and 135 miles south of Tampico lies the field that is now Mexico's chief production center. Here the Poza Rica field, lying in an extremely hilly country covered with dense tropical vegetation, produces about 65 per cent of the nation's oil from about two per cent of the total number of producing wells. This field was discovered late in 1930, and one well was completed with only a 25 barrel daily production. Since then the proven area has been extended until it now covers about eight and one half square miles.

The oil-bearing rocks in this field are deep seated, porous Cretaceous limestones which are quite similar to the El Abra limestones of the South Fields. These were uplifted over a broad area which allowed the oil to migrate into the structure. The limestones, however, lie much deep-

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[1]Unless otherwise indicated, material in this topic is taken from: Ruth Sheldon, "Poza Rica Field Backbone of Oil Industry in Mexico," Oil and Gas Journal, XXXVIII (May 25, 1939) pp. 27-29; V.R. Garfias, "Mexican Oil Production in 1931," A.I.M.M.E. (Pet. Div.) CXIV (1932) pp. 265-270; V.R. Garfias and R.V. Whetsel, "Petroleum Development in Mexico during 1934," A.I.M.M.E. (Pet. Div.) CXIV (1935) pp. 513-515; Mineral Industry, 1934, pp. 441.

er below the earth's surface. Wells in the Poza Rica field average 7,000 feet in depth as compared to 2,000 feet in the South Fields. Poza Rica wells produce under a very high gas pressure--around 3,000 pounds to the square inch; this is much greater than the pressure in the South Fields under flush stages, which ran from 500 to 1,300 pounds. The initial yield of oil, however, indicates that the ultimate production of the pool per unit area will not be as great as was the yield in the South Fields. It is the best crude produced in Mexico, being paraffin base oil with a specific gravity running from 33° to 34° A.P.I., and containing a high percentage of gasoline compared to other Mexican crudes.

The field was developed chiefly by the Compania Mexicana de Petroleo "El Aguila" S.A., a subsidiary of the Royal Dutch-Shell Company, which spent several years in geological exploration and study. Officials of this company claim that $20,000,000 was spent by the concern in discovering and developing the field. This was probably an exaggeration, as the claim was made at the time of expropriation. Only two large producing wells were completed by 1933, but these two stopped, for the first time since 1921, the declining trend of the Mexican oil output. By the end of 1936, with only 16 producing wells, Poza Rica passed all

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other Mexican oil fields in production.[1] At the time of the expropriation, in March, 1938, Ruth Sheldon claims that there were 19 wells producing in this field, three of which were government owned. She also states that the field was producing 51.8 per cent of the crude of the entire country and 57.2 per cent of the production of the expropriated countries; and that in February, 1939, with only one additional well, Poza Rica was supplying 66.8 per cent of the production of the government company.[2] T.R. Armstrong in a report to the American Institute of Mining and Metallurgical Engineers, in 1940, said that there were twenty-five wells producing in the Poza Rica field at the end of 1939, and that with only two per cent of the producing wells in Mexico, the Poza Rica field was producing 61 per cent of Mexico's entire oil production.[3] In 1941, J. W. Ristori reported to the Institute that the percentage in 1940 had increased to 65.[4]

Estimates of the field's potential yield range from 500,000,000 barrels to 1,000,000,000 barrels, making it the second largest pool in the world today--the East Texas field being the largest at this time. It is to the

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[1]See Production Table, p.417. [2]Sheldon, op. cit., p. 26.

[3]T. R. Armstrong, "Petroleum Development in Mexico during 1939," A.I.M.M.E. (Petroleum Development) CXXXVI (1940) pp. 551-559.

[4]Ristori, op. cit., pp. 541-542.

Poza Rica field that Petroleos Mexicanos, the Mexican Government company, is diverting most of its exploitation and field development.

The Tehuantepec Field[1]

Between Vera Cruz and Puerto Mexico on the Isthmus of Tehuantepec is an oil producing area which has great potentialities. The oil fields of the Isthmus differ from other Mexican fields in that the oil is found above and on the flank of salt domes. These domes were probably once thick salt beds formed by evaporation of an inland sea.[2] Salt beds were deeply buried under other sediments, the load causing the earth's crust to warp downward. Under sufficient pressure, salt moves and flows like ice in a glacier, so the salt flowed slowly to these points of weakness. As the sediments were later folded, the salt was forced upward in the form of plugs or domes. The overlying rocks gave and were bulged up, tilted, fractured, and shoved aside. The result is a plug or core of salt of almost any size or shape, surrounded by tilting and fractured shales, sandstones, and limestones. By drilling and seismograph

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[1]Unless otherwise indicated, material in this topic is taken from: Sheldon, op. cit., pp. 26-29, 104; R. J. MacHugh, Modern Mexico, (New York: Dodd, Mead & Co., 1914) pp. 228-229; Emmons, op. cit., pp. 93, 590-598.

[2]The salt flats of Utah represent a stage in this process.

testing, it has been found that these salt domes are about 1,000 feet in thickness and extend over many hundreds of square miles.

The oil, as in the other Mexican fields, probably originated in Cretaceous limestones and migrated to the porous beds on the top and flanks of the salt domes. The flank beds are usually very steep, so the oil may occupy only a narrow belt around the structure. For this reason oil is not easy to locate even after the dome is found. In these Tehuantepec fields oil is usually found lying between the structures of porous dolomite limestones and salt, although oil has been found where the salt is overlaid with porous sandstones or in the Tertiary beds which dip away from the salt domes.

Oil seepages are numerous and have an odor of sulphur, and sulphur springs are common. Most of the wells drilled into the dolomite caps are shallow, and the bulk of the production on the sides of the domes comes from wells around 2,900 feet deep. The oil here is found in Miocene (20,000,000 to 10,000,000 years old) or Pliocene (10,000,000 to 1,000,000 years old) beds. Some geologists believe that the oil originated in these beds instead of migrating from the underlying Cretaceous layers.

Gas pressure in the Tehuantepec fields is low and

almost all of the wells have to be pumped or produced by injection of gas. The gravity of the oil varies greatly in the different pools, and oils taken from the same field will differ. For example, the El Plan field produces a paraffin base oil of 28° A.P.I. gravity and also a non-waxy oil of 23° A.P.I. The oil in general has a paraffin base and runs from 23° to 33.5° A.P.I. gravity.

The Tehuantepec region was opened in 1902 by the Pearson (Lord Cowdray) interests. Production on the start was small, but was gradually increased until 1914 when it reached 228,761 barrels. The production of this field then declined until in 1918 it reached only 341 barrels. Attempts were made to increase the yield for several years without much result. In 1923, the Filisola dome was discovered and by 1927 production had reached 2,700,000 barrels--coming mainly from this dome. Afterward, systematic development went on, the peak of production reached in 1936 when 10,576,000 barrels of oil were produced. Since then production in these fields has gradually declined, with only 8,599,000 barrels produced in 1940. The field, however, yet has great possibilities.

There are five fields in the Tehuantepec district, the concessions of which, previous to expropriation, covered about 183,000 acres, but only 3,800 acres were under production. At the time of expropriation, four of these

fields were producing under concessions which had been granted to the Aguila Company, which before expropriation had planned further development of the El Plan Field, the limits of which have not been defined. The Aguila Company had also done preliminary exploratory work in the State of Tabasco to the east, and were convinced that large new fields would be discovered there. Their four producing fields were: Tonala, El Burro, El Plan, and Filisola. The other field, Cuichapa, had been exploited by the Richmond Petroleum Company, a subsidiary of the Standard Oil Company of California. This concession covered 10,700 acres, and four oil wells and one gas well had been drilled between 1935 and 1938. These wells, after testing, all had been shut down. They were estimated to have a capacity of 5,000 barrels each daily.

In summing up, it appears that although it was thought in 1919 that Mexico could produce one half of the world's oil, the cream of Mexico's oil crop already may be skimmed. The famous South Fields which produced over a billion barrels of oil have been almost depleted. Many areas of the North fields, especially the Panuco districts, are approaching exhaustion. There are, however, some unexplored tracts in the North fields, but since the oil is found in narrow fissures of the limestones, many wells turn out to be dry holes and enormous expense is involved for the small

production which recent drillings have yielded. The Tehuantepec fields have possibilities; the El Plan field in this district has contributed to recent increase of production, while farther south in Tabasco is a potential oil region in which the oil-bearing formation, if any, probably lies at great depth. South of the American border, test wells have been dug, but so far only gas wells have been produced, although there is a possibility that oil will eventually be found.

The only field in Mexico showing promise of large production at present is the Poza Rica field. This field, reputedly the second largest in the world, probably is limited to an area of about 11 square miles, and its potential production has been estimated at 500,000,000 barrels. It is expected to increase Mexico's production for at least five, probably 12, years, in spite of the decline of other productive areas.

Other sections of Mexico may be developed, as seepages are found in various parts of the country. But seepages alone do not indicate oil in commercial quantities, and so far test wells in these regions have not produced a great amount of oil. Most of the potential oil lands of Mexico, however, have had no real extensive exploration, as test drilling on a large scale with the aim of discovering new fields has not been carried out. Of 308 wells drilled

from 1934 to 1937, only ten were in search of new fields.[1]

Mexico, therefore, may or may not again produce the vast quantities of oil she brought forth in 1921, but it is not probable that such productive fields as the North and South Fields will ever again be found--especially at such shallow depths. Only time will tell--but it must not be forgotten that before the discovery of the great Gulf Fields many predicted that oil in the United States was soon to become a thing of the past, only to have the production greatly increased by the Gulf discovery.

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[1]See Mexico's Oil, pp. 94-113, 118-128.

CHAPTER II

THE MEXICAN BACKGROUND[1]

Two distinctly different economic and psychological evolutions occurred in the development of the present civilization of the United States and that of Mexico. The Mexican background, an inherited culture which is felt even to the present day, is vastly different from that of the American to the north. This makes it difficult for the two civilizations to understand one another and has led to considerable conflict.

In the early United States, even during the colonial period, there existed a form of agrarian democracy in which a large proportion of the population shared, to some extent at least, in the administration of its society, and thereby gained some political experience. There was land for the taking, labor was short and wages high when compared with those of other countries. The Indian was either killed or driven from his land and it was occupied by the white man. Religious toleration developed, as well as a

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[1]Unless otherwise indicated, this chapter is abstracted from: Henry Bamford Parkes, A History of Mexico (Boston: Houghton Mifflin Company, 1938) pp. 91-284.

general intellectual enlightenment.

In Mexico, on the other hand, was a despotic feudalism, under which the administration of society remained in the hands of only the few. The Indians were not driven out but furnished the labor for the whites who came to Mexico in hopes of living in aristocratic idleness at the expense of the native population. Religious bigotry and intellectual darkness prevailed.[1]

The Spanish sovereigns of Aragon and Castile looked upon the New World as their personal feudal estate; they owned the air, land, water and everything therein. These possessions furnished revenue, and vassals were given concessions which were revoked at the sovereign's will. At first, the kings collected half of all the precious metals from their patrimonies; later, this was reduced to one-fifth (the Royal Fifth) and then to one-tenth. Profits were also accrued from such government monopolies as salt and quicksilver, numerous taxes, and a royal share of the tithe collected by the Church.[2]

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[1]L. Gutierrez De Lara and Edgcumb Pinchon, The Mexican People: Their Struggle for Freedom (New York: Doubleday, Page & Co., 1914) p. 14.

[2]Charles Edward Chapman, Colonial Hispanic America: A History (New York: The MacMillan Company, 1938) pp. 145, 159; Ernest Gruening, Mexico and Its Heritage (New York: The Century Co., 1928) pp. 102-103; A. Curtis Wilgus and Raoul d'Eca, Outline--History of Latin America (New York: De Pamphilis Press, Inc., 1939) p. 67.

The Spaniards conquered a civilization which in many respects was superior to that of Europe. Magnificent architecture, splendid engineering works, exquisite craftsmanship, and a stable social organization marked the Aztecs as a race of advanced culture. But these were the Middle Ages, and it was the custom of the time to consider barbarous peoples as fit subjects for slavery or serfdom.[1]

The Spaniards found community ownership of land characteristic of the economic system of the Aztecs, with individual ownership infrequent. A well defined land system existed, closely related to the social organization of the natives, who were divided into tribes with kinship-group subdivisions. Several of these groups formed a village, and each had its own section of the surrounding land. These sections were made up of plots which were held by the heads of the families and inherited by succeeding generations. Other lands were set aside for the maintenance of local officials, for religious purposes, prosecution of wars, and for payment of tribute to Aztec overlords. This system was widespread, but there were also large estates belonging to the Indian nobility, with a feudal system of bound serfs. Both systems contributed to the later and

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[1]Chapman, Colonial Hispanic America, op. cit., p. 23.

contemporary ejido (community land) and hacienda.[1]

With the Spanish conquest, the tribute to the chieftains was merely transferred to the conquestadores (conquerors) and others, as compensation for service rendered the crown. By a system of apportionment (repartimento), the Indians were often divided among the colonists. In theory, the main object of this apportionment was that the Indians might become Christianized and civilized; but in fact they were made to serve as slaves in the fields and mines. They were to be regarded, however, as legally free, and treated with kindness, and were to receive appropriate wages and live together in villages.[2] Those who resisted indoctrination into the Catholic faith and subjection to the king were to be made slaves. Since the Indians were not attracted to the holy Catholic faith, slavery usually resulted. A recommendation (encomienda) system gave an

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[1]A. F. Bandelier, On the Distribution and Tenure of Land, and the Customs with Respect to Inheritance, among Ancient Mexicans (Cambridge: Peabody Museum of American Archaeology and Ethnology, 1878) p. 390 et al; cited in William Trotter Hicks, Economic Effects of the Nationalization of Foreign Property in Mexico between 1917 and 1931, A Dissertation Submitted to the Graduate School in Partial Fulfillment of the Requirements for the Degree Doctor of Philosophy (Evanston, Ill.: School of Commerce, Northwestern University, July, 1935) p. 53; see also Frank Tannenbaum, The Mexican Agrarian Revolution (Washington, D. C.: The Brookings Institution, 1930) pp. 3-4.

[2]According to Chapman, also ". . . . they were prohibited from bathing too often, 'because this did them much harm.'"

individual, in recognition of distinguished services to the Crown, the right to collect tributes from the Indians of a given district. This privilege sometimes ran for four generations, while many continued indefinitely, with or without official authorization. The Indian, unable to pay tribute, was forced to substitute his personal services, hence this system easily evolved into peonage.[1]

Under the rule of the early viceroys, the economic condition of the Indian tribes of central Mexico was probably no worse than it had been under the Aztec tax collectors. The Spanish Crown attempted to keep much the same land system, and to provide land grants to the village communities, but the proclamations of the Spanish kings were usually ignored in the New World. Feudal estates often grew up beside Indian villages, sometimes absorbing entire communities.[2]

Mendoza, first viceroy of Mexico, was a Spanish official of the highest type: industrious, efficient, and loyal. He set up machinery for the protection of Indian land from Spanish encroachment, and retained the Indian system of communal ownership. Moreover, Indian customs were not disturbed as long as they were compatible with Christian-

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[1]Chapman, Colonial Hispanic America, op. cit., p. 24.

[2]Hicks, op. cit., p. 53.

ity, and local government was exercised by the Indian cacique (chief). The emperor wanted to abolish slavery and the encomiendas which had developed, but Mendoza, feeling this too drastic, attempted only to limit excessive exploitation. He fixed the hours of slave labor in the mines, and ordered payment of wages for all labor, whether of free Indians or encomindados (slaves).

But in the 17th and 18th centuries, Indian villages began to suffer more severely from illegal extortions by tyrannical officials, and the steady encroachment of Creole landlords. Attempts by the government to protect the ejidos failed because of corrupt officials and the Indians' ignorance of Spanish law. Conquestadores like Cortez had received large estates, while the rank and file of the army had been given smaller holdings. The larger part of the land, however, whether under the crown or under encomenderos, was still held by the Indians. Under Spanish law, all Mexican land belonged to the crown, and only a royal grant gave legal title to ownership. Since most Indian villages had never obtained royal grants, the Creoles could easily enlarge the boundaries of their estates, claiming they were occupying land which belonged only to the Crown, an usurpation often made legal by the government. Too, land was bought from the Indian villages at low prices, when bad harvests forced them to sell to obtain money for royal tributes.

By this slow process, small holdings of the original *conquestador* had often become enormous *haciendas*. In some sections the Creole *hacendados* had vast estates covering hundreds of square miles.

A law decreed in 1567 allowed each village one square league of land. This law remained on the statute book as long as Mexico continued to be part of the Spanish Empire. Thus many a village preserved its independence, while others, by appealing to the government, won back land from the *haciendas*.

As *hacendados* encroached upon the land, the standard of living diminished. Most *haciendas* were planned as self-sufficient units, and there was little interest in increasing production. Much of their land was uncultivated, and enormous herds of cattle roamed wild across pastures which once had been Indian cornfields. A few specialized in sugar or *pulque*, and cattle ranchers of the north produced hides; but these were not the typical *haciendas*, which produced almost all the requirements of owners and peons. Probably one-third of the population was compelled to become wage-laborers on *haciendas*. By making advances through the *hacienda* store, which the Indians were never able to repay, natives were transformed to peons, bound by debt slavery inherited generation after generation, since wages were only enough for bare subsistence.

The clergy also were growing steadily richer. Convents owned much acreage, haciendas belonged to the bishoprics, and almost whole sections of the City of Mexico became clerical property. In the early 19th century, it was estimated that over half the land in use in Mexico belonged to the clergy. The Church also owned at least two-thirds of the capital in circulation, and was the chief money-lending institution. From interest on mortgages and other loans, from rents, tithes, fees, and the sale of papal bulls, it obtained enormous revenue. Since the Church was exempt from taxation, its holdings steadily increased.

Despite nearly 300 years of domination by the landed aristocracy and clergy, with immigration of foreigners forbidden, literature censored, and heretical interlopers being turned over to the Inquisition, liberalism began to grow in Mexico. Creole and mestizo intellectuals read smuggled versions of Voltaire and of Jefferson's Declaration, and dreamed of a free republic based on justice and equality; but in Mexico there was no strong, ambitious bourgeoisie such as that which overthrew the Bourbons. Feudal Mexico consisted primarily of two major classes: the first included the higher officials, owners of the mines and haciendas, and ecclesiastics; the other was composed of the Indian peasants. A third, the "middle class," included small ranch owners, parish priests, lawyers, and

minor officials. It was this last group that gradually became imbued with liberal ideas and in the 19th century led Mexico to republicanism and the overthrow of the Catholic Church.

After Mexico's freedom was won, the attempt by the Liberals to create a nation of small property owners did not emancipate the Indians, but only made it possible for them to be robbed of more land. Liberalism created a social structure of which the Mexicans were not able to take advantage, and consequently it was the foreign capitalist and merchant who benefited. Not until the 20th century did Mexican intellectuals begin to adapt their ideals to the needs of the people.

The War of Independence

Charles III, who reigned in Spain from 1759 to 1788, had made many reforms in Mexico, but his reforms had unsettled the minds of the people by encouraging thought, which meant danger to a despotic empire. Mexico was next governed by Charles IV, a weakling, and the Mexican viceroys were as corrupt and incompetent as the worst of their predecessors. Meanwhile, the French Revolution had begun and Jacobin propaganda reached Mexico, circulating in spite of the Inquisition. The Napoleonic Empire followed, with all Europe plunged into war. Charles IV was forced to abdicate, and with his son, Ferdinand VII, was thrown in

prison in France. Joseph Bonaparte was placed on the throne in Madrid, and the greater part of Spain was occupied by the French army; thus, the monarchy which had controlled Mexico for 300 years no longer existed. At Seville, a popular congress was set up, attempting to represent the Spanish independence in opposition to Bonaparte. The viceroy in Mexico refused to take orders from either the Bonapartes or the popular junta (congress). Mexican sympathizers of the independent congress then seized the viceroyalty. A series of events followed, among them the revolution of Parish Priest Hidalgo, who marched on Mexico City in 1810 with an Indian mob, only to be defeated by the junta governments troops. Hidalgo was eventually captured and shot while trying to escape Mexico.

The revolution continued; Iturbide, who had been fighting on the royalist side, outlined his "Plan of Iguala," and eventually set himself up as Mexico's first emperor, Augustin I, in 1822. Mexico was now independent, but the task of creating a Mexican nationality and liquidating the institutions left by the Spanish government was only beginning. The Creoles assumed power and the mestizos began to organize as the opposition.[1] The two groups opposed one another politically until the 20th century. Creole lawyers

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[1]Creoles are native-born whites of Spanish blood; mestizos are of Indian and white blood mixed.

and intellectuals planned a parliamentary democracy, after the Anglo-Saxon model, despite the illiteracy, corrupt habits, lack of political experience, and caste system of the country. For 50 years Mexico experimented with this type of government, but the Spanish authoritarian traditions made democracy impossible. So long as the Church and the generals remained independent of civil authority, anarchy was inevitable.

The Church emerged from the War of Independence stronger than ever. Clerical offenders were still tried only by clerical courts. Church property was still exempt from taxation, and the Church had acquired more mortgages and land than ever. Political leaders who attempted to curtail the powers of the Church faced excommunication and threat of civil war.

Mexican economy had been ruined by the 12 years of warfare. Many mines, chief source of income for the viceroyal governments as well as a market for agricultural products, had been closed down while some had been flooded and their machinery wrecked. Silver transportation during the war had been impossible, and the entire economy of the country had come to a standstill. Capital was needed, but it was scarce. Spaniards had owned two-thirds of the secular capital, but many of them had returned with their money to Spain and others had been expelled. It was only in

the sanctuaries of the Church that much capital remained.

Money lenders appeared to make short-term loans to the government at exorbitant rates, and received mortgages on government property and custom duties; but their rates brought treasury deficits and revolution would usually end the government. When economic activity began to revive, it was through foreign immigrants and investments and not through Mexican enterprise. Mexico was now mortgaging herself to the foreign banker and industrialist who had the guns of his government behind him. Mines were opened and agriculture developed, but the profits went to the foreign investors. When revolution interrupted this flow of dividends. foreign intervention was threatened.

The Santa Anna Epoch

Hardly had Iturbide become emperor when Santa Anna and others led a revolt which, on March 19, 1823, forced Iturbide to abdicate and leave the country. In November, the first constitution, similar to that of the United States but adapted to Mexican traditions, was adopted. Religious toleration and trial by jury were omitted. Guadalupe Victoria became the first president, and the new government accepted responsibility for the internal debt, amounting to 76,000,000 pesos, which had been incurred by the viceroys and the insurgent government. Conditions were such that rather than impose taxes on the Church and land-

owners, or dismiss army officers from the payroll, money was borrowed from abroad. Seaports were opened to all nations; 25 per cent duty was put on all imports; the sales tax added 18 per cent more. These high duties brought smuggling which was impossible to prevent. The Indian tribute was abolished, so the exchequer depended upon the customs, sales tax, excise, monopolies, and a negligible tax on metals, for its revenue.

For centuries, Great Britain had coveted the wealth and markets of the Spanish colonies. She had therefore encouraged the movement for independence. George Canning became foreign minister of Britain in 1822 and when the Holy Alliance threatened to aid Spain in reconquering her colonies, he indicated that England would object. He recognized the new South American republics as well as the independence of Mexico, and sent consuls to negotiate trade treaties. Two loans, more than 3,000,000 pounds each, were floated on the London stock exchange at discounts amounting to almost half the money borrowed. The balance was spent foolishly, most of the first loan going for the purchase of second-hand war material. Besides, there was much graft and no account of the money spent was ever made. These loans, which remained a burden on Mexico for years, eventually resulted in British intervention, and contributed to the destruction of the republic.

Great Britain acquired a large portion of Mexican trade and British capital flowed into Mexican mines and industry. Mexican mining stock boomed on the London Exchange, driven up by gullible investors. The British charge d'affaires, H. G. Ward, had acquired influence over Mexican officials and was largely responsible for the success of British economic penetration. Soon capital from Germany and France penetrated Mexico, and United States ships appeared in increasing numbers in Mexican ports; but the Americans were at a disadvantage, because Mexico feared the land-hungry policies of the United States. Also, British Ambassador Ward did much to inflame the Mexican mind against the United States, while the American ambassador, Joel Poinsett, was tactless and openly aided the Liberals in internal politics. Having already attempted to purchase Texas, he was accused of trying to cause a civil war, so the United States might take that territory, and finally the Mexican Government asked his recall.

A group of Americans under Stephen Austin had been given a grant of land in Texas with the right to settle. Within ten years, 20,000 to 30,000 Americans had populated this area, and a number of Negro slaves had been imported to work in the cotton fields. Slavery was abolished in Mexico in 1829, and as there had been few slaves in Mexican territory outside of Texas, friction between the Ameri-

cans and the Mexicans soon developed. The Americans quickly found themselves a part of the Mexican state of Coahuila, deprived of trial by jury and the English common law, their trade curtailed by the lack of licensed seaports. By 1832, they were close to rebellion. Americans were restricted from entering Texas, but the law was not enforced and more poured in. Bitterness grew, and in 1836, the same year that the centralist constitution was enacted in Mexico, Texas declared her independence and defeated and captured Santa Anna when he attempted to enforce submission. Santa Anna then bartered Texas for his personal freedom.

Santa Anna, unprincipled and selfishly ambitious,[1] was exceedingly energetic in getting money. By forced loans extracted from the Church, import duties increased 20 per cent, mining concessions sold to the English, he obtained twice as much revenue as any of his predecessors. The Federalist Constitution of 1824 caused antagonism and revolt by the conservatives. Santa Anna, seeing an opportunity to enhance his power, sided with the Conservatives in 1834,

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[1]Santa Anna fought on both sides of every issue. He was president a number of times, but never finished a term. When in office, if objections were raised too loudly against his policies, he would retire to one of his estates and leave someone else to take the blame. A demagogue, ". . . . he 'dazzled' the Mexican people, who loved to honor him, even though he only brought them disaster." Quoted from Chapman, Republican Hispanic America, op. cit., p. 220.

and in 1836 the Centralist Constitution, creating a strong central government, was adopted. In the same year, Spain recognized Mexico's independence and a Treaty of Peace and Amity was signed, whereby the Spanish Crown transferred its rights to the Mexican Government.[1]

Political disturbances during the rebellion damaged foreign property. Because French claims, amounting to 600,000 pesos, were not paid, the French fleet in 1837 attacked Vera Cruz and secured a guarantee to their claims. Santa Anna lost a leg in the fray and thereby dramatically gained much prestige.[2] The Mexicans dubbed this the "Pastry War" because damage by drunken Mexican officers to the restaurant of a French pastry cook was among the claims.

Mexican relations with the United States became strained with the annexation of Texas in 1845, and because of unpaid claims of American citizens who had suffered damages during the political disturbances in Mexico. In April,

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[1] Mexico's Oil, op. cit., Introduction, pp. xxvi-ii.

[2] Santa Anna, nearly captured in the raid, escaped in his underwear. Later his leg was mangled by a cannon ball and had to be amputated. He notified the government that he had repulsed the French, and contended that he was dying. He issued a "bombastic" farewell address, saying he would die happy because he had "consecrated his blood to his country." But when he didn't die, he held a funeral for his leg, which was buried with much ceremony. From Chapman, Republican Hispanic America, op. cit., p. 220; Parkes, op. cit., p. 207.

1846, American and Mexican forces clashed in disputed territory, and President Polk took the opportunity to declare to the American Congress that a state of war existed between the United States and Mexico. American forces under Zachary Taylor and Winfield Scott soon conquered Mexico. Santa Anna, who was in exile, returned to Mexico with fresh American funds on a United States man-of-war, promising to make peace on reasonable terms.[1] Instead, he gathered an army and unsuccessfully resisted the American attack. Under the Treaty of Guadalupe Hidalgo, the United States was ceded most of the region from Texas to California; then by the Gadsden Purchase Treaty of 1853, Santa Anna sold the Mesilla Valley, now part of southern Arizona, to the United States. For this he received $10,000,000, badly needed to retain his army in attempting to put down the Revolution of Ayutla. Unable to crush the revolution, which broke out in many sections, Santa Anna was forced to leave the country in 1855, ending his political career.

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[1]In exile in Havana, Santa Anna was unable to reach Mexico because of a blockade by the American fleet. He sent a messenger to President Polk promising to bring a favorable peace for the United States if he could reach Mexico with sufficient funds. President Polk fell for the trick and Santa Anna was given a sizable sum of money and sent home on an American warship. He became president but did not bring peace. Instead, when Scott invaded Mexico he found Santa Anna commanding the forces against him.

The Reform

A new group of Mexicans, mostly of the middle class, now began to make radical changes in Mexican politics, starting a social revolution known as the "Reform." Some members of this group, Lerdo de Tejado, for instance, wanted a capitalistic state; others a nation of small property holders. Feudalism, however, was only partially destroyed, and property was not radically redistributed, nor were the Indians emancipated from peonage. The revolution brought a new group into power, but it did not stop the oppression of the masses. The Reform, however, did mark a turning point in Mexican history, for the mestizos gained political power and governed with an efficiency and energy never shown by the Creoles. A necessary social reform, it made possible vast economic development, accompanied nevertheless by many injustices to the masses.

Since 1835, the property of the clergy had been reduced, but the Church still owned from one-third to one-half of the valuable land.[1] Intending to increase government revenues and stimulate economic progress, Lerdo de Tejada drafted the Ley Lerdo, in 1856. All estates of the

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[1]Wilfrid Hardy Callcott, Liberalism in Mexico 1857-1929 (Stanford University: Stanford University Press, 1929) p. 2; Wilgus & d'Eca, op. cit., p. 153.

Church were to be sold to tenants or anyone else who denounced them. The Church was to receive indemnity, but was forbidden to own land in the future, while the State was to get a heavy sales tax from every sale. No provision, however, was made for division of the Church *haciendas*, so only the wealthy were able to pay the purchase price, and many Mexicans were persuaded by the clergy not to take advantage of this anti-clerical law. As a result, Englishmen, Frenchmen and Germans bought these lands, and gained a powerful position in Mexican society.

The *Ley Lerdo* also forbade all corporations from owning estates; the land was to become the property of individuals. Hence, the *ejidos* attached to the Mexican towns and even those belonging to the Indian villages were ordered sold. Since clerical haciendas were beyond the price which many land-hungry *mestizos* could pay, they began to denounce community lands and to buy them for a song. A number of Indian rebellions resulted and the government was threatened both by Indians and by reactionaries. Lerdo then announced that community lands were not to be sold to denunciants but were to be divided among the Indians, a ruling which failed to guard them against the greed of the *mestizos*. Where this decree was enforced, the Indians were often tricked into selling their lands on easy terms.

Some of the secular clergy even bought the ecclesiastical lands themselves; but the friars refused to abandon their haciendas, and a number of revolts broke out. After putting these down, President Comonfort pardoned the reactionaries, who continued to conspire against the government.

The Constitution of 1857. On February 5, 1857, a new constitution was adopted, representing the first effective step toward liberation of the masses from the domination of the privileged class. It granted freedom of speech and press, abolished hereditary titles, and forbade monopolies and confiscation of property. Freedom from forced labor, slavery, religious vows, and any infringement of personal liberty was proclaimed. Imprisonment for debt was abolished--so peonage was declared illegal. Many paper reforms were made but never carried out, perhaps because they were too advanced for the political experience of the Mexican people. This constitution, however, remained in effect until 1917.[1]

The conservatives strenuously opposed the Constitution. Comonfort felt it did not give him enough power,

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[1]Herbert Ingram Priestley, The Mexican Nation: A History (New York: The MacMillan Company, 1935) p. 326; Wilgus & d'Eca, op. cit., pp. 153-154.

and after a Conservative rebellion declared the Constitution no longer existed. The Liberals then forced him to resign. Juarez, president of the Supreme Court of Justice, became president according to the Constitution. The Conservatives set up their own president, and a war between the two governments, the "War of the Reform," lasted for three years. Although the Liberals were being defeated, the United States recognized the Juarez government, enabling it to negotiate foreign loans and buy munitions.

Juarez, in July, 1859, issued his "Law of Reform" under which all ecclesiastical property except Church buildings was to be confiscated without compensation. The Church was disestablished and monasteries were to be immediately suppressed; nunneries were to disappear as soon as the present occupants died. Civil registration of marriages, births, and deaths was to be compulsory. Laws were formulated for the dismemberment of Church estates into small farms to be sold on easy terms. But many of the clerical estates had already been acquired by wealthy men under the Ley Lerdo, so it was too late to build up a nation of peasant proprietors. Most of the remaining estates were seized wherever liberal armies penetrated and were sold for whatever they would bring. Churches were stripped and gutted; sacred relics and images were burnt. The lands of the clergy, and their accumulation of silver, gold and jewels,

now became the property of the radical soldiers and politicians. Leaders of the liberal party, however, did not profit, despite their opportunities; but in the confusion of the war they could not prevent others from doing so. Juarez and his associates were as poor after the war ended as when it began--a great achievement in Mexican history.

Meanwhile, Mexico was threatened by foreign intervention. The War of the Reform had damaged the property of British, French, Spanish, and American citizens, and guerrilla bands had subjected some foreigners to personal violence. European governments recognized the Conservatives, and the Spanish government aided them. The Liberals retaliated by shooting some Spanish citizens. With both Mexican parties desperate for money, the Liberals confiscated a trainload of silver, valued at more than 1,000,000 pesos, belonging to British mine owners, promising to repay the money. Miramon, the Conservative president, obtained funds by taking 700,000 pesos, set aside for British bond holders, from the house of the British legation in Mexico, giving a receipt for it. He also made a bargain with a Swiss banker and mine owner, Jecker, whereby the latter received and disposed of 15,000,000 pesos of government bonds on which he paid $1,470,000 in cash, and then went bankrupt.[1]

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[1]Priestley, op. cit., p. 341.

With the return of civilian rule following victory by the Liberals, foreign creditors found they could not secure repayment on loans and exorbitant claims, including the Jecker bonds, against Mexico. When the Mexican Congress, on July 17, 1861, declared a suspension for two years of all debts of the nation, England, France and Spain decided to intervene jointly to protect the interests of their nationals. The United States was engaged in the Civil War, and could not enforce the Monroe Doctrine, so a joint expeditionary force was sent from Europe to Mexico. It became apparent that Napoleon III of France wished to conquer the country, so England and Spain withdrew. Napoleon then established Maximilian as Emperor of Mexico, but trouble with Germany and the end of the American Civil War forced him to withdraw his troops from Mexico, and Maximilian was captured by Juarez and executed in 1867. Juarez then re-entered the capital and set up his government.

The Law of Reform had swept away such medieval relics as the guild system which had stifled Mexican industrial development. Church capital was now in circulation, many estates belonging to the reactionaries were confiscated, and 300,000,000 francs had been left by the French. Hence, industry and commerce began slowly to revive, although still mainly under control of foreigners. The building of a railroad from Vera Cruz to Mexico City, which had been started

in 1850, was now resumed by British engineers, and the line was opened to traffic in 1873.

In 1871, Juarez decided to seek re-election. Porfirio Diaz and Sebastian Lerdo de Tejada, brother of the author of the Lerdo Law, were also candidates. No one candidate won a majority of the votes, so the choice fell to Congress. Juarez was elected president and Lerdo became president of the Supreme Court. Diaz backers started a rebellion, which was near defeat when, on July 18, 1872, Juarez died of heart failure. Lerdo became president and carried on Juarez' policies, and in 1876 announced he would seek re-election. This was a signal for Diaz to start another rebellion. Lerdo had alienated American economic interests by not allowing American railroads to extend their lines into Mexico. "Between strength and weakness," he declared, "there should be a desert."

Diaz proclaimed his Plan of Tuxtepec with slogans of "effective suffrage" and "no re-election." In December, 1875, he crossed the border to Brownsville, Texas, and remained there until May 12, 1876, holding conferences with American railroad speculators and emissaries of Wall Street and Washington. Thus, without interference by the American government, he gathered both troops and money in the United States for his rebellion.

At first, Diaz was defeated and forced back under

the protection of the United States flag. He entered Mexico in disguise and joined the rebel army. On November 20, Lerdo suddenly resigned and left Mexico. A great part of the government troops then joined Diaz and the remainder gave up. On November 23, Diaz entered Mexico City and had himself proclaimed provisional president. A farcical congressional election was held, and on May 2, 1877, this congress declared Porfirio Diaz president by a unanimous popular vote.[1]

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[1]De Lara & Pinchon, op. cit., pp. 290-292.

CHAPTER III

DIAZ AND NATURAL RESOURCES

Whether Porfirio Diaz is portrayed in terms of condemnation or praise seems to depend entirely upon the writer's point of view. His method of stimulating economic development by encouraging the investment of foreign capital has been condemned as a blundering attempt to make Mexico a capitalistic nation. For under him, the Indians were robbed of what lands they still possessed, while his satellites and foreigners became rich at the expense of the masses; but Diaz himself gained nothing. He craved power rather than profit and spent millions to retain what he wanted--the dictatorship. He died a pauper in exile, but in the Mexican treasury he had left over 70,000,000 pesos, accumulated by his government.[1]

Diaz probably was a product of his time, and when his administration is compared with incidents in the economic history of the United States, we see little difference

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[1]Gruening says: "Diaz increased the national income from $19,776,638 to nearly 100,000,000 . . . . the exchequer accumulated a surplus of $136,000,000 of which $61,000,000 was spent in public works and $75,000,000 left as a cash balance." Op. cit., p. 62. (All figures are Mexican dollars.)

in the policies of the two nations. The United States made no attempt to conserve natural resources until the Theodore Roosevelt administration; our policy was the encouragement of private enterprise regardless of abuses. Millions of acres of land, and other concessions, were given the railroads to promote their expansion, and every encouragement was given the development of industry. It was a period of industrial liberty, of rugged individualism which often brought coercion of labor, then regarded as a commodity to be reckoned with by the laws of demand and supply. Not until 1885 did the United States pass its first law against contract labor, a law not enforced until 1907. We discontinued imprisonment for debt about 100 years ago, but in 1911 the Supreme Court made a decision against peonage in the Bailey vs. Alabama case.

Our governmental policies then were dominated by the captains of industry. This was a transition stage from the so-called "Old Imperialism," under which the prevailing manner of obtaining raw materials and markets was the grabbing of colonies, to the "New Imperialism," under which a strong nation obtained an economic foothold in a country, protecting it with the nation's guns. It was not the policy of stimulating economic development, but the method used by Diaz, that differentiated Mexico's administration from that of the United States.

Diaz came into power, in 1876, denouncing corrupt and unconstitutional practices, and re-election. He amended the Constitution on May 5, 1878, to prevent immediate re-election of the president, thereby fulfilling his pledge. But at the end of his first term, he named his successor, General Manuel Gonzales, whom he could trust to restore the presidency in 1884. Gonzales' administration was the most corrupt since Santa Anna, and at the end of his term the government was near financial collapse.[1] Riots were bloodily suppressed, and there was universal rejoicing at the re-election of Diaz.

Claiming the people were not yet ready for self-government, Diaz resumed office intending to keep it. It was an epoch of national consolidation, intensive development, building of railroads, clearing of land, growth of huge plantations, discovery of oil, and the influx of foreign capital. But the main achievement of his regime was the long breathing-spell of peace. Diaz ruled Mexico with an iron hand. Revolution and brigandage were stamped out. Opponents were bought off by the state, or destroyed, often

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[1]Of this Gruening writes: "The day before retiring--many times a millionaire--General Gonzales, bent perhaps to leave one spot clean--the national chest--sent his secretary of hacienda to garner nine thousand pesos in the tax collector's office not yet transferred to the treasury. On his last day, the president could not resist removing, as souvenirs mayhap, the furniture and fixtures from the National Palace." Op. cit., p. 56.

by the ley de fuga.[1] The army was mainly a conscripted or kidnapped force, and Mexico was "pacified" by Diaz' rurales, who made it one of the safest countries in the world --for all but Mexicans.

Diaz built up a strong, centralized, and efficient government, with all power in his hands, all branches in his control. No official was elected, no bill passed, but by his consent, and local politics were dictated through local political bosses. Although some say the government was, in the main, administered honestly and efficiently, most of the cabinet members belonged to a political ring, the cientificos (scientific business experts) whose chief source of profit was government patronage. There were 14 men in this inner ring, who controlled the press, banks, various monopolies, and a clearing-house through which "big business" was carried on and the graft divided.[2]

In the early days of Diaz' regime, the country was

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[1]"The Law of Flight." Rurales or prison guards were authorized to shoot a prisoner attempting escape. Once intended to apply only to criminals accused of major crimes, it became under Diaz a technique of assassination aimed at critics. Hacendados employed it to wreak vengeance on uncooperative peons. Parkes says that there were more than 10,000 ley fuga during the Diaz dictatorship. Op. cit., p. 294.

[2]Edward I. Bell, The Political Shame of Mexico (New York: McBride, Nast & Co., 1914) pp. 5-7.

in bad financial shape, with creditors collecting nearly all custom duties. Capital, in return for loans, received many concessions. There was cheap labor, government aid, low taxes, free land for expansion, and few restrictions. Outside capital poured in, and foreigners believed the future of Mexico was assured. During the last decade of the Diaz regime, loans were available to the Mexican Government in almost any amount at four per cent interest. These bonds, however, sold at 97.[1] Exports increased from $16,000,000 in 1876 to $250,000,000 in 1908,[2] and revenue mounted although expenditures through the '80's were as great. In 1894, under Jose Yves Limantour, the Mexican treasury for the first time achieved a balanced budget, and during the last 16 years of Diaz' dictatorship, the surplus amounted to $136,000,000, with more than half remaining as a cash reserve. Diaz and his *cientificos* had performed a fiscal miracle, and American business men, contrasting the favors lavished upon them by the Mexican Government with the restrictions of Theodore Roosevelt, said Diaz was needed in Washington.[3]

But how was it done? A primary part of the program

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[1]Gruening, *op. cit.*, p. 62.

[2]Chapman, *Republican Hispanic America*, *op. cit.*, p. 232.

[3]Parkes, *op. cit.*, pp. 298-310.

was the gagging of the press, the constitution being modified to transfer trial by jury for press offenses to the hand-picked judiciary, whose verdict was irrevocable and based upon no code. Subsidy bought support from some papers, and Mexico and the world heard, for the most part, what the Diaz clique wished them to hear.[1]

American railway builders had tried to get concessions since shortly after the Civil War; during the Diaz regime most of them obtained grants. Among the first of Diaz' acts, after becoming President, was signing for the construction of the Central Railroad from El Paso and Laredo to Mexico City. The terms of this concession permitted the builders to choose their own routes and build without government supervision. Free land was given them for a right of way, as well as a subsidy of $8,000 per kilometer on level ground and $20,000 per kilometer in rough country --more than enough to cover costs. Under these terms, builders chose the cheapest material and the most tortuous routes possible, in order to increase the total mileage and hence the total subsidy; some lines, moreover, were built parallel with one another.[2]

Another side of the picture is shown by Trowbridge:

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[1]Gruening, op. cit., pp. 56-57.

[2]De Lara & Pinchon, op. cit., pp. 299,307.

> It is true that the government did expend large amounts in subsidies, but this was not as an investor but solely for the purpose of having railways built. . . . . While in theory, it should be easy to get capital for railways, in fact it is very difficult, especially in a country where possibilities from the standpoint of railway operations have not been developed. The various western railways in the United States had the greatest possible difficulties in securing the funds for initial construction, and even with large subsidies and land grants all the roads went through bankruptcy in their early years, because of the lack of sufficient tariff in a sparsely settled territory.[1]

More than 9,000 miles of railroads had been built before the end of the 19th century, and after 1880 railroad communication with Mexico made her a chief commercial concern of the United States in Latin America.

Liberal concessions were also granted mining companies, concessions protected by the Mining Laws of 1884 and 1892. Previously possession was granted individuals on condition that they work the property and pay taxes, the mine being subject to confiscation or claim by another in event of failure. The Mining Code of June 4, 1892, changed this: the legally-acquired ownership of mines became perpetual and irrevocable, provided the federal rental tax was regularly paid, and the law placed under government regulation all operations that might jeopardize the lives of workmen, security of the workings, or the stability of the

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[1] E. D. Trowbridge, Mexico Today and Tomorrow (New York: The MacMillan Company, 1919) p. 244.

soil.[1]

These laws, plus the introduction, in the '90's, of the cyanide process of extracting metals, speeded up production. There were 2,382 mining properties in Mexico in 1892; 4,557 new titles had been added by 1896, and 7,403 more from 1896 to 1900.[2] Gold and silver production increased from 31,000,000 pesos in 1880 to 124,000,000 pesos in 1910, and a copper yield of 26,000,000 pesos in 1910 gave Mexico second place in world production.[3] Since great amounts of capital, improved machinery, and skill were required to make the mines pay, the industry was dominated by a few large concerns. By 1902, American mining and smelting properties had reached $95,000,000 in valuation, and by 1911 they had increased to $250,000,000.[4] Concentration of land ownership had been going on since the Spanish invasion, but in the Diaz period it reached its peak. Pre-Diaz land laws had established "surveying companies," which during the Diaz regime were authorized

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[1]The Mexican Yearbook 1908, Issued under the Auspices of the Department of Finance, Mexico (London: McCorquadale & Co., Ltd., 1909) p. 498-499.

[2]Callcot, op. cit., pp. 138-139.

[3]Priestley, op. cit., p. 391.

[4]Fred J. Rippy, The United States and Mexico (New York: Alfred A. Knoph, 1926) pp. 312-313.

to survey public lands and keep one-third. The remainder was sold at low prices to American capitalists and Mexican politicians. About 125,000,000 acres were surveyed, with 29 individuals and companies receiving one-third and then buying the remainder at insignificant prices.[1] This policy led to alienation of public land and to the gradual expropriation of Indian villages, which had preserved their independence.[2]

Mexico owed the English $20,000,000 plus arrears of interest. There were also Spanish and French claims amounting to $81,632,561, which were inflated to $144,953,785 plus interest of $46,451,996, a total of $191,385,781. Of this $20,000,000 was legal indebtedness, $69,000,000 was for claims, and $110,000,000 represented plunder. The Diaz clique obtained options on this discredited foreign paper at exceedingly low figures. The Mexican Congress then ratified the payment of these debts and claims, but gave the bond holders the privilege of exchanging their bonds for government land at the rate of 35:100. The best irrigated lands were ordered sold by the Department of Agriculture in

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[1] "For the disposal of one-fifth of the national area less than eight million pesos entered the treasury." Gruening, op. cit., p. 126. Italics his.

[2] Ibid., pp. 125-126; Plenn, op. cit., p. 222; Parkes, op. cit., p. 289.

1885 at about three cents an acre, arable lands at from one to two cents an acre, and pasture land at one half cent to one cent an acre. Thus, anyone with $35,000 worth of bonds could buy $100,000 worth of land, and during the Diaz administration 180,000,000 acres were acquired by land corporations and friends of the administration for only $1,700,000 in government bonds.[1]

The Ley Lerdo[2] was enforced in 1888 and in 1902, and Indian ejidos were parceled into private properties, bought by speculators at low prices. Indians who resisted this order were transported or shot.[3] A law in 1894 compelled all persons to registeretitles to land. Few Indians knew anything about registration; their land, therefore, reverted to the government and was sold to the favored few.[4]

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[1]De Lara & Pinchon, op. cit., pp. 314-317.

[2]Supra, pp. 57-59.

[3]John Kenneth Turner, Barbarous Mexico (Chicago: Charles H. Kerr & Co. Cooperative, 1910) pp. 9-108; De Lara & Pinchon, op. cit., pp. 322-324; Parkes, op. cit., p. 296.

[4]Charles Wilson Hackett, "Mexican Agricultural Policy," Lectures before the Inter-American Institute of Pomona College and Claremont College and the Pacific Southwest Academy of Political and Social Science, February 9, 10, and 11, 1928 (Claremont, Calif.: Inter-American Institute, 1929) p. 63.

Foreign ownership of land within states bordering foreign countries was prohibited by the Constitution of 1857 and the law of 1886, but these restrictions were not enforced,[1] and nearly one-fifth of the area of the Republic was obtained by 17 aliens. Much of this land, however, was fit only for cattle ranches or mineral prospecting. By the Ley Lerdo, the Diaz regime allotted a total of 134,548,885 acres, more than one-fourth of the area of Mexico, and distributed another 143,260,000 acres at almost no cost among 28 of Diaz' friends. In 1910, therefore, nearly half of the country belonged to 3,000 families and almost all of the rural districts to about 8,000 proprietors. Over 90 per cent of the Indian villages in the central plateau had lost their communal lands, and some 3,103,402 Indians were bound in peonage, numbering with their families between 9,000,000 to 10,000,000 persons, representing from three-fifths to two-thirds of the nation's population.[2] In this manner, under Diaz the hacienda system was strengthened and most of the rural population bound to peonage.

In 1904, Diaz tried to change the situation by a new land law, but it was too late. Mexico had become a

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[1]Hicks, op. cit., p. 45.

[2]Parkes, op. cit., pp. 305-306; Rippy, op. cit., pp. 313-316; Callcott, op. cit., p. 166; Chapman, Rep. Hisp. Am., op. cit., p. 233; Gruening, op. cit., p. 136.

group of big business empires. Any attempt to raise wages of the landless peons was contrary to law, as illustrated in Article 25 of the Federal District penal code which became effective April 1, 1872:

> From eight days to three months imprisonment and a fine of from twenty-five to five hundred pesos, or only one of these punishments will be imposed upon anyone who creates a tumult or riot or uses any other mode of physical or moral force with the object of increasing or decreasing the salaries or wages of the workers or to impede the free exercise of industry or labor.[1]

Any attempt at collective bargaining was also regarded as contrary to economic science, for Mexican economists had written:

> Some people believe that the wage in Mexico is too small to be adequate for the subsistence of the laborer. We reply then that it is an axiom of the science of economics that wages never can fall below what is necessary to maintain the working class because they would perish, and as in Mexico the worker subsists with what they are paid, it may be inferred that they do not need more than their subsistence.[2]

Living conditions of the Mexican agricultural laborer, appalling when Diaz assumed power, were even worse at the end of his regime. Living quarters were crowded

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[1]Tannenbaum, Agg. Rev., op. cit., p. 152. (See footnote.)

[2]Ibid., pp. 152-153, quoted from Pimentel, Obras Completas, III, La Economia Politica, Aplicada a la Propriedad Territorial en Mexico, 1866.

and dirty, disease ran rife without medical attention, infant mortality was unusually high, and illegitimate children comprised 65 per cent of those born in the Federal District and 42½ per cent of those in the whole Republic.[1]

For centuries, the daily wage of the peon had been 25 to 40 centavos (12½ to 20 cents U. S. currency), but industrialization raised the cost of living while money wages remained stationary, lowering the already bare subsistence level. Real wages in 1910, measured by the price of corn, were one quarter of those in 1800, and prices of most foods had more than doubled.[2] The peon's situation was intensified by the hacienda and company store system, which extended credit for commodities purchased, keeping his debt constant and insuring his future labor and that of his family. At death the peon's children inherited the debt. Peonage, too, was sometimes voluntary; peasants sold themselves, spent their money, and were content to work in debt slavery--centuries had made debt part of the peon's culture.

For the worker and peasant, justice in court did not exist. Foreigners, however, especially Americans, could always receive favorable verdicts in Mexican courts,

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[1]Callcot, op. cit., p. 150.

[2]Ibid., p. 191; Parkes, op. cit., pp. 307-308; Gruening, op. cit., pp. 136-137.

as could those wealthy Mexicans favored by the Diaz clique.[1]

Without external stimulus, the peon probably never would have rebelled, for half-starved men have no energy for rebellion. But a new class developed, the industrial working class, comprised of peons whose "accounts" had been bought from haciendas by railroad builders and mine owners who needed labor. These workers were better paid, earning from two to three dollars a week while working from 12 to 14 hours a day. From Spanish immigrants preaching the doctrine of anarco-syndicalism they learned new ideas, and some of the more enterprising went to the United States in quest of higher wages, often becoming members of the Industrial Workers of the World. Some Mexican intellectuals began preaching Socialism, and during the last part of the Diaz dictatorship unions formed and strikes occurred. Although brutally suppressed by the government rurales, the syndicates grew.[2]

As early as 1855, organizations in the form of mutual-aid societies had existed. In 1875, Jose Maria Gonzales, an obscure tailor and disciple of Proudhon, published a small periodical called The Son of Labor, into which the

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[1]Parkes, op. cit., pp. 293-294.

[2]Frank Tannenbaum, Peace by Revolution (New York: Columbia University Press, 1933) pp. 136-138; Parkes, op. cit., p. 508.

literature of the First International in 1864 found its way. Strikes in the United States--the telegraphers' strike in 1883, the 1886 Hay Market Riot, the Homestead strike in 1892, the Pullman strike in 1894, and others--caused repercussions in Mexico. But it was the 1877 railroad strike in the United States that gave the first real impetus to the labor movement in Mexico, although trade-union organization did not gain much momentum until the latter part of the century.[1]

Mexican trade union development was greatly influenced by the American Federation of Labor, and particularly by Samuel Gompers. However, much American influence was due to increased migration of Mexicans to the United States, where they learned the ideas and practices of labor in this country. Sporadic strikes, repressed by government troops, broke out over the nation. In 1906, 10,000 miners struck at Cannanea in Sonora, site of American-owned copper mines, demanding five pesos ($2.50) a day and an eight-hour shift. The companies were willing to grant the wage increase, but would not reduce the working day. The strike might have been settled on this basis, but the company got orders from President Diaz to refuse the slightest concession lest a dangerous precedent be set up. Government troops arrived;

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[1]Plenn, op. cit., pp. 283-284.

hundreds of miners were shot and others imprisoned.

A strike occurred in 1907 at the Rio Blanco textile mills, which were paying the highest dividends of any cotton mills in the world. The 4,000 workers demanded 75 cents a day for men, 40 cents for women, 30 cents for children, and reduction from a 16-hour working day to 14. The company cut the strikers off from their water supply, refusing to let them use the wells which they claimed were company property. This caused trouble; the troops were called in, and hundreds of workers were massacred.[1] Pinchon says, ". . . . two trains are required to freight the dead and dying to those expert morticians--the sharks of Vera Cruz Bay."[2]

Illiteracy was widespread.[3] Under the Diaz government, a peon was to be a peon forever, but industrial workers organized surreptitiously into local syndicates, and later fought in the revolution as industrial units, with union officials as their army officers. Many union leaders

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[1]Parkes, op. cit., p. 308; De Lara & Pinchon, op. cit., pp. 328-330; Plenn, op. cit., p. 284.

[2]Edgcumb Pinchon, Viva Villa! (New York: Harcourt, Brace & Co., 1933) p. 107.

[3]Ambassador Wilson, in 1912, estimated that 80 per cent of the Mexican people could neither read nor write. Papers Relating to the Foreign Relations of the United States, 1913 (Washington, D.C.: Government Printing Office, 1921).p. 776. This will be known in following references as For. Rel.

were educated and cultured. Professors and theorists, who had become radical through reading rather than by the bitter knocks of experience, took charge of much of the labor movement that spread throughout the nation.[1]

Mexico needed foreign investments, but she probably needed foreign skill,more, for in this backward country only foreigners could have built the railroads and introduced the new industrial and mining techniques. But in his eagerness for industrial development, Diaz had failed to protect the Mexicans. He wished them to learn the new techniques, but foreigners monopolized the responsible positions, and the natives were utilized mainly as unskilled labor. Foreign capitalists made huge profits, while Diaz even encouraged undue exploitation of labor.

American interests owned three quarters of the mines, over half of the oil fields, and one twelfth of the land. By 1910, American investments had grown to more than a billion dollars, exceeding the total capital owned

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[1]J. Lord, "Labor in Mexico," in George Hubbard Blakeslee, ed., Mexico and the Caribbean (G. E. Stechert & Company, 1920) p. 91.

by Mexicans themselves.[1] The Spaniards monopolized retail trade, and owned large haciendas and plantations; the English were interested heavily in mines, public utilities, plantations and oil, while textile mills were owned mainly by the French. These foreigners lived in isolated colonies, few becoming Mexican citizens, and they spoke with open contempt of the nation and people they were exploiting. Somewhere between 40,000 and 75,000 Americans lived in Mexico before 1911.[2] Others were absentee owners, and nearly all expected to accumulate and take wealth from the country. Moreover, the United States in the past had acquired a vast part of Mexico's territory, and had control of much of the Caribbean area, while the French had set up an empire on Mexican soil. Mexicans, therefore, feared foreign imperialism, especially that of the "Colossus of the North." Patriotic Mexicans were growing indignant at privileges given to foreigners with whom they found themselves in competition. To them, Mexico had become the mother of the

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[1]Total investments were estimated in 1902 at $500,000,000 and in 1912 at $1,057,770,000. In 1919, the Fall Committee put an estimate of $1,500,000,000 total investments of Americans in 1912. According to this report, Americans owned 78 per cent of the mines, 72 per cent of the smelters, 58 per cent of the oil, and 68 per cent of the rubber business. "Senate Document No. 285, Vol. X, 66th Congress, 2nd Session, 1919-1920," Investigation of Mexican Affairs (Washington, D.C.: Government Printing Office, 1920) Vol. II, pp. 3320-3323. In following references this will be known as Inv. Mex. Aff.

[2]Rippy, op. cit., p. 318.

foreigner and stepmother to her own children.

While ignoring the wishes of his subjects, Diaz had also caused enmity abroad. Alarmed at the power of American capital, he had tried to counterbalance it by building up European interests in Mexico. He also welcomed President Zelaya of Nicaragua when the latter was expelled by a revolution supported by American interests. Japanese marines were received with enthusiasm, but Washington was refused a permanent lease for a naval base in Lower California, and in 1907 was granted only a three-year tenure. Too, the United States, reversing its policy of banning Mexican revolutionary movements, allowed Diaz' political enemies to operate from its territory.

The United States banking crisis of 1907 had been felt heavily in Mexico, and a bad harvest in 1909 had caused the death of many peasants from starvation. In an interview with the journalist James Creelman in 1908, Diaz had said he would welcome opposition in the 1910 election, and would guide and encourage such a party himself. This announcement, published in the United States, soon reached Mexico, and the Mexican Democratic Party was organized. Its political meetings were enthusiastically attended, but in November its candidate for vice-president, Bernardo Reyes, was banished to Europe. The Creelman interview had aroused another candidate for the vice-presidency, a peculiar little

man from a rich Coahuila Creole family, which owned haciendas, cotton plantations, breweries, and smelting plants, and had suffered from the guayule monopolies acquired by Rockefeller and Aldridge interests as well as from the growth of the Guggenheim metallurgical interests. The man was Francisco Madero, an idealist who, in 1908, published a pamphlet mildly criticizing the Diaz government and, though accepting Diaz' re-election, urging a free election of the vice-president. This booklet, The Presidential Succession of 1910, made Madero a national figure. He founded a newspaper, anti-re-election clubs were formed, and a convention was held in April, 1910, resulting in his nomination for president. Refusing to take Madero seriously at first, Diaz expressed his approval in an interview with the former. But as the Madero campaign gained momentum, Diaz decided to take no chances, and Madero found himself in prison, charged with plotting armed revolution.

Diaz and Carral elected themselves president and vice-president, and Madero, released on bail through the influence of his family, stepped across the border into Texas and there declared the election null and void, calling, on November 20, for a general insurrection. Support was gathered from Washington and New York, uprisings spread throughout Mexico, and Diaz ordered every available man to the front. He was surprised to learn that of the 50,000

men on the payroll of the standing army, 36,000 were only a myth--the great sums expended to equip and maintain the army had gone into the pockets of political grafters.[1] Therefore, on May 21, Diaz was forced to resign. He boarded a train for Vera Cruz on May 27, and on the boat to Europe told a reporter that oil had caused his downfall.[2]

It had looked like good business for the United States to support Diaz, for it had seemed, on paper at least, that he had given Mexico law and order, stability, business progress, and prosperity. But there are different kinds of stability, and in the long run the Americans were among the biggest losers. Had the Mexican masses received better education and a higher standard of living, thereby developing millions of new customers demanding new products, all business would have benefited. But the colonial policy, seemingly, has always been to keep living standards as low as possible in order to get cheap labor, and Mexico was treated as a colony by foreigners during the Diaz regime. No doubt a few altruistic foreigners tried to better the conditions of their employees, and as a whole, perhaps, the peon received better treatment from

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[1]Bell, op. cit., p. 74.

[2]H. Hamilton Fyfe, The Real Mexico (New York: McBride, Nast & Company, 1914) p. 202.

the foreigner than from the grafting native capitalists, but there were many abuses and the majority of foreigners paid no higher wages than were necessary to obtain labor. Perhaps business is now coming to see the benefits of a high standard of living among employees, though it is difficult to see imperialism in the role of a social reformer, especially when social reform required the individual capitalist to cut his immediate profits in order that other businesses may benefit by the general higher purchasing power. But sometimes the oppressed rebel and there is only one choice--reform or revolution.

CHAPTER IV

EARLY HISTORY OF THE PETROLEUM INDUSTRY

When Cortez invaded Mexico, he found a black, sticky substance called chapopote on sale in the markets of the Aztecs. For this asphalt the gold-maddened conquistador could see little use, but for ages the ancient inhabitants of Mexico had drawn petroleum from the natural springs and had gathered asphalt from the seepages. Asphalt has even been found used as flooring in the "mounds" of the pre-Columbian Huastecs who lived in the Tampico region. It was known to the Indians as chapopote, whether in the form of asphalt that seeped to the surface, or as crude oil that flowed from natural springs.[1] When burned, this black, ill-smelling substance gave off clouds of dense smoke, and was used in religious ceremonies as incense before the Indian gods. Often the rituals required the priests to paint their bodies with various colors; the most sacred color, black, was used when human sacrifices were offered. For this, chapopote

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[1]The word, "chapopote," according to the Aztec scholar Cecilio Robelo, is composed of two elements, "tzoquetli," meaning glue or gum, and "popochtli," meaning smoke or odor.

was often used. It probably also was employed in writing the Indian hieroglyphics, in which the color as well as the figures was symbolic. The asphalt veins were easily worked in open pits, and it is likely that this malleable, easily carved, and almost plastic material served as a medium for primitive sculptors. Too, it has been found as mortar in buildings, and the Indians used it as a coating for the roofs of their shacks, for calking their boats, as glue, and for lighting purposes.[1] It is thought to have been used medicinally, and Y. Ximenez, a colonial historian, wrote:

> It sells at a most cheap price, for it is much in abundance on the coasts of New Spain; the Mexican women buy it to chew and carry in their mouths with especial pleasure, for it cleans and comforts the teeth and makes them white.[2]

But the earliest written reference to bitumen in Mexico seems to have been by Fray Bernardino de Sahagun in his Historia General de los Cosas de Nueva Espana (1558-1569) in which he called the petroleum "chapuputle." Hernando de Soto, however, had observed an oil seepage in the Gulf region in 1543.[3]

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[1]Frank C. Hanighen, The Secret War (New York: The John Day Company, 1934) p. 131; MacHugh, op. cit., p. 227; Mexico's Oil, pp. xxv, 9.

[2]Quoted from Weyl, op. cit., p. 285.

[3]Muir, op. cit., p. 1.

During the three centuries of Spanish rule in Mexico, petroleum was used principally for the calking of vessels. An early writer, Andres de Tapia, says:

> In my towns, near the coast, in a certain part there exists fountains of moulten tar which oozes out in the form of pitch only it has no smell (odor) and when it is heated it thickens and forms a substance which is better for calking and no shipworm gets through as it is bitter.[1]

Some of the richest oil regions at that time were fairly densely inhabited by natives. These natives, who raised cattle and horses, regarded the oil seepages as a menace since they formed miry places which, when covered by leaves, appeared as solid ground. Fire was set to the exudes three or four times a year to keep the stock from bogging down in them. The property known as "Potrero del Lano," which later produced the famous "El Potrero Gusher," the world's greatest oil well,[2] was offered for sale for 2,000 pesos and found no buyer because there were so many chapopote seepages.[3]

Commercial exploitation was increased in the early 19th century. Asphalt, often washed ashore on the beaches

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[1]Quoted in Mexico's Oil, p. 10.

[2]Infra, pp. 116-117, 145, 186, 221-222.

[3]Robert Glass Cleland, The Mexican Year Book 1920-1921 (Los Angeles: The Mexican Year Book Publishing Co., 1922) p. 292; Mexico's Oil, p. 10.

near Tuxpam, was gathered and exported to the Hamburg market where 100 pounds sold for as much as four dollars. Near the end of the century, asphalt deposits of Chapopote Nunez, about two miles north of the Tuxpam River, were mined and floated in boxes down the river for 60 miles and then shipped to the United States. About 2,000 tons were marketed in this way.[1]

In 1857, a group of Mexicans, mostly merchants of the village of Macuspana in the State of Tabasco, made an agreement whereby each would furnish "a hundred loads of cacao" with which to buy "sheet or forged iron." This was to be used in making storage receptacles for "illuminating oil" which flowed from a spring near the village and was used by the natives for lighting purposes. Great profit was made from the venture within a short time, as there was enough surplus oil to sell in the neighboring cities.

In 1864, the Federal Government granted a permit to Ildefonso Lopez, a Spaniard, "to exploit deposits of bitumens and oleous substances" at a place called "San Jose de las Rusias" and "Chapopote," in the eastern part of the State of Tamaulipas, near Elbano. Here Lopez gathered the asphalt and the mineral oil which he also marketed.[2]

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[1] Mexican Year Book, op. cit., p. 292.

[2] Muir, op. cit., p. 1; Mexico's Oil, p. 10.

Meanwhile, a new method of illumination had invaded the homes. This was the kerosene lamp, which with a more brilliant, steadier light than others had given, caused an increasing demand for kerosene, and prompted the search for oil deposits.

A Dr. Autrey, in 1864, discovered the "Cubas oil spring" in the Furbero region. He claimed to have found some old working already in existence, previously known only to the Indians. He staked his claim, but his attempt to organize a company failed. In 1869, a group of planters organized the Development Company of the Gulf of Mexico, one purpose of which was to extract coral from the shoals near the coast of Sotavento. This company, however, denounced the "cubas" deposits which Dr. Autrey had abandoned, and imported drilling and refining machinery. This was the first attempt at oil drilling in Mexico. The well turning out to be a failure, a tunnel was driven about fifty feet into a hill near the largest seepage. This project produced only about four barrels of oil a day and was soon abandoned. Dr. Autrey then, about 1879 or 1880, denounced the property and machinery which had been left there.[1] He set up one of the old stills at Papantla, and crude oil was packed in wooden barrels on mules from the "Cubas

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[1]Muir, op. cit., p. 2.

springs," a distance of 15 or 20 miles. Here the oil was refined and sold locally. In all, about 4,000 gallons of kerosene were produced. Dr. Autrey made a trip to California and tried to sell his property to oil companies operating in that state. He called his springs "mines of liquid gold in Mexico;" however, he was unable to dispose of them.[1]

During 1876, a Boston sea captain, whose name has been lost, purchased a quantity of chapopote or tar to be used on board his ship. He brought it to the attention of some Boston associates, and a company was formed in 1882 or 1883; this was the first American company to attempt oil-drilling in Mexico. The captain returned to Tuxpam and acquired "Chapopote de Nunez" and "Cerro Viejo," two oil fields which in the 20th century produced vast quantities of oil. The sea captain, however, was not to reap this great harvest. He drilled two wells to a depth of 375 to 400 feet, which produced small quantities of oil. Then he built a small refinery on an island in the Tuxpam River and transported the crude oil by mules and boat to the refinery where he produced kerosene, which he sold to the natives in small quantities. The business was un-

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[1]P. Harvey Middleton, Industrial Mexico, 1919, Facts and Figures (New York: Dodd, Mead and Company, 1919) pp. 48-50; Muir, op. cit., pp. 1-2; Mexico's Oil, p. 10.

profitable; upon his associates' refusal to supply him with more money for further exploitation, the old captain became discouraged and committed suicide. In 1908, the first well which he had drilled was still gassing and flowing about four barrels of oil daily.[1]

In 1883, a company with a capital of 1,000,000 pesos was organized at San Juan Baustista (now Villahermasa), capital of the State of Tabasco. Senor Simeon Sarlat, Governor of Tabasco, was president. This company drilled wells near the oil springs in the region of Mucuspana, which had been exploited in 1857.[2] These wells, drilled in a poor location in regard to geological structure, produced nothing. The funds of the company having been exhausted, the project was abandoned and the machinery left to deteriorate.[3] Another unfortunate failure was that of Manuel Flores, in 1889. No oil was produced by the shallow well he drilled near a seepage on the _hacienda_ San Jose los Rasias in the State of Tamaulipas.[4]

Because of the increased demand for kerosene, the Waters-Pierce Company, a subsidiary of Standard Oil, set up

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[1]Muir, _op. cit._, p. 2; _Mexican Petroleum_, pp. 25-26; _Mexico's Oil_, p. 11.

[2]_Supra_, p. 90.

[3]Middleton, _op. cit._, pp. 51-52.

[4]Muir, _op. cit._, p. 2.

a small refinery at Vera Cruz in 1886 to take care of Mexican consumption. In 1897 this company installed a larger refinery at Tampico, where cheap labor might be exploited. The oil processed was imported from the United States and the finished products, chiefly kerosene, lubricating oils and paraffins, were mostly exported.[1] The Waters-Pierce Company at this time also enjoyed what amounted to virtually a monopoly of the oil marketed in Mexico.[2]

During the last half of the 19th century, great movements of readjustment occurred in western civilization. The Italian States had been united in 1869; Prussia, after victorious campaigns against Austria (1866) and France (1870) had created the German Empire. From this time on, the European continent began to develop its mechanical civilization at an accelerated pace. On the American continent, the United States was making great mechanical progress which, with her vast natural resources, was soon to outdistance that of Europe.

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[1] Mexico's Oil, p. 13.

[2] When the Standard Oil Company was dissolved by order of the U.S. Supreme Court in 1911, the Waters-Pierce Company was disunited from the holding company and Henry Clay Pierce became head of Waters-Pierce Company. Later, in April, 1924, the Pierce Oil Company was formed as a Mexican Company, and in 1930 the Sinclair Consolidated Oil Corporation acquired a majority of the Pierce Company's stock. Mexico's Oil, pp. 89-90.

During this time, Americans began to consolidate vast capital and to form large corporations for immense business enterprises. Steady progress was made in the physical, chemical, and mechanical sciences, and it soon became known that petroleum was a source of power. The application of this fuel to industry grew, derivatives were discovered, and the commercial demand for it increased.

Petroleum geology was still an empirical science, and oil was said to be like gold--where you found it. Eager adventurers roamed the world in search of oil. One of these prospectors, an Englishman named Burke, observed surface seepages at the mouth of the Tuxpam River. He organized the "London Oil Trust" which was backed by strong British capitalists, among whom was the famous Cecil Rhodes. The "London Oil Trust" purchased leases from a group of Mexicans who, in the latter 1890's, had leased the oil rights of the Sabeneta, Tulapella, and Comalteco <u>haciendas</u>, south of the Tuxpam river near the town of Paputla in Vera Cruz. In New York, Cecil Rhodes had gathered a group of foreign capitalists to promote the enterprise. In all, 24 wells were drilled, all apparently commercial failures, although 10 of them in 1899 were reported to be giving off 150 barrels of oil each and were all gushers. But for some reason they were allowed to run to waste and were not shut in. Only two of the wells reached 1,500 feet in

depth. The owners claimed that the wells could produce 48 per cent illuminating and lubricating oil. This would have been highly profitable, since Mexico imported 678,667 gallons of crude and refined oil in 1899. Under the law the industry would have been given protection from import duties and other assistance by the government. In spite of these advantages, the company abandoned the project after sinking 90,000 pounds. Another English company, the Mexican Oil Corporation, sublet these holdings and spent about 70,000 pounds before discontinuing operations. The reason later given for abandoning this project was a negative report by the British geologist, Sir Boverton Redwood. The property was bought, in 1906, by the Doheny interests.[1]

In spite of repeated failures, surface indications were so evident that it seemed illogical to question the existence of petroleum deposits. Therefore, several capitalists acquired the services of some of the best Mexican geologists and a number of internationally known geologists among whom was the renowned Redwood. They organized scientific explorations of the Mexican territory and their

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[1] The Mineral Industry 1898, ed. Richard P. Rothwell (New York: The Scientific Publishing Company, 1899) p. 544; Min. Ind. 1899, Vol. VIII, p. 459; Muir, op. cit., pp. 2-3; Middleton, op. cit., p. 52; Mexican Petroleum, pp. 26-29; Mexico's Oil, pp. xxv-xxvi, 11.

verdict was that there was no petroleum in commercial quantities in Mexico. Redwood went so far as to censure anyone who dared maintain that commercial quantities of oil existed in the country.[1]

With the turn of the century, however, the exploitation of Mexican oil was to undergo a change. Up to now little progress had been made, but soon Mexico was to enter commercial production on a gigantic scale and to become one of the greatest oil producing countries in the world. Two men were mainly responsible for this development. The first, Edward L. Doheny, was a practical California oil promoter, and the other, Wheetman S. Pearson (Lord Cowdray) was the head of an engineering firm which had done much work for the Mexican Government.

Doheny and Canfield

In May, 1900, a private car was set off on a siding of the Mexican Central Railway at a point about 35 or 40 miles west of Tampico. From this car stepped three millionaires. Two were oil men: Edward L. Doheny and C. A. Canfield, who had made fortunes in California. The third was A. P. Maginnis, a railroad official of that state. These millionaire oil prospectors were eventually to contribute to the vast oil production of Mexico.

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[1] *Mexico's Oil*, pp. xxvi,11; *Mexican Petroleum*, pp. 26-28.

The trip had been made at the suggestion of A. A. Robinson, president of the Mexican Central Railway Company, who was interested in seeing oil developed in Mexico, in order that his railroad might purchase it as fuel; for at that time coal was being imported at much expense from Alabama.

The trio had traveled to this spot, near where oil exudes were known to exist, in a private car and on passes issued by the Mexican Central Railway Company. A guide conducted them through the jungle to active oil exudes in the vicinity. The felt themselves to be in a region which could produce vast quantities of oil, and visualized markets to the railroads of Mexico as well as shipping which might be bunkered at Tampico Harbor.

They bought 280,000 acres, the Hacienda del Tulillo, with subsoil rights for $325,000, although the owner, Mariano de Arguinzchiz, had the property listed on the market for $250,000. He had raised his price, striking, he thought, a sharp bargain when he found out why Doheny and Canfield wanted the property. Later, 150,000 acres was acquired in the extinguished <u>hacienda</u> of Chapacao. This land had been divided into smaller tracts among families. Thus, they had close to 450,000 acres before any drilling was started. Because of earlier failures and adverse reports, the Doheny oil exploitation was regarded in Mexico as just

another Yankee oil stock selling scheme.[1]

The Mexican Petroleum Company was then organized in California with a capital stock of $6,000,000. The stock holders were all rich men who saw an opportunity to make vast profits. Through their attorney, Pablo Martinez del Rio, whose family was friendly with President Diaz, the company learned that it was entitled to a concession to import, duty free, foreign materials needed in the enterprise and would be free from all Federal taxation except the stamp tax for a period of ten years. For this concession they agreed to spend 500,000 pesos within five years.

Equipment was shipped in, and 2,000 to 3,000 peons were brought from the higher country to clear the jungle, make reads and carry on operations in the field. The going wage at that time was 36 centavos, or 12 to 15 cents American money, though the railroads were paying 50 centavos for section hands. This wage was first paid for peon work by the Mexican Petroleum Company, but in order to get men from other parts of the country, oil workers were later paid 60 centavos. Doheny claims that these wages were later increased to 75 centavos and within two years to one peso a day. Houses were built, an ice and cold storage plant, a

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[1] Mexican Petroleum, pp. 15-24, 26; Inv. Mex. Aff., pp. 212,226,231; Millan, op. cit., p. 217.

water distillation plant, an electric plant, saw mill, machine shop, boiler, and blacksmith shop were installed.[1] Drilling started on May 1, 1901, and on May 14 the first well was brought in at a depth of 545 feet. This well, however, produced only about 50 barrels of extremely heavy oil daily.[2]

Doheny notified Mr. Robinson that they were ready to start furnishing oil for his railroad, and asked for an engine to be converted to try out the fuel. About two weeks later, to his disappointment, Doheny received a letter from Robinson stating that the new chairman of the board of directors refused to use the oil. The control of the Mexican Central Railway had passed into the hands of the president of the Waters-Pierce Comapny (Standard Oil) which had enjoyed a monopoly of the distribution of oil in Mexico since the early '80's. This executive feared that the monopoly might be endangered if successful production was established. He therefore repudiated the agreement in order to shut off Doheny's market. Too, the Beaumont fields in Texas had been opened up, causing a severe slump in the price of fuel oil.[3]

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[1] Inv. Mex. Aff., pp. 230,227,235.

[2] Ibid., p. 214; Mexican Petroleum, p. 21; Mexico's Oil, p. 12.

[3] Inv. Mex. Aff., pp. 214-215; Mexican Year Book 1920-1921, pp. 293-294.

When the railroad contract fell through, many of the stock holders became discouraged and sold out. Doheny had been one-eighth owner of the company in the beginning; he bought up the stock and now owned 40 per cent. He had decided to devote his entire time to the Mexican project, and sold property in California for $1,250,000. He organized a paving company in the City of Mexico and built a small refinery at Ebano to furnish the paving material. There was already a well established paving concern whihh, operated by a group of cientificos who were well financed and strongly entrenched in the government, had enjoyed a monopoly. In order to get the contracts, therefore, prices were bid down and terms were given whereby 50 per cent was paid in cash when the paving was completed and the balance divided over ten years. According to Doheny, because of the failure of the railroad contract, Mexican cities became "among the best paved cities in the world."[1] Doheny's company paved about half of the streets in Mexico City, and those of Guadalajara, Morelia, Tampico, Durango, Puebla and Chihuahua.[2]

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[1] Inv. Mex. Aff., p. 215.

[2] Ibid, pp. 214-215, 225-227; The Mineral Industry 1906, ed. Walter Renton Ingalls (New York: Hill Publishing Co., 1907) Vol. XV, Harold C. George, "Petroleum," pp. 615-617.

The wells, drilled during the first four years, were shallow and produced only ten to 50 barrels a day. A lack of market for the oil kept them from drilling to greater depths although the company felt that greater production could be obtained in that way. In 1904 a deeper well was drilled which at 1,450 feet produced 1,700 barrels of 10 gravity oil daily.

Again an attempt was made to sell the oil to the railroad but they contended that it was too heavy. Doheny's company, therefore, brought their own engines and proved that the oil could be used. Finally, in 1905, the Mexican Central Railway Company signed a contract for 6,000 barrels of oil daily for 15 years. This amount was later increased. The railway company's engines were equipped as oil burners and, according to Doheny, they reduced their fuel bill by half. The oil was sold at an average of 49 cents (1.10 pesos) a barrel.[1]

By 1906 a considerable quantity of the Ebano oil was being shipped to Great Britain and the European continent. The Mexican Central Railway Company had equipped about 100 locomotives with oil burners and expected to equip 500 in all. Other contracts were made by the Mexican Petroleum

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[1]Min. Ind. 1906, pp. 615-617, 1907, p. 764; Inv. Mex. Aff. p. 216; Middleton, op. cit., p. 40.

Company to supply oil to the National Railways of Mexico, the Interoceanic Railway, the Vera Cruz and Pacific Railway, and the Mexican Southern Railway. These railroads covered about 85 per cent of the railway mileage of Mexico.[1] When the railroads were nationalized in 1909 by the Mexican Government, the oil contracts were carried on.[2]

This early undertaking in the production of petroleum had received very little encouragement from the Mexican officials other than President Diaz and the Minister of Fomento, Blas Escontria. At the request of the Minister of Hacienda, Jose Ives Limantour, the Geological Institute sent two geologists to report on the region. One of the reports was unfavorable and the other so optimistic that the geologist who made it was discredited by the Institute, and such bitterness was shown that he quit the Institute and became a consulting engineer and geologist for various mining and oil companies. In 1904, about the time the first big well was brought in by the Mexican Petroleum Company, a movement to nationalize the petroleum of Mexico was initiated by some of the government officials. Doheny rushed to Mexico City in order to combat this. Diaz had

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[1] Min. Ind. 1906, p. 617; Inv. Mex. Aff., p. 232.

[2] Doheny claimed that his oil saved the Mexican government railroads more than it paid in fuel. Inv. Mex. Aff. pp. 216,236.

appointed a committee of members of the Academy of Jurisprudence to investigate this possibility. All of the committee but one voted that the government had no claim to the oil beneath the surface of private lands.[1]

Other expansion was now made. Since the oil from the Ebano field was so heavy, Doheny decided they had better find a lighter oil which could be used for other purposes than fuel oil and paving. In 1906 he prospected in the South fields area and bought and leased oil lands. Some of the land was bought outright, some leased for cash rental and some was obtained on a royalty basis. Doheny claims that the natives had no faith in the discovery of oil and preferred either to sell the land outright or to receive a cash annual rental for the subsoil right. The seepages had always been considered a nuisance and a danger. Many of them had been fenced with thorns and sometimes wire to keep stock and children from being trapped in them. Since they were considered a detriment rather than an asset, the property was probably obtained for a very small sum.

After securing such potential oil lands as they felt were needed, Doheny and Canfield formed three companies. The Huasteca Petroleum Company held the land that

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[1] Ibid., pp. 216-217; Mexican Petroleum, pp. 26-28.

was bought outright; these were the largest tracts. The Tamiahua and Tuxpam Petroleum Companies were organized with leases, some of which were later bought outright. Other properties in this district were acquired from the Barber Asphalt Company and the London Oil Trust.[1]

On May 22, 1908, the Huasteca Petroleum Company obtained a concession from the Mexican government to build a 20,000,000 peso refinery in Mexico City and to construct a pipe line from the Tampico Tuxpam fields to the refinery. This concession gave the company exemption from all federal taxation with the exception of the stamp tax. It was allowed to import, duty free, all equipment, machinery and material that it needed, and export duty-free its natural, refined and manufactured products. The company proposed to furnish oil to the industrial centers through which the pipe line was to go. Bonds of 10,000 pesos of the public debt were put up by the Huasteca Company. But the refinery and pipe line were never constructed. In 1917, the concession was terminated by the Mexican Government. The company forfeited the 10,000 pesos in bonds, which in 1917 were worth about 500 pesos. The company claimed that they were unable to build the pipe line because of revolution, although at the same time they did a vast amount of con-

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[1] Inv. Mex. Aff., pp. 218, 229-230; Mexican Petroleum, pp. 28-29.

struction in the State of Vera Cruz, which was in open rebellion against the government.[1] Prior to 1917, the Huasteca Company had avoided all federal taxation except the stamp tax.

In developing the Huasteca properties, in 1909 and 1910, Doheny built an eight inch pipe line 70 miles long from Tampico to where the drilling operations were taking place. Including storage facilities and ten pumping stations, this cost around $1,700,000. The first producing well, Casiano No. 6, which came in in 1910, was shut in as soon as the storage tanks in the vicinity were filled, as the pipe line had not yet been finished. The next well, Casiano No. 7, came in unexpectedly on September 11, 1910, and since the casing had not been cemented in, oil escaped from behind it into crevices in the earth. Therefore, when the well was shut in, a 3,000 barrel oil spring broke out about 100 yards away, and the well had to be left partially open while the oil escaped and ran to wastedinto a nearby creek. This well produced about 60,000 barrels a day, and as soon as the pipe line was completed, in September, 1910, the balance of the oil was saved. In nine years of

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[1] The Mineral Industry 1920, ed. G. A. Raush (New York: McGraw-Hill Book Co., Inc., 1921) Vol. XXIV, David T. Day, "Petroleum and Natural Gas," p. 511; Mexico's Oil pp. xxix, xxxi-xxxii.

production this well, owned by the Tamiahua Petroleum Company, brought in 75,000,000 barrels of oil, and ranks as the third largest well produced in Mexico and the world.[1]

Markets were slow to absorb the oil which the Doheny companies were now producing, and much money had been advanced by Doheny and Canfield. The first large buyer was the Waters-Pierce Company (Standard Oil), which took 2,000,000 barrels of oil a year for a period of five years, paying in advance for a great part of it. Their contract with this company, made on December 17, 1910, was to furnish 2,500,000 barrels of crude oil at 92½ cents a barrel. This was an exceedingly favorable contract, as 50 cents a barrel was considered a good price.[2] The oil war between the Pearson interests and the Waters-Pierce Company was then at its height, and Pearson was short of oil and was forced to buy it in Texas. One is inclined to deduce that this was the reason for the high price received by the Doheny interests.

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[1] Mexican Petroleum, p. 56; Inv. Mex. Aff., pp. 229-230; Mexico's Oil, pp. xxxiii, 113.

[2] S. H. Ball, "Engineering and Mining Journal," May, 1911, 1913, in The Mineral Industry 1911 (New York: McGraw-Hill Book Co., Inc., 1912) Vol. XX, p. 573; Mexican Petroleum, p. 35.

Pearson (Lord Cowdray)

In the meantime, another pioneer in Mexican oil was developing a company that was later to become the greatest oil producer of all the companies in Mexico. This was the Campania Mexicana de Petroleo "El Aguila," often spoken of as the "Mexican Eagle Oil Company," "Mexican Eagle Petroleum Company," "Mexican Eagle Company," "Eagle Oil Company," or "Aguila." Its organizer was an Englishman, Wheetman S. Pearson (Lord Cowdray), head of S. Pearson and Son, Ltd. The latter was an engineering firm, which drained the lake at Mexico City, constructed the harbor at Vera Cruz, rebuilt the railroad across the Isthmus of Tehuantepec, constructed harbors at each end and operated the railway and steamship lines. Wheetman Pearson had great influence with the Diaz regime and many of the Diaz clique held stock in his ventures.

In 1901, while on his way to the United States, he missed his train connection on the American border at Laredo. A rich well at Spindle Top in Texas had just been brought in and there was much excitement over the discovery. This recalled to Pearson's mind that his engineers had often reported oil seepages in various parts of the Isthmus. Making a lightning decision, he telegraphed instructions to his manager to buy up all obtainable options on likely oil lands. By this sudden decision, S. Pearson and Son, Ltd.,

entered a new field--that of oil production.

Geologists were sent into the wilds. During 1902 drilling began on the Isthmus of Tehuantepec, and at San Cristobal oil was struck. This field later proved a disappointment as little oil was obtained. A refinery was constructed at Minatitlan on the Coatzacoalcas River, and a sales organization was developed in both Great Britain and Mexico. The Pearson wells in Tehuantepec could not supply the refinery and the demands of the distributing organizations, so it was decided to extend the scope of explorations to other parts of Mexico.[1]

On December 24, 1901, the first petroleum law was issued in which the President of Mexico was authorized to grant permits for exploration of oil on vacant or national lands and in lakes, lagoons, and bayous. Right was also to be given for importation, tax-free, of the equipment necessary for exploitation, building of pipe lines, refining, tanks, buildings, and so on. Capital invested in petroleum exploitation was exempted from Federal tax for ten years, with the exception of the stamp attached to the permit for exploration, costing five centavos per hectare. In return, each company was to pay into the Federal treasury 2,400 pes-

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[1]R. H. K. Marett, An Eye-Witness of Mexico (New York: Oxford University Press, 1939) pp. 191-200.

os annually for the maintenance of an inspector of oils and prospecting methods. In addition, ten per cent of the net profit was to go to the government. It is said that through his influence with Diaz, Pearson caused this law to be passed.[1] Whether so or not, on April 23, 1906, the Mexican Congress approved a concession-contract which gave S. Pearson and Son, Ltd., the right to exploit government lands in the States of Chiapas, Champeche, Tabasco, Vera Cruz, in the southern district of the State of Tamaulipas, and in the Valles Coutry of the State of San Louis Potosi. The Pearson Company agreed to invest 800,000 pesos in the exploration and exploitation within the next seven years, and were obliged to install a refinery with a minimum capacity of 2,000 liters a day. The company was granted all the advantages permitted by the new petroleum law, and all bonds and shares issued by the Pearson Company or any company or companies which they might organize were exempted from the Federal tax. This same exemption of taxes applied to the company's products, provided they did not become the property of third parties. They were given the right to buy

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[1]The Mexican Yearbook 1909-1910, Issued under the Auspices of the Department of Finance (London: McCorquodale and Company, Ltd., 1911) pp. 531-534; Min. Ind. 1907, p. 764; Mexico's Oil, pp. xxviii, 13.

such national lands as needed, at the price of vacant lands, to expropriate lands for industrial purposes, and to lay pipe lines across privately owned property.

The company was to pay the Federal treasury seven per cent and the State three per cent of the net profits earned on national land each year. (Article 10.) The contract also required that the company be a Mexican corporation, subject to Mexico's tribunals, which requirement applied to all share holders, whether Mexican or foreign, employees and foreigners who might participate in the operations. (Article 13.) The life of the agreement was to be 50 years.[1]

The contract was signed on January 18, 1906, but it was not approved by the Mexican Chamber of Deputies until April 23. Mexican Government reports claim that when the contract was presented another document was also submitted, which modified the original. These amendments were supposed to have been read by the Secretary of the Chamber of Deputies rapidly in a low voice, giving the impression that they were merely matters of detail. Except for one sentence, the amendments were of no importance, but this one sentence gave the company the right to explore and exploit

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[1]Colby, op. cit., p. 1; Marett, op. cit., p. 201; Fife, op. cit., p. 203; Mexico's Oil, p. xxx; Min. Ind. 1906, p. 615.

private lands.[1] Regardless of how the sentence came to be included, since the contract provided that the Federal government would receive seven per cent and the State three per cent of the companies' profits from production on national lands, the revision allowed the company to operate on private lands without paying export or import duties, or any national tax other than the stamp tax. The Pearson Company drilled only a few wells on the national land, but devoted itself to drilling on private lands which it owned or leased. Therefore S. Pearson and Son, Ltd., and the Campania Mexicana de Petroleo "El Aguila" which was organized and took over the contract two years later, were exempt from export duties from 1906 to 1917 and import duties from 1906 to 1935.[2]

The Oil Fields of Mexico Company, which had English capital and was closely identified with the Pearson interests, in 1903 purchased and leased about two hundred square miles of potential oilland north of Vera Cruz. This region was called the Furbero Field in honor of the president of the company, Percy Furbero. It was later taken over by the Pearson interests. Active drilling began in 1904 and several thousand barrels of high grade oil were produced. A pipe line and a narrow gauge railroad were built to Tuxpam.

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[1] Mexico's Oil, pp. xxx-xxxi.

[2] In 1917 a production stamp tax was decreed to overcome this exemption (See Infra, p. 318), and in 1935 President Cardenas cancelled the contract. Ibid., pp. xxix-xxxi.

But the field never produced much oil.

By 1907, the Pearson interests had sunk around 1,000,000 pounds in their venture.[1] They had furnished fuel for the Tehuantepec National Railroad, which they owned. The largest refinery in the Republic, with a capacity of 5,000 barrels a day, was under construction at Minatitlan. The company had its own tank steamers, and had access to Central and South American trade and to the Gulf country and United States markets. But trouble was brewing in Mexico. The Waters-Pierce Oil Company (Standard Oil) had long been in control of the Mexican market, and resented the invasion of S. Pearson and Son, Ltd., who were now cutting in on this trade. The Mexican market at that time only amounted to approximately 1,000 barrels a day, and it looked as though a three-cornered fight might develop between the three major concerns: Mexican Petroleum Company, S. Pearson and Son, Ltd., and Waters-Pierce Company. As it proved later, the Mexican Petroleum Company sold its oil to Standard and the price war developed between the Pearson and Standard Oil interests.[2]

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[1]Marett, op. cit., p. 201.

[2]Min. Ind. 1907, p. 765.

It was in this same year, 1907, that Pearson entered the South Fields (Golden Lane). Many leases were taken, drilling operations started, and during the year a well was brought in by the Pennsylvania Oil Company, in which the Pearson Company became interested.

In May, 1908, the Pearson Company brought in the San Diego well No. 2, which produced around 2,500 barrels a day. Then, on July 4, 1908, they brought in the famous Dos Bocas gusher (San Diego well No. 3) at a depth of 1,834 feet. The pressure was enormous and the casing, which had not been well cemented, was hurled from the hole. The oil, coming into contact with the fire of the engine used to drive the boring machinery, burst into flames, and burned with such fierceness that a pillar of flames and smoke could be seen 50 miles away. All efforts to control the fire were futile and it continued until August 30, 1908, by which time the oil was exhausted and salt water appeared. This gusher tore a large crater in the earth, which is now a salt-water lake covering about 26 acres. The structure was not entirely drained, however, as two other wells drilled later produced at the rate of several hundred barrels daily, though most of the oil in the field was consumed. There are various estimates of the amount of oil that was thrown from the well. Some eye-witnesses contend

that it was a great gas well, not producing more than 20,000 barrels daily; others estimate 80,000 barrels or more a day. It is possible that over 9,000,000 barrels of oil were thrown out before the salt water came.[1] During the same year another serious fire occurred in the Minatitlan refinery and its production was reduced to 3,000 barrels a day.

In spite of such losses, the future of the oil was assured and rival companies began drilling throughout the South Fields. In August, 1908, S. Pearson and Son, Ltd., transferred their holdings north of Vera Cruz to their subsidiary, the Campania Mexicana de Petroleo "El Aguila," or Mexican Eagle Oil Company, which was incorporated August 31, 1908, with a capital of 30,000,000 pesos. Losses continued through 1909; and since the refinery had been curtailed in production, Pearson was forced to buy 400,000 barrels of oil in Texas to fulfill his commitments. The oil war with Waters-Pierce Company was at its height, with both companies selling their products at a loss.[2]

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[1]F. J. S. Sur, Oil Prospecting, Drilling and Extraction (Calagry, Canada: F. J. S. Sur, 1914) p. 46; Muir, op. cit., pp. 3, 208-209; Emmons, op. cit., p. 586; MacHugh, op. cit., p. 227.

[2]Muir, op. cit., p. 3; Millan, op. cit., p. 216; Marett, op. cit., p. 202.

However, 1910 marked a changing point in the company's fortunes when another great well was brought in by the Mexican Eagle Oil Company. This was the "El Potrero Gusher" (Potrero del Llano No. 4) which came in on December 27, 1910, at a depth of 1,911 feet. It gushed an eight-inch column of oil to a height of 640 feet, and since the drilling technique at that time was not far developed, this gusher could not be brought under control, but ran wild at a calculated rate of 100,000 barrels daily. Around 6,000,000 barrels of oil ran into the Tuxpam River and flowed to sea, covering the surface for miles from shore. Fish in the Tuxpam River were destroyed, as were the oyster beds, which became covered by asphalt sinking from the surface. Rowboat transportation became impossible, as huge balls of oil formed around the oars. Destruction of the entire region was threatened since this uncontrollable flow of oil might have become ignited. Fortunately this was prevented by the vigorous efforts of the company and the government. Engineers, even Pearson himself rushed to the scene of the disaster. About 2,500 Mexicans and Indians were put to work constructing an earthen reservoir which, when completed, covered 45 acres and had a capacity of 5,000,000 barrels. A device, later known as the Bell nipple, was invented during the course of the job. This gate valve was finally placed on the casing, and two eight-inch

pipes connected; thus the well was saved and brought under control on January 25, 1911.[1] Pearson now had enough oil for his refinery and to fill all his orders.[2]

Many companies were now putting down wildcat wells. Among these were the Hearst interests who were drilling in northern Chihuahua, and the Harriman-Southern Pacific interests who were operating extensive holdings in the Tampico field. In the North Fields, the Mexican Fuel Company, a subsidiary of Standard Oil, was drilling in the Topila district. The Eastern Oil Company was drilling in the Mendez, Topila, and Panuco districts of the North Fields, and at the Tampamachoco seepages on the "Golden Lane" near Tuxpam. In 1911 numerous other companies started operations in both the North and South Fields.[3]

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[1]The Mineral Industry 1910, ed. Albert Hill Fay (New York: McGraw-Hill Book Co., Inc., 1911) pp. 526-527; Mexican Year Book 1920-1921, p. 296; Emmons, op. cit., p. 587; Sur, op. cit., p. 46; Muir, op. cit., p. 217; Marett, op. cit., p. 202.

[2]This is the largest oil well that the world has ever seen. Up till 1937 it had produced 117,325,294 barrels of oil. Salt water appeared on December 4, 1918, and the well was plugged, but on April 10, 1926, it was reopened as a stripper and has been producing since that time. At one time the well was supposed to have "furnished enough oil to have paid the whole public debt of England." Hanighen, op. cit., p. 169; Mexico's Oil, pp. 112-113; Muir, op. cit., p. 217.

[3]Min. Ind. 1910, pp. 526-527; Muir, op. cit., pp. 3-4.

Up to and including 1910, there had been 240 wells drilled in Mexico. They ranged in depth from 200 to 3,700 feet, but about 70 per cent were unproductive. Production in Mexico during 1910 was only 3,634,080 barrels (AIMME Table) and around 1,000,000 barrels of oil were imported during that year.[1] A considerable part of this oil, however, went to the Pearson refinery at Minatitlan where it was refined and much of it re-exported. Nevertheless, by 1910 it was evident that the Mexican oil fields were among the richest economic prizes in the world. The use of the internal combustion engine, and the innovation of fuel oil under the boilers of railway, stationary, and marine engines, assured the future demand for their product.

The Diaz regime did much to encourage oil exploitation. Whether the administration went beyond its constitutional powers is a moot question, but in 1884 the government began to enact laws which changed the status of the ownership of the petroleum deposits. Previous to the Mining Law of 1884, all subsoil deposits were regarded as belonging to the nation. The Spanish kings made a distinction between surface rights and subsoil rights under the

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[1]C. Reginald Enock, The Republics of Central and South America, Their Resources, Industries, Sociology, and Future (New York: Charles Scribner's Sons, 1913) p. 424.

old "Regalian Law," and when surface rights were granted vassals of the Crown, the subsoil rights were retained. Little attention was paid to petroleum during the colonial period. Under the ordinance of 1783, however, "bitumens or juices of the earth" remained the property of the Crown.

When Mexico became independent the mining laws remained in effect, and minerals, as well as petroleum, were regarded as national property. The first change was made in 1884, when by a new mining law "petroleum and gaseous springs" became the property of the surface owner. A law enacted on June 6, 1887, exempted all petroleum exploitations from Federal, State, or municipal taxation; and throughout the Diaz dictatorship the only tax on petroleum was a small stamp tax for an exploration permit amounting to one cent an acre. On June 4, 1892, another mining law gave the owners of the soil the right to work mineral oils and mineral fuels without special concessions. Producers were further favored by the Petroleum Law of December 24, 1901, by which the executive was empowered to grant exploration concessions and rights whereby natural, refined, and manufactured products were to be free from all taxation, and the necessary material and machinery required were made free from all duty. Too, the Mining Law of 1909 declared that "wells or deposits of mineral fuels in all their forms and varieties" were the exclusive property of the

owner of the land.[1]

Such encouragement did much to offset the obstacles faced by Doheny, Pearson, and other early exploiters. The jungles of this tropical region were not conducive to oil development. Demand for oil was not great and markets were hard to get. To develop the oil region required a vast amount of capital, as all equipment and material had to be imported and shops set up for every type of work. The jungle had to be cleared, pipelines laid, storage facilities built, men brought in, and housing facilities provided.

Land was cheap and could be had for the asking, since natural wealth outside the path of development has little value. Without animals and machinery, or markets for their products, the peasants found the jungles worth little. Mexican capitalists were more interested in a sure investment, such as the *hacienda* about which they knew something, than in taking a long shot at what seemed a wild enterprise. But outside capitalists, in search of large profits, were willing to take the risk.[2] These promoters were

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[1]Mexican Year Book, 1908, p. 498, 1909-1910, p. 508, 1920-1921, p. 299; Mexico's Oil, pp. xxvii, 12; also see Infra, p. , and Appendix for laws.

[2]Clarence W. Barron, The Mexican Problem (New York: Houghton Mifflin Company, 1917) pp. 30-31; Calcot, op. cit., p. 249; Trowbridge, op. cit., p. 126.

often dealing with an exceedingly poor and ignorant people, who knew nothing of the value of petroleum land, and who had regarded the seepages as a thing of mystery which often destroyed what little stock they had as well as an occasional child. Therefore, in the beginning the subsoil rights as well as the land could often be bought for a pittance. An owner of a hacienda might drive a hard bargain, thinking he was getting the best of foreign slickers; but the peasants with small holdings were often signed up in groups and got what the companies offered. The majority took the sure cash rather than the small royalties offered. One writer claimed that an "unbiased attorney who made a specialty of the matter" was of the opinion that "there were some cases of corruption, but, taken by the large, the deals were legal even though questionable ethically."[1] The same writer cites the case of Senora Merinos, who had offered to sell a large tract of land for 35 pesos. Doheny gave her a royalty of 200 pesos a year, and a large producing well was drilled on her land. A suit was brought in the United States to nullify the contract and to collect damages, but the American court upheld Doheny's contract as legal.[2]

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[1]Kluckhohn, op. cit., p. 98. [2]Ibid.

Many thousands of acres, in those early days, were leased for 50 centavos an acre, while land was bought outright for one peso per hectare when unimproved and 10 to 15 pesos when improved. After competitive drilling started, much higher prices were paid and royalties rose to from five to ten per cent. Five per cent royalties usually prevailed except near the best seepages, but in proven fields ten per cent was usually given. Leases usually ran 30 years, and cash rent was commonly paid in advance for two or three years.[1]

Wages increased during this period. When oil development first started, peon wages were 36 centavos (12 to 15 cents U.S. currency) a day. Because many workers were needed, they were brought from the plateau regions and 50 centavos a day was paid in order to induce them to work in the tropical jungles. These wages were raised to 60 centavos and then to 75. By 1911, fairly efficient Mexicans received 1.25 to 1.50 pesos a day in the oil fields. American drillers were paid in United States money, and received seven dollars for an 11-hour day, while their helpers were paid four dollars with board and lodging. Natives who became skilled workers at times received wages equivalent to

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[1] Min. Ind. 1911, S. H. Ball, "Petroleum in Mexico," as in Engineering and Mining Journal, May 13, 1911, Vol. XX, p. 575; Inv. Mex. Aff., p. 237.

those of the Americans, but this was not usual. Some of the oil companies provided the workers with fairly good houses, pure drinking water, medical care, company stores, and schools. Other companies were not so liberal and the Mexicans received little benefit except for better wages than they got on the haciendas.[1]

Over 90 per cent of the entire oil industry was foreign controlled, and 58 per cent of the oil wells were owned by American capital.[2] Attempts had been made, without success, to curb foreign control. A bill had been introduced into the Federal Congress, which provided that petroleum deposits, wherever found, should be made subject to denouncement; that no further concessions should be granted; and that the oil lands be placed under a special tax. Although this bill was defeated, it was a step toward the breaking of foreign control.[3]

There was a great deal of friction between the American and English oil companies. In the latter part of his regime, Diaz apparently favored the English against the American investors. He developed a fear of the power of

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[1] Min. Ind. 1911, p. 573; Inv. Mex. Aff., pp. 220, 235.

[2] Mexican Year Book, 1920-1921, p. 301; Inv. Mex. Aff., pp. 332-333.

[3] Mexican Year Book, 1920-1921, p. 301.

American capital and encouraged European interests in order to counter-balance this growing influence. Fearing Standard Oil, Diaz exacted a promise from Doheny that he would never sell out to this company without first giving the Mexican government the opportunity to buy.[1] Too, Pearson had accomplished much toward the development of Mexico, and had close relations with the cientificos. Even before the oil industry got on a commercial basis, there was gossip almost to the point of scandal in regard to the oil concessions given to him on national land. It was rumored that certain government officials had received good-sized blocks of stock for getting the concession through. The favors shown Pearson by the Diaz government boded ill for American oil interests and it seemed certain that British companies were obtaining a decisive advantage over their American rivals. For this reason, many Mexicans and Americans believed that the Madero revolution was supported secretly by United States "oil." The most persistent rumor was that Madero was receiving large sums of money from the Waters-Pierce Company, which was trying to drive out the Pearson interests.[2] One writer claims that Standard Oil bought

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[1] Inv. Mex. Aff., p. 218.

[2] Scott Nearing and Joseph Freeman, Dollar Diplomacy (New York: B. W. Huebsch and the Viking Press, 1925) pp. 88-89; Stuart Alexander MacCorkle, American Policy of Recognition toward Mexico (Baltimore: John Hopkins Press, 1933).

bonds of the provisional government and had a tentative agreement to get concessions in southern Mexico,[1] while another contends that the oil company had not prompted or incited the revolution, but was a factor only after success of the revolt was assured.[2]

It is hard to determine the truth of these stories, but two Americans, who had been close to Madero during the revolution, testified before the United States Senate Foreign Relations Committee as to their understanding of the origin of Madero's funds. One of these men, Lawrence F. Converse, of Los Angeles, a soldier of fortune who had been an officer on Madero's staff, testified that other leaders

> . . . . and Mr. Madero himself, told me that as soon as the rebels made a good showing of strength several leading bankers in El Paso stood ready to advance him--I believe the sum was $100,000; and these same men told me also that the Standard Oil interests had bought bonds of the provisional government of Mexico.

He also testified that "frequently money in large quantities came across the river."[3]

On the other hand, Mexicans intimately working with Madero during the revolution have emphatically denied that

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[1]Hanighen, op. cit., p. 59.

[2]De Lara & Pinchon, op. cit., p. 352.

[3]Quoted in Nearing and Freeman, op. cit., p. 89, from U.S. Senate Foreign Commission, "Revolution in Mexico," 1913, pp. 104-105.

American money was furnished the Madero party. It seems, at least, that the early Madero movement was favored by some American interests, and it may have been partially financed by these sources.[1] After all, Diaz himself said that it was an "oil revolution" which had driven him out of power.[2]

Foreign capital had been invited by Diaz to exploit Mexico's resources, and the nation had derived great benefits from this intrusion. But the greed and competition of a few foreign concerns for special favors and privileges, in order to monopolize natural resources, was largely responsible for the opposition of Mexicans to all foreigners. Though foreign interests may not have helped finance the Madero revolution, their actions certainly had not contributed to the stability of the Diaz government.

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[1] Ibid.; Tannenbaum, Peace by Revolution, op. cit., pp. 135-136.

[2] Fife, op. cit., p. 202.

CHAPTER V

MADERO AND FOREIGN CAPITAL

(1911-1912)

The resignation of Diaz brought in a provisional president, as had been arranged between Limantour and Madero.[1] Hence, when the revolution was won, Madero found himself in a minority position in both the federal and local governments. The provisional president, de la Barra, formerly Mexican ambassador to the United States, and the majority of the members of the cabinet, belonged to the old conservative group.[2]

On October 1, 1911, Mexico's first popular election was held and Madero won with only a slight opposition. Pino Suarez became vice-president at the electoral convention throughtthe influence of Gustavo Madero, brother of the incoming president.[3] This administration was to

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[1]Bell, op. cit., Chapter II et al.

[2]Tannenbaum, Peace by Rev., pp. 152-153; Parkes, op. cit., p. 325.

[3]MacCorkle, op. cit., p. 82; Parkes, op. cit., p. 325.

last from November 6, 1911, until February 19, 1913.

President Madero obviously was not a capable executive. Some think he made a mistake in considering the country ready for a democratic government.[1] This may be, although the objectives displayed by those surrounding him do not seem to indicate that this was the case. After he took office, his family moved in on him, and seemed to expect all the patronage. They filled the cabinet and the important offices, building up a new cientifico machine within the family. Since the Maderos had large holdings in Mexico that were in direct competition with foreign interests, antagonism was soon aroused.

The Taft administration was somewhat sympathetic with Madero at the start, and promptly recognized him as president. But it was soon found that Madero was not willing to grant favors to American capital; besides, some of the interests directly connected with the Taft administration were business competitors of the Maderos, as were many other large American concerns. The Rockefeller-Aldrich rubber interests, with large holdings in Mexico, were in direct competition, owning property adjacent to the Maderos. The Guggenheim metallurgical holdings in Mexico were also competitive, and although the Guggenheims did not

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[1]MacHugh, op. cit., p. 144.

openly oppose the administration, their influence, through Washington and the American Ambassador to Mexico, Henry Lane Wilson, was instrumental in causing Madero's overthrow. Ambassador Wilson had close connections with the Guggenheim interests. His diplomatic appointment had been due to the political influence of his brother, John M. Wilson, a former senator and close political associate of Richard Ballinger, Secretary of the Interior in the original Taft cabinet. Ballinger's intimate relations with the Guggenheims were made notorious following the Ballinger-Pinchot controversy. Even Pearson had affiliations close to the Taft administration. The New York law firm of Strong and Cadwallader had been for several years the American counsel for S. Pearson and Son, Ltd. Henry W. Taft was on the board of directors of S. Pearson and Son, Ltd., and had been a director of the Mexican National Railroad under the Diaz regime. Taft was a brother of the President, and he and United States Attorney General George W. Wickersham were connected with the Strong and Cadwallader firm.[1]

Pearson's position seemed obvious. Of three large contracts let by the Madero government, two had gone to

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[1]Bell, op. cit., pp. 113-114, 123-124, 129-133, 161; Parkes, op. cit., pp. 329-330; Gruening, op. cit., p. 561.

American concerns under conditions and at prices lower than Pearson would accept. Although Pearson and Son, Ltd., received one of the contracts, they were displeased. Too, Pearson's petroleum operations caused much controversy. When the Diaz government had granted him a concession, in 1906, to exploit government lands,[1] the contract gave the government the right ot have a representative accompany all prospecting expeditions, as well as to be present at all drilling operations. The government also was given the right of access to all oil field reports. The Diaz regime had exercised none of these rights, but Madero's Minister of Gobernacion (and cousin), Rafael Hernandez, had insisted upon them. Pearson, however, disregarded these governmental privileges and inspectors were not permitted to examine the operations, nor were the field reports produced. Another sore spot was the Pearson interest in the Tehuantepec National Railway.[2] Negotiations for the sale of this rail-

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[1]Supra, pp. 110-112.

[2]In 1889, Diaz gave a contract to the English financier, Edward McMurdo, to construct a railroad across the Isthmus of Tehuantepec, a distance of 150 miles, with a subsidy of $13,500,000 or about $90,000 per mile. About $2,000,000 was spent on the road; the rest went as profit to those concerned in the transaction. The road was so poorly constructed that a new contract was given Pearson to rebuild and equip it. Pearson received a $15,000,000 cash subsidy, a franchise for 51 years to operate the road, and authorization to float a loan for $17,500,000 backed by government securities, for subsidizing a shipping line in connection with the road.

road to the Mexican government dragged along while the construction of the railway's deadly rival, the Panama Canal, was hastened toward completion.[1]

The higher officials of the army and the Diaz *cientificos*, headed by the Pearson syndicate, formed a solid bloc against the Madero government, and did everything in their power to discredit it. President Madero ordered the treasury to pay his brother, Gustavo Madero, 700,000 pesos for expenses during the Revolution. Gustavo had embezzled $375,000, advanced by a Paris banking house to underwrite bonds of a railroad to be built in Mexico, and had used the money to finance the revolution. To keep down publicity and scandal the refunding to Gustavo was done in secrecy. Much, however, was made of it in the Mexican congress by the opposition, and more harm was done the administration than if the refunding had been made openly. Reports were spread that Madero was influenced by money, especially American "oil money." The Madero clique countered by publishing evidence to show that many relatives and associates of Diaz had received preferred stock in the Mexican Eagle Petroleum Company as gifts.[2]

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[1]Bell, *op. cit.*, p. 161.

[2]*Ibid.*, pp. 94, 219-222, 262-263; Callcot, pp. 197, 204.

There were other dissatisfied groups. The Madero Revolution had used the slogan of effective suffrage, non-re-election, and agrarian reform. The peasants therefore expected land, but Madero forgot his slogan and denied that he had promised to restore the land to the masses. Indians haunted the corridors of the government offices and waited patiently, but in vain, for land to be given them. When Zapata asked for land to be returned to the villages, Madero offered one or two *haciendas* in Vera Cruz and told him that the agrarian problem was not that simple, but very complicated.[1] Zapata, believing that Madero had betrayed his pledge, refused the offer and returned to his native hills, proclaiming,

> Be it known to Senor Madero, and through him to the rest of the world, that we will not lay down our arms until we have recovered our lands.[2]

So the Revolution was on again, and Zapata fought on for land and never again made peace. The Mexican congress, however, had authorized the raising of a loan to buy large tracts of land and to divide them into plats to be sold on

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[1] In his "Plan of Ayala," issued November 28, 1911, Zapata had called for immediate expropriation and distribution among the landless of one third of the land of the *haciendas*.

[2] Tannenbaum, *Peace by Rev.*, p. 177.

installments, but that was as far as it went.[1]

To Madero, the revolution was not a social revolt, but political. His mild ideas for improvement of labor and the landless were only incidental. He looked on labor with little favor, suppressed labor agitation, expelled foreign organizers, and cracked down on labor unions and propaganda. This by no means helped his popularity with the worker group. There were numerous strikes, and though labor got nothing tangible, new ideas developed. The victory of Madero had intensified radical propaganda, since many were unemployed. It is estimated that in 1910, United States capital employed 1,800,000 Mexicans, and that by March, 1913, this had dropped to 1,300,000, a decrease of almost 30 per cent. Besides, many of those employed were not working regularly. This was probably the case in most industry in Mexico at that time.[2]

Henry Lane Wilson became the leader and mouthpiece of all the discontented foreign interests and used all the power and privilege of his position to ruin and upset the Madero regime. He was aided in this by the Mexican Herald

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[1] Ibid.; De Lara & Pinchon, op. cit., pp. 344-347; Marett, op. cit., p. 14; Gruening, op. cit., pp. 98, 142; Parkes, op. cit., pp. 341-342.

[2] Gruening, op. cit., p. 97; Millan, op. cit., p. 83; Tannenbaum, Peace by Rev., p. 223; Calcott, op. cit., p. 220; Bell, op. cit., pp. 341-342.

(American owned) and by all the big newspapers of Mexico, which acted on the behalf of "big business." A man of orthodox ideas, Wilson looked with disgust upon the upsetting of the traditional practice which had gained American capital vast concessions. This unfortunate background of business rivalry grew to hatred and personal antagonism. Wilson was the aggressor, and his insinuations began with the election of Madero, which, as an election, had been unique in Mexican history in that official coercion was entirely absent.[1] Nevertheless, in his letter to Secretary Knox on October 27, 1911, Ambassador Wilson characterized the whole election as "farcical" and as irrespective of the Mexican opinion.[2]

Wilson also was annoyingly persistent in presenting claims for damages to the Mexican government. These not only included claims of American citizens, but those of English and Chinese plantation owners, and of the Mexican Herald, which had been refused the subsidy which it had enjoyed during the Diaz regime, and had bedome exceedingly hostile to the Madero government. After it published abusive editorials and false reports that caused panic over the

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[1]Kluckhohn, op. cit., pp. 40-41; Calcott, op. cit., pp. 220-221.

[2]For. Rel. 1911, p. 519.

country, the government suspended one issue of the paper. The directors of the Herald, which was unprofitable, stopped publication, and put in claims for supposed losses caused by the paper's suspension.

Ambassador Wilson asserted the Madero government was responsible for the murder of from 40 to 100 American citizens because it was unable to maintain order. Investigation proved that only seventeen had been murdered. Of these, four murders had occurred during the Diaz regime; ten had been investigated and three criminals convicted; two alleged murderers had been released for lack of evidence; three of the murdered were American filibusters; one murder had resulted from an attack when a peon objected to the American's making love to his wife; and the remaining cases were being investigated. It seemed that only two of the cases had any merit for complaint. Madero's foreign secretary also showed that during the same period there had been eight Mexicans lynched and murdered in the United States.[1]

All during 1912, Henry Lane Wilson made protests against disorder and threatened intervention. In January, 1912, he reported that Mexico was "seething with discontent." In February on his advice 100,000 American troops were

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[1]For. Rel. 1912, pp. 171-174; Bell, op. cit., p. 226; Parkes, op. cit., p. 336; Callcott, op. cit., pp. 220-221; Gruening, op. cit., pp. 563-565.

sent to the Mexican border and Ambassador Wilson warned Americans to leave the country.[1] Wilson declared that there was a growing anti-American spirit in the Madero administration, and a decided preference for European markets, with harassing of and discrimination against American interests. In this discrimination he included a "discriminatory and almost confiscatory tax placed on the oil products at Tampico."[2] The Department of Foreign Affairs of Mexico replied that the tax was not discriminatory or confiscatory, but that a tax had been placed on such natural resources as could stand a tax, in order to meet expenses; that oil had been one of the wealths in Mexico that did not pay any tax except the stamp tax; and that before enacting this export stamp a meeting had been held with the representatives of various oil companies and the majority had accepted the tax without protest. Too, the tax was on all companies and there was no discrimination, whether American, English, or Mexican. The note also pointed out that this tax was less than that paid on oil in California.[3]

Outside of the stamp tax for exploration permission, amounting to five centavos per hectare (one cent,

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[1]Parkes, op. cit., p. 330.

[2]For. Rel. 1912, pp. 826-827. [3]Ibid., p. 875.

U. S. currency, per acre), this was the first tax to be imposed upon the petroleum industry in Mexico. It was an internal revenue stamp tax of 20 centavos per ton (about one and one half cents, U. S. currency, per barrel), on the oil exported.

In the meantime, the press and American investors in Mexico became persistent for American intervention. In July, 1912, Senator Albert Fall began to demand protection of American property and citizens in Mexico. The presidential campaign of 1912 probably had much to do with this vigorous action of the Taft administration, since the Democratic platform had pledged the party to protect its nationals abroad. Ambassador Wilson continued to press his claims, and pronounced Madero's program Utopian--then censured him for not carrying it out. He denounced Madero as a "wicked despot" and at the same time contended that Mexico could only be ruled by a dictator. Then, when the Taft administration mildly disapproved of some of his actions, he continued anyway and exceeded his authority.[1]

During this time, Zapata remained in his mountain

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[1]J. Fred Rippy, "United States and Mexico," American Policies Abroad, Mexico, Opinions Expressed for the Chicago Council of Foreign Relations (Chicago: The University of Chicago Press, 1928) pp. 23,33; De Lara and Pinchon, op. cit., p. 352.

hideout, which, with American guns, was impregnable. A rebellion attempted by Bernardo Reyes resulted in his arrest. General Huerta had efficiently crushed a rebellion headed by Pascual Arozca, but refused to account for around 1,000,000 pesos which had been entrusted him by the war department, declaring he wasn't a bookkeeper. Therefore, he was put on the retired list. Felix Diaz then started a rebellion at Vera Cruz which was quickly put down, and he was arrested and thrown in prison where he, as well as General Reyes, was allowed frequent visitors.[1] Then came the bloody year of the Revolution (1913).

Throughout January, 1913, a coup d'etat was planned by the officers of the army. It became common knowledge, and Madero was warned through his brother Gustavo. However, he considered it incredible. Rumors ran rife, and around the city nerves were at the breaking point. Felix Diaz and Bernardo Reyes escaped prison on February 9, 1913, when students of the Tlalpan Military Academy broke into the prison and set them free. General Reyes was killed in an attack on the palace, which was defended by General Villar, who rose from his sick bed and was wounded in the fight. General Huerta then pledged his loyalty to Madero and was given command. Thus began the "ten tragic days" during

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[1]Parkes, op. cit., pp. 328-332.

which many civilians were killed, while the two armies cannonaded over the business section of Mexico City. It was a farcical war to force the people to accept any kind of a peace. The National Palace was hit only twice, and most of the casualties were civilians. Troops known to be loyal to Madero were sent into battle without cover and were mowed down by rebel machine guns. During the battle, rumor of intervention by the United States came to Madero, who said he would welcome intervention and that the Americans would be surprised to discover that Japan would back him. It was reported that the Japanese legation offered 200 to 5,000 troops for the emergency, but was rejected. Another report claims that 400 Japanese fought in Madero's army.[1] Ambassador Wilson urged intervention,[2] and declared Madero insane, while Madero protested to Washington about Wilson's meddling in Mexico's affairs.[3] The American press demanded intervention, and President Taft sent American war ships to Mexican waters and fresh troops to the border.[4]

Meanwhile, General Huerta secretly negotiated with

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[1]De Lara & Pinchon, op. cit., pp. 354, 3560357; Bell, op. cit., pp. 253-260, 286; Calcott, op. cit., pp. 223-224; Parkes, op. cit., p. 332.

[2]For. Rel. 1913, p. 704. [3]Ibid., pp. 710-711.

[4]De Lara & Pinchon, op. cit., p. 355.

Felix Diaz. Unable to come to an agreement, they met at the United States Embassy and Ambassador Wilson was taken into their confidence. Huerta had planned to take no open part in the coup d'etat until he was sure it would succeed. An agreement, known as the "Pact of the Embassy," was reached. By this pact, Huerta was to become provisional president and Felix Diaz was to be elected president with de la Barra as vice-president.

On February 17, Ambassador Wilson wired the State Department:

> Huerta notifies me to expect some action that will remove Madero from power at any moment; plans fully matured, the purpose of delay being to avoid any violence or bloodshed. I asked his messenger no questions and made no suggestions, beyond requesting that no lives be taken except by due process of law.[1]

The next day, February 18, Madero and Vice-President Suarez were seized and induced to resign, with promises of immunity for themselves and their officials. They were to be sent to Vera Cruz and their families went there to wait for them. At about the same time, Gustavo Madero and Huerta were dining together in a restaurant. A messenger called Huerta away, apparently on business, but before leaving, Huerta borrowed Gustavo's revolver, claiming he had none with him. A few minutes later, Gustavo was

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[1] For. Rel. 1913, p. 718.

arrested and ruthlessly murdered.

Lauriscan was made interim president and held office exactly 26 minutes, probably the shortest term ever held by the head of any state. Huerta then took over the government. After the negotiations were over, Ambassador Wilson invited a meeting of the Diplomatic Corps and gleefully informed them that "Mexico was saved." He urged recognition of the Huerta Government, and when Huerta dropped in, Wilson led the applause and hailed him as the "Savior of Mexico." Wilson then wired Washington that "a wicked despotism had fallen" and gave a broad hint to the State Department that the new government should be recognized immediately.[1]

While Madero and Suarez were in prison, members of the Madero family pleaded with Ambassador Wilson, asking him to intercede with Huerta, but Wilson now contended that meddling in the internal affairs of Mexico would be unethical. Mrs. Madero begged him to wire a message she had written to the President of the United States, as she could not get a message through since the wires were controlled by Huerta. Wilson took the message, but apparently it never reached Washington, or it was given no heed.

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[1]Bell, op. cit., p. 300; MacHugh, op. cit., p. 31; Parkes, op. cit., pp. 332-334; Calcott, op. cit., pp. 225-226; Gruening, op. cit., pp. 567-569; Rippy, "U.S. and Mex.," Am. Pol. Abroad, p. 37.

Messages, however, from others asking that the United States save the lives of Madero and Suarez were answered by the Secretary of State, who said that the Mexican authorities had already been notified through the Embassy in Mexico that an unfortunate effect would be produced in this country if Madero and Suarez were given unjust and improper treatment.

On the evening of February 22, Madero and Suarez were taken from the palace to the prison. Behind the prison they were shot by their guards after they had been ordered out of the vehicle. It was explained that they were accidentally killed when an armed group tried to rescue them.

Ambassador Wilson, on February 24, telegraphed Washington that he was disposed to accept this version of their death and "considered it a closed incident," and said he found the Huerta government ready to settle all issues with the United States. He now urged the United States consuls in Mexico to use their influence to secure recognition of the Huerta regime.[1] American public opinion, however, did not like the explanation and procedure of the

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[1]For. Rel. 1913, pp. 732,736; Bell, op. cit., pp. 312-318; Calcott, op. cit., pp. 226-227; Gruening, op. cit., pp. 569-573; Parkes, op. cit., p. 334.

Huerta regime. Therefore, the Taft administration did not recognize the Huerta Government nor officially accept the version given out regarding the murder. On March 4, 1913, Woodrow Wilson became president and later Henry Lane Wilson was recalled. Thus began the rule of the Huerta regime, one of the most gruesome tyrannies in Mexican history. The Madero regime had not done much in social reform. In education, 12,000,000 pesos a year had been spent, compared to 8,000,000 pesos yearly in the latter part of the Diaz dictatorship. There had been little land reform, labor had been suppressed, and the government was corrupt. But under Huerta these conditions were to become worse.

Oil 1911-1913

Meanwhile, in the oil fields drilling and production had really got under way. The bringing in of vast gushers by Doheny and Pearson had caused numerous companies to enter into the fields, and during 1911 there were many drills operating in the Tampico-Tuxpam fields. The East Coast Oil Company (Southern Pacific) completed a well in April that produced from 5,000 to 6,000 barrels daily in the Topila field. This was the best producer in this field at that time. The company constructed a pipe line 8,000 feet from its Panuco wells to the Panuco River and from there the oil was barged to Tampico.

The Huasteca Petroleum Company (Doheny) had seven wells drilled by the end of 1911, and four of these were "producers," flowing 35,000, 12,000, 800 and 600 barrels per day respectively when brought in. The company was delivering the full capacity of the eight-inch pipe line to Tampico. This amounted to 16,000 barrels a day, and the wells had to be curtailed to this amount. By the middle of March, the Huasteca Company had delivered about 2, 2,860,000 barrels of crude oil. Part of this was taken by the Waters-Pierce refinery, and the balance stored. Of that stored, some was sold to the Mexican National Gas company at Mexico City and the rest taken to Ebano, where it was mixed with the heavy crude produced there and then delivered to the National Railways of Mexico.[1]

The Mexican Petroleum Company (Doheny) at this time had 20 wells at Ebano and were marketing about 3,700 barrels of fuel oil a day from this field. The Doheny interests needed markets for the oil they produced, and in order to build these up, a large amount of capital was needed. After an attempt to mortgage their properties and float a bond issue had failed, Doheny and Canfield finally sold $5,000,000 of their securities to the banking house of William Salomon and Company. This gave them adequate funds

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[1] Min. Ind. 1911, pp. 571-572.

for further expansion in marketing facilities, and production was increased greatly during the next ten years.[1]

The Huasteca Company by this time had 30 steel tanks at Tampico, each with a 55,000 barrel capacity, and was also planning more tanks and a concrete reservoir of 1,250,000 barrel capacity at Tampico. Two other reservoirs were also to be built, one, of 750,000 barrel capacity, to be located at Tamiahua lagoon. The other, with a capacity of 500,000 barrels, was to be located at the Juan Casiano field. Another eight-inch pipe line was completed from Tampico to the Juan Casiano field during that year.[2]

The Potrero del Llarno well of the Mexican Eagle Company (Pearson) was brought under control in January, 1911. This well, the largest in the world, produced, by actual measurement, 103,000 barrels of oil when it was permitted to flow to capacity for 24 hours.[3] Pearson's pioneering work was now largely over, and from then on the Mexican Eagle Company made a tremendous expansion. He formed other companies to handle transportation and marketing. A six-inch pipe line was laid from the well to the Tacachin River, an eight-inch line from there to Tuxpam, and a line

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[1] Mexican Petroleum, pp. 35-36.

[2] Min. Ind. 1911, p. 574.

[3] Bell, op. cit., p. 374.

was run on the sea bottom to about a mile off shore where the tankers were loaded through flexible pipes connected to the submerged line. Tankers then transported much of the oil down the coast to the Minatitlan refinery. Another six inch pipe line was laid to the Furbero field from Tuxpam and a narrow gauge railroad was built from this field to a point on the coast east of Tuxpam.[1] The Mexican Eagle Company now began to make money. It showed a net profit of 874,000 pesos for the year, and was able to pay an eight per cent dividend to its stockholders.[2]

There were now three refineries operating in Mexico. The Waters-Pierce Company had two of them: one at Vera Cruz with a 3,000 barrel daily capacity, and the other at Tampico, with an 8,000 barrel daily capacity. The third was the S. Pearson and Son, Ltd., refinery at Minatitlan, with a capacity of around 6,000 barrels daily.[3]

Oil production in Mexico in 1910 was only 3,634,080 barrels, and around 1,000,000 barrels had been imported;[4] but the bringing in of the two large wells,

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[1] Min. Ind. 1911, p. 574; Marett, op. cit., p. 203; Colby, op. cit., p. 473.

[2] I. M. Quintana, Mexican Oil--A Statement of Facts (Mexican Government Publication, 1940) Table, p. 12.

[3] Min. Ind. 1911, pp. 574-575.

[4] Enoch, op. cit., p. 424.

Juan Casiano No. 7 of the Huasteca Company and Potrero del Llano No. 4 of the Mexican Eagle Petroleum Company in the latter part of 1910, caused a vast increase in production to show in 1911. Mexico's oil production for that year amounted to 12,552,798 barrels (AIMME Table) and the Republic exported 893,709 barrels (AIMME Table).

Oil production 1911.....	12,553,000 bbl.
Oil production 1910.....	3,634,000 bbl.
Increase of production in year 1911 over 1910.....	8,919,000 bbl.[1]

Drilling costs had been exceedingly high, the majority of the wells costing from nine to twelve dollars per foot, but it was figured that this could later be reduced, by careful management, to six dollars per foot. The drilling was not difficult unless basalt was struck, and then the hole went crooked. The greatest danger was from the great gas pressure blowing out the casing and ruining the well. It usually required from three to six months to bring in wells from 1,800 to 1,900 feet in depth. The rotary drill was used in the soft layers and the standard drill to finish.[2]

It is amusing to note that the revolutionary activities began in the latter part of 1910, and that the

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[1] Ibid. [2] Min. Ind. 1911, p. 574.

great increase of Mexican oil production was during the turbulent years that followed. One might hastily conclude that the Mexican petroleum industry only prospered under revolutionary conditions, which existed up to 1920.[1] There were, however, other factors which contributed to the increase and decline of Mexico's oil production.

Oil 1912

During 1912, the first important well of the Mata Chapopote field, in the North Field area, was completed by Tampico Oil, Ltd.[2] Additional wells were sunk in the Tampico-Tuxpam region, and it was estimated that 252 wells had been drilled by the end of 1912. Of these, only 64 were producing oil and five of them yielded more than 90 per dent of the total production for the year. Oil production increased to 16,558,215 barrels and 7,627,795 barrels were exported, 96.9 per cent going to the United States. (AIMME Table).

Oil production 1912.....	16,558,000 bbl.
Oil production 1911.....	12,553,000 bbl.
Increase.....	4,005,000 bbl.

(U.S. Bureau of Mines)

A considerable amount of crude oil was shipped to the Pearson refinery at Minititlan, and the Waters-Pierce

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[1]See Production Table, p. 417.

[2]Muir, op. cit., p. 4.

refinery at Tampico refined about 6,000 barrels each day, while the railroads consumed 12,000 barrels daily.[1] The average price of crude in Mexico was 48 cents a barrel and great marketing expansion began to take place. Facilities for transportation and treatment of the oil continued to increase, and a number of new companies brought in new drilling machinery, while some oil well supply firms were now contemplating opening branch houses in Tampico. Pipe lines were under construction, and others were being planned. Much attention was given to the provision of oil-carrying vessels, the shortage of which was responsible for the relatively slight increase in oil production in 1912 over 1911. It was necessary to construct tank farms to store the large quantities of oil that were accumulating. The steamer shortage prevented about 250,000 barrels from being delivered during the year, and there were 6,278,272 barrels in storage on December 31, 1912. At this time it appeared that Tuxpam, where the tankers were loaded at sea, would soon become the leading port for oil shipments, since Tampico Harbor had only 22 feet clearance of water over the bar.[2]

It had now become evident that the Mexican oil industry was likely to be controlled mainly by four large interests: the Doheny, Standard Oil, Dutch-Shell, and the

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[1] Min. Ind. 1912, p. 650. [2] Ibid.

Pearson companies. The Mexican Eagle Petroleum Company (Pearson-controlled) acquired the remaining oil properties and interests of S. Pearson and Son, Ltd., and perfected plans for constructing three or four refining units about three miles from Tampico. The first unit was to be a topping plant with a daily capacity for 12,000 barrels. It was to prepare fuel oil for marine use which would meet the requirements of Lloyd's and the British Admiralty. Construction was to start in January, 1913, and the plant was expected to be in operation during the latter part of the year.[1] The Mexican Eagle Petroleum Company, after taking out 2,920,000 pesos for amortization and reserves, was able to clear a net profit of 4,265,000 pesos for 1912 and pay another eight per cent dividend.[2]

The Doheny companies: the Huasteca Petroleum Company and the Mexican Petroleum Company, Ltd., also made money and showed a net profit of $3,076,374 during the year.[3] These companies, according to their annual report at the end of 1912, had contracts for the delivery of 14,000,000 barrels of oil as compared to contracts for 10,000,000 barrels at the beginning of the years Shortage of transportation facilities caused the Huasteca Petroleum

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[1] Ibid., p. 651. [2] Quintana, op. cit., p. 12.

[3] Min. Ind. 1912, p. 650.

Company to cap all its wells in the Juan Casiano field with the exception of Casiano No. 7 which could not be closed down because of the danger of seepages breaking out around the well. This well flowed steadily at about 23,000 barrels a day. By the end of 1912, its total yield was around 21,000,000 barrels.[1]

The unsettled conditions in Mexico apparently had not curtailed production to any great extent, nor had the stamp tax. It was claimed by the oil companies that the local use of oil was curtailed around 500,000 barrels.[2] This, however, seems exaggerated when one considers that the Mexican Petroleum Company had a contract covering 85 per cent of the railroads in Mexico, and since in 1911 they market 3,700 barrels of fuel oil a day, while in 1912 the railroads were consuming 12,000 barrels a day. Of course, other industries were using oil, but this estimate of curtailed usage was more likely for propaganda purposes than forsan accurate approximation of the state of affairs.

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[1] Ibid.

[2] Ibid.

CHAPTER VI

HUERTA AND BRITISH-AMERICAN OIL

(1913)

By the secret arrangments at the American Embassy, Felix Diaz was to become president and de la Barra vice-president. But Huerta broke the agreement, sending Diaz on a military mission to Japan, and de la Barra as minister to France. Perpetually intoxicated, Huerta was almost impossible to find, and his cabinet, being helpless, gradually resigned. They were replaced by Huerta's military associates, and those opposing the government were frequently found assassinated. Many victims were labor leaders--the government hesitating at nothing to suppress labor activities.[1]

Anarchy reigned in Mexico. Almost as soon as Huerta seized the government, uprisings began, and during the 17 months that he held power the country was drenched with

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[1]Tannenbaum, Peace by Rev., p. 233; Parkes, op. cit., pp. 335-336; Millan, op. cit., p. 83; MacHugh, op. cit., p. 32.

blood. Small bands of 30, 40, sometimes 100 men, gathered under a leader who automatically became a "general." Most of these "generals" were not military men, but civilians to whom followers were loyal on a personal basis rather than for a cause. These small groups grew into companies, regiments, and later, as the revolution spread, they fused into the armies opposing Huerta. Obregon and Carranza wom victories in Sonora; Villa was in the field in Chihuahua; while in Morelos, Zapata with an Indian army fought for land. Ammunition flowed without interference across the American border and Huerta's forces were consistently defeated.[1]

But to others the usurpation was only a change from the civilian dictatorship supported by Standard Oil to military despotism backed by Pearson. For some time, American and British oil interests were suspected of participating in Mexican politics, and many journalists held them responsible for the revolution. Rumors circulated throughout the world that American oil, jealous of Diaz' favors to Pearson, had instigated the Madero revolution. Pearson was now suspected of financing and promoting the Huerta rebellion to turn the tables on Standard Oil and make secure concessions from Diaz, besides obtaining others

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[1]De Lara & Pinchon, op. cit., p. 357; Gruening, op. cit., pp. 308-309; Parkes, op. cit., pp. 336-344; Plenn, op. cit., p. 302.

from Huerta.[1]

By 1913, 75,000 Americans lived in Mexico, and American investments were estimated at $1,200,000,000--more than that of all other foreigners combined. Americans also owned nearly 80 per cent of the oil then produced in Mexico.[2] Pearson, on the other hand, controlled 1,600,000 acres of potential oil land, 800,000 acres being owned outright while 800,000 more were leased for 30 years. Of the land owned, 280,000 acres had been acquired from the Diaz regime in 1902 as part of the Tehuantepec railway concession, and 418,000 adjoining acres purchased from private owners before 1907. Another 100,000 acres had been bought in northern Vera Cruz. The land leased was of various types and covered nearly a thousand separate leases consisting of _haciendas_, plantations, ranches, and community land held by the Indians before the Spanish conquest. Pearson also held concessions to drill on government land, and had laid the foundation for vast production.[3]

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[1]Jose Vasconcelos, "Mexico's Point of View," in _American Policies Abroad_, _op. cit._, p. 144; Burton J. Hendrick, _The Life and Letters of Walter H. Page_ (New York: Doubleday, Page & Co., 1922) Vol. I, p. 179.

[2]Hendrick, _op. cit._, p. 178.

[3]Bell, _op. cit._, pp. 346-347.

Besides, the British Government had become interested in oil. As one American publication put it in 1913:

> Actually, the situation is vitally affected by the arrival of the oil-driven battleship of the King's navy. The position of Britain as mistress of the seas is at stake. Oil is king now as cotton was in our Civil War. The American people may not have realized this new importance of oil. Europe is awake to it.[1]

Warships were fast being converted to oil burners, and a British naval oil contract with the Pearson company necessarily made Britain a backer of this concern. Therefore, the press easily deduced that Pearson was back of Huerta and the British government back of Pearson.

President Wilson came into office just a few days after Huerta seized the Mexican government. He found himself with an Ambassador to Mexico who, as representative of the feudal landholders, American smelters, and British oil, had directly aided in putting Huerta in power.[2] Determined to force Huerta from authority, President Wilson refused recognition, and on March 11, 1913, announced:

> . . . . We have no sympathy with those who seek to seize power of government to advance their own personal interests or ambitions.[3]

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[1]"Current Opinion," LV, p. 394, quoted in Nearing and Freeman, op. cit., pp. 91-92.

[2]Ibid., pp. 90-91.

[3]Quoted in Rippy, U. S. and Mexico, op. cit., p. 333.

The British government told American Ambassador Laughlin that Britain would not recognize Huerta. But three weeks later, on March 31, the British changed their mind; the Huerta government was recognized, and most other governments followed Britain's example.[1] It seemed obvious that the change in British attitude was because of pressure from powerful commercial interests expecting to profit by the Huerta dictatorship. In the election of 1912, Wilson and Bryan had protested against the dominance of "Wall Street" in American politics. They now suspected that Pearson, a liberal with much influence in British official circles, was back of Huerta's recognition, just as they believed that Standard Oil had often influenced American politics. Too, it was known that Huerta intended to continue Diaz' policies and rule Mexico by force, with concessions to foreign capitalists. President Wilson said that the willingness of foreign governments to recognize any politician who seized power was one of the greatest reasons for revolutions in Latin America. He therefore advocated the refusal of recognition to any government "founded upon violence," as a check upon revolutions. He believed that if Great Britain and the United States, along with other powers, would refuse diplomatic dealings with Huerta,

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[1] For. Rel. 1913, pp. 804-806.

others would be discouraged from attempting to seize governments, and that the decent element of the Latin American countries would assert itself and select its government by constitutional methods.[1]

This idealistic policy, however, was not practical in Latin America, where once in office a president controlled the polls and could not be removed without a revolt. But President Wilson and Secretary Bryan were convinced that at the bottom of the whole affair were the concession seekers and exploiters who obtained advantages from these corrupt governments and stirred up revolutions for their financial gain. The Huerta policy and the dislike of Huerta were soon to become obsessions with them.[2]

There were sufficient grounds for assuming that Huerta was supported by the British interests; In the spring of 1913, his government was in financial dfficulties, and all parties interested were compelled to give it their attention. One-year notes of the Mexican treasury, amounting to 10,000,000 pesos, were falling due on June 10, 1913, while 10,000,000 pesos of one-year Monetary Commission notes were due August 31, 1913. Besides, obligations amounting to 23,000,000 pesos of the National Railways of Mexico were

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[1]Chapman, Rep. Hisp. Am, pp. 151-154.

[2]Hendrick, op. cit., pp. 179-182.

maturing, of which 10,000,000 pesos were due on June 1, 1913, and 13,000,000 pesos on November 10. Therefore, a total of 43,000,000 pesos were shortly payable.

Two syndicates held these obligations. One, headed by Speyer and Company, held 20,000,000 pesos in securities and refused to extend the time unless they were amply backed. The other, a new syndicate, was formed by numerous bankers in both Europe and America. The United States' opposition to Huerta was causing Mexico great difficulty in getting a reorganization of these obligations, and the American press declared that Mexico could not borrow the money until that government was recognized by the United States.

Reorganization, however, was effected. A ten year loan was granted the Mexican government, while accomodations to the railroad were covered by two-year notes. In return, the government pledged 38 per cent of its custom receipts. These loans were a distinct shock to, and triumph over, the Wilson administration and the American press. Rumors that Pearson had arranged the transactions were denied by him as false, and Litmantour also denied exerting any influence.[1] Hence, it appeared that the loan

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[1]For. Rel. 1913, pp. 801-805; Bell, op. cit., pp. 348-351.

had been accomplished in the ordinary course of business, with no outside influence.[1] However, the sudden recognition of the Huerta regime by Great Britain could not be regarded lightly.

In Mexico, Ambassador Henry Lane Wilson was strongly hinting for recognition of Huerta. He told the Secretary of State that the expectation by Mexicans of a second Texas affair, was causing a violent expression of anti-Americanism, upon which Huerta was capitalizing. He declared that Huerta would give almost anything but the Presidency for American recognition, and that failure to recognize him was the main reason for continued insurrection. Then, on July 11, 1913, Ambassador Wilson said there were but two courses which could be taken: to recognize Huerta and demand guarantees, or to close the Embassy. Anti-American demonstrations brought mild threats from the United States, but these were ignored, and Ambassador Wilson contended that Huerta desired to cause a break with the United States, believing this would cause Mexico to unite with him as leader.[2]

Finally, Ambassador Wilson was recalled and John

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[1]One publication claimed that Pearson said his firm had subscribed to three per cent of the loan. "World Work," XXVII, 1914, p. 294, in Nearing and Freeman, op. cit., p. 90.

[2]For. Rel. 1913, pp. 799-800, 810, 811.

Lind was sent as President Wilson's personal representative to Mexico to induce Huerta to resign and pacify the Mexican people by a free election in which Huerta was not to be a candidate. In this Lind failed, and relations grew more strained. While Wilson was ambassador, Huerta had hoped for recognition, but now he saw no chance.

Meanwhile, the new ambassador to England, Walter H. Page, was endeavoring to induce the British to withdraw their recognition of the Huerta government, but the British couldn't see it that way. Besides, another thing was troubling Britain. In 1912, under the Taft administration, Congress had passed the Panama Canal Act which provided that "no tolls shall be levied upon vessels engaged in the coastwise trade of the United States." This the British felt to be a violation of the Hay-Pauncefote treaty, which had abrogated a former treaty, the Clayton-Bulwer treaty of 1850.[1] By the Clayton-Bulwer treaty, both the United States

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[1]Following her encroachment upon Spanish territory early in the 18th century, Britain, in 1786, obtained a treaty from Spain acknowledging her rights to a small portion of what is now British Honduras. Britain then extended her control, ostensibly on behalf of the Indians of that region, and seizures of territory were made in the name of "His Mosquito Majesty," a puppet government which was set up. In 1848, the mouth of the San Juan River, part of a potential canal route through Nicaragua, was seized. The Central American governments opposed this and the United States came to their aid. War almost occurred between the United States and England, but since France was inclined to have aided the United States, a compromise, the Clayton-Bulwer treaty of 1850, was made. Great Britain, however, came out

and England agreed never to fortify, colonize, or occupy any part of Central America.

After the Spanish War came a growing demand in the United States for a canal. England was engaged in the Boer War, with the European continent lined up against her, and needed friends; so the United States was able to persuade her to abrogate the Clayton-Bulwer treaty. This was accomplished by the Hay-Pauncefote treaty of 1901, which gave the United States the right to construct and operate, as well as to fortify, a canal across the Isthmus.[1] But a stipulation was made in this treaty whereby the canal

> . . . . shall be open to the vessels of commerce and war of all nations observing these rules, on terms of entire equality, so that there shall be no discrimination against any such nation, or its citizens or subjects, in respect of the conditions or charges of traffic, or otherwise.[2]

The American Congress, however, in passing the Panama Canal Act, in 1912, had argued that "all nations" did not include the United States, and since the United States had obtained sovereignty rights upon the Isthmus, it was a changed situation. Britain protested, and the press and

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of the negotiations with a much larger territory in British Honduras, at the expense of Guatemala and in violation of the Monroe Doctrine. Chapman, Rep. Hisp. Am., pp. 239-240.

[1] Ibid., pp. 277-278.

[2] Quoted in Hendrick, op. cit., p. 241.

many American politicians denounced her as intruding upon American rights and attempting to rob America of the fruits of her own toil. In return, British animosity reached full height--any advantage of the United States over British shipping touched a tender spot.

In 1912, the Democratic platform endorsed this legislation, and Wilson in his campaign approved free tolls for American shipping. Ambassador Page, however, arranged a meeting of Colonel House and Britain's Foreign Secretary, Sir Edward Grey, on July 3, 1913, in which they came to an understanding about the Canal tolls. President Wilson was to attempt to get the law repealed. On August 25, 1913, Page wrote Colonel House a memorandum and asked him to see that the President got it. It stated: "In October the provisional recognition of Huerta by England will end. . . ."[1] But this memorandum evidently had no effect on President Wilson, for on August 27, 1913, he went before a joint session of Congress and declared that the Lind mission had failed, that conditions in Mexico were worse, advised all Americans to leave Mexico, and said that he would put an embargo on all munitions to both sides of the revolution.[2]

Meanwhile, Great Britain had taken another step that was antagonistic to the United States. Sir Lionel Carden

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[1] Ibid., p. 194. [2] For. Rel. 1913, p. 820.

was sent by Britain as ambassador to Mexico. Carden had occupied diplomatic posts in Central America for years, and had always shown great zeal in promoting British commercial interests. Besides, he was intensely anti-American. Because of this anti-Americanism, the Taft administration had requested the British to withdraw him from Cuba, but instead of replacing Carden, Britain knighted him. Hence, the appointment to Mexico of probably the most objectionable man in the British diplomatic service further convinced President Wilson and Secretary Bryan that the "oil concessionaires" were directing Britain's policy. American newspapers charged that "British oil" had dictated the selection. The New York World published an interview, quoting Carden as saying that President Wilson knew nothing about Mexican conditions, and that Huerta was the man to handle the Mexican crisis. This Carden later denied. Nevertheless, he showed great hostility to the United States from the beginning of his appointment.[1]

On September 23, 1913, Doctor Belisario Dominquez, a Mexican senator, delivered a speech to the Senate exposing the activities of Huerta. Two weeks later he was murdered and his body found in a ditch. Members of the House of Deputies protested, demanding an investigation. Huerta

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[1]Hendrick, op. cit., pp. 196-197.

retaliated by imprisoning 110 of the deputies, and the Senate walked out in protest. By the Constitution, the deputies were exempt from arrest, but Huerta had decreed the repeal of this privilege. Ironically, the same day the congress was arrested, Carden presented his credentials as minister to Huerta.[1]

He then told the press that safety in Mexico could be secured only by the remedial and punitive methods of a strong man. Newspapers reported that Carden consorted daily with Huerta, was supporting Huerta against the United States, and was getting British concessions in return. The World War was now brewing, so even in England opposition arose against Sir Lionel, for it was believed that he was disrupting friendly relations between Britain and the United States.

Huerta declared that an election would be held on October 26, 1913, for president and a new congress. He claimed that he would not be a candidate, since by the constitution a provisional president could not succeed himself.[2] President Wilson, however, declared the coming elections invalid, claiming they could not in any sense be regarded as free.

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[1]Ibid., pp. 197-198; For. Rel. 1913, p. 835; Bell, op. cit., pp. 365-366; Parkes, op. cit., p. 335.

[2]For. Rel. 1913, p. 898.

The balloting was held on October 26, 1913, in the old Diaz fashion, and though Huerta's name was not on the ballot it was "written in" and he was elected by a large majority. When the new congress assembled, it declared its own election valid but Huerta's invalid, because a provisional president could not succeed himself. Therefore, by this duplicity, Huerta was to remain provisional president and dictator until a new president could take office after the next election in July, 1914.[1]

In the meantime, Secretary Bryan sent messages to various foreign diplomatic offices, asking them to notify their governments that the United States would later make certain representations in regard to Mexico, and requested that no further action toward recognition of Huerta be taken until then.[2] President Wilson then made his famous speech at Mobile, Alabama, on October 27, 1913, declaring that the United States would "never again seek one foot of additional territory by conquest."[3] He also dealt quite lengthily with concessions in Latin America.

Immediately after this, Sir William Turrell, private

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[1] Ibid., p. 866; Bell, op. cit., pp. 367-368.

[2] For. Rel. 1913, p. 849.

[3] Quoted in Bell, op. cit., pp. 368-369, and Rippy, op. cit., p. 335.

secretary of Sir Edward Grey, British Secretary of State for Foreign Affairs, sailed for the United States. The apparent purpose of his trip was to visit friends, but Ambassador Page wrote Colonel House that Tyrrell was coming, and declared that he was an important man with the complete confidence of Grey.[1]

Tyrrell visited President Wilson and succeeded in convincing him that the British oil men were not dictating Grey's policy, and would not be able to do so, that Britain was willing to accept any policy whereby British property

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[1]Tyrrell had a reputation of having quite a sense of humor, which his first encounter with Secretary Bryan seemed to prove. Bryan ranted about the wickedness of the British Empire in Egypt, India, and Mexico, and declared that British oil men were the "paymasters" of the British Cabinet.

"You are wrong," answered Sir William. "Lord Cowdray hasn't money enough. Through long experience with corruption the cabinet has grown so greedy that Cowdray hasn't the money necessary to reach their price."

"Ah," said Bryan, "then you admit the charge." Bryan further declared that Britain's only interest in Mexico was oil, and that the Foreign Office had turned its Mexican policy over to the "oil barons" for predatory purposes.

Tyrrell replied, "That's just what the Standard Oil people told me in New York. Mr. Secretary, you are talking just like a Standard Oil man. The ideas you hold are the ones which the Standard Oil is disseminating. You are pursuing the policy which they have decided on. Without knowing it you are promoting the interests of Standard Oil."

As he left, Tyrrell bowed and said, "You have stripped me naked, Mr. Secretary, but I am unashamed."

Hendrick, op. cit., pp. 202-203.

and lives were protected. After several unofficial meetings they apparently solved the problem in what was virtually a "horse-trade"--Cowdray and Huerta for Panama toll and United States friendship. The latter was probably an important factor to Britain, which was on the verge of war. There was no definite bargain, of course, but Wilson's inclination to have the law discarded made it easy for Britain to give him a free hand in Mexico.[1] Bargain or no bargain, it was shortly after this interview that Sir Lionel Carden and Admiral Chaddock of the British navy led a formal procession of diplomats to General Huerta and formally advised him to withdraw from the Presidency of Mexico, declaring their governments were backing the American policy. Besides this, Premier Asquith spoke at the Guild Hall banquet, stating that Britain had not deliberately undertaken a policy opposed to that of the United States.[2]

These events changed the suspicious attitude of Wilson to one most cordial. He later went before a joint session of Congress on March 5, 1914, and asked that the clause in the Panama legislation which granted preferential treatment to United States coastwise shipping be repealed, stating that this exemption violated the Hay-Pauncefote treaty

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[1] Ibid., pp. 201-204.

[2] Ibid., pp. 209-210; For. Rel. 1913, p. 865.

and should be corrected. A stormy debate followed. Although a majority of the newspapers backed the president, Hearst papers shrieked against "our ancient enemy," and Irish societies denounced the president for "truckling" to Great Britain; but the House and Senate passed the bill.[1]

Sir William Tyrrell's interviews with President Wilson were probably the main factor in causing Britain's change of attitude, but surely the great amount of energy exerted by Ambassador Page played an important part in shaping the attitude of official Britain.[2] A lady of the political society of England handed Mrs. Page a memorandum which dealt with activities of certain British commercial interests in Mexico which, if not checked, would cause serious complications between Great Britain and the United States. "It's all being done for one man," she claimed, evidently

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[1]Hendrick, op. cit., pp. 253-267.

[2]At least Ambassador Page thought he was having quite a time in convincing the British that they should withdraw their recognition of Huerta. On November 16, 1913, he wrote President Wilson: ". . . . they [the British] do not really know what democracy is or whither it leads and at the bottom they do not really believe in it as a scheme of government--not even this Liberal Cabinet.

"The British concern for commercial interests, which never sleeps, will, I fear, come up continuously. . . . .

"P. S. By Jove, I didn't know that I'd ever have to put the British Government through an elementary course in Democracy!"

Hendricks, op. cit., p. 187.

meaning Pearson. On November 26, 1913, Page sent a copy of the memorandum to President Wilson through Colonel House, asking him to see that it was destroyed. At the same time he wrote,

> . . . . Lord Cowdray has been to see me for four successive days. I have a suspicion (though I don't know) that instead of his running the Government, the Government is now turning the tables and is running him. His government contract is becoming a bad thing to sleep with. He told me this morning that he (through Lord Murray) had withdrawn the request for any concession in Colombia. . . .[1]

When the Mexican controversy was at its apex, it became known that British oil interests had secured concessions in Colombia. But when the British government insisted, they gave them up.

Ambassador Page also exerted pressure in a roundabout way upon the British Foreign office for Sir Lionel Carden's removal as ambassador to Mexico, and Carden was finally transferred to Brazil, but not until Huerta had resigned.[2]

Although the British had complied with the wishes of the American president, and more emphatic pressure was exerted for Huerta's removal, Huerta failed to budge. Secretary Bryan, on November 24, 1913, had written the various embassies and John Lind in Mexico that the United States

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[1] Ibid., pp. 215-217. [2] Ibid., pp. 218-227.

hoped isolation would force Huerta to retire, but if not, it would "become the duty of the United States to use less peaceful means to put him out."[1] But on December 2, President Wilson in his message to Congress denied any intention of intervention. He openly shifted his position, however, in early 1914, and began to support Carranza and Villa. Gun-running had been winked at by the United States, but now President Wilson, on February 4, 1914, removed the embargo on arms for the benefit of the Constitutionalists.[2] This assured the latter of ample munitions and, as they advanced toward Mexico City, victory appeared certain. The revolution, however, had now dragged into its sixth year, and American vested interests were pressing for intervention. Randolph Hearst, as well as Albert B. Fall, proclaimed it the civilizing duty of the Anglo-Saxon race to intervene, and Henry Lane Wilson's proposals were read into the Congressional record. Ambassador Wilson had pointed out three courses: (1) Recognition of Huerta with a guarantee to satisfy the United States' claims and other differences, dismissal of his foreign secretary, and permission for United States troops to help him establish order north of the 26th parallel; (2) a general invasion, with denial

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[1] For. Rel. 1913, pp. 853; 1914, pp. 443-444.

[2] Ibid., 1914, pp. 447-448.

of permanent occupation, the recall of our nationals, and the setting up of a commission to "establish the rule of law and dispensing justice in the name of the United States;" and (3) establishment of a buffer state north of parallel 26 (which, incidentally, included the most important mining district in Mexico.[1]

Lord Cowdray (Pearson) also talked to Ambassador Page about the possibility of a joint intervention.[2] But the interventionists were checked by public opinion and President Wilson declared, "I have to pause and remind myself that I am President of the United States and not of a group of Americans with vested interests in Mexico."[3]

Meanwhile, Villa took Torreon, and among other spoils of war seized $4,000,000 worth of cotton from Spanish owners. He packed the Spaniards into box cars and shipped them 500 miles to El Paso. The Spanish government requested the United States to look after the interests of their nationals, so the cotton could not be marketed in the United States, and Villa's agents were sent to Europe to

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[1]Inv. Mex. Aff., II, p. 2293; Rippy, "U.S. & Mex.", Am. Pol Abroad, op. cit., pp. 50-51.

[2]Hendrick, op. cit., p. 225.

[3]Joseph P. Tumulty, Woodrow Wilson as I Know Him (New York: Doubleday, Page and Company, 1921) p. 146.

sell it. Since the United States would not permit the cotton to be shipped through this country, an outlet to the sea was necessary to get it to Europe. An attack was made on Tampico, which was in the hands of Huerta's troops. This caused much worry to the oil interests. Pearson was thought to have aided Huerta, and his properties were threatened with destruction. The oil companies, however, did not show signs of taking sides, although active business in the oil fields was curtailed as skirmishes took place. The Huerta garrison at Tampico was continually threatened by the Constitutionalists. Some skirmishes occurred and foreigners prepared to evacuate the city and oil fields, while warships of various nations stood by. Then the Tampico incident took place.[1]

On April 9, a whale boat of the U.S.S. Dolphin, with a crew of nine men under an assistant paymaster, went ashore for gasoline. Upon landing without permission in a prohibited military zone, they were arrested by Huerta's troops, marched two blocks through the streets, and thrown in jail. American Admiral Mayo demanded their immediate release, apology by General Zaragoza, the Huertista commander, and a formal salute of 21 guns to the American flag before six o'clock the next evening. The men were released and the

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[1]Bell, op. cit., pp. 386-388.

apology given, but General Zaragoza wired Huerta in regard to the salute. Admiral Mayo wired Washington, and was directed to extend the time one day, while Washington took the matter up with Huerta through the American Charge at Mexico.

Huerta placed the blame upon the ignorance of the subordinate officer who made the arrest, and said he had ordered an investigation for the purpose of punishing the guilty party. He asked that the demand for a salute be withdrawn. The time was again extended, and Admiral Mayo was instructed not to press the issue until further instruction. Huerta said he could not comply with the United States' demands without wounding Mexico's honor and infringing upon her sovereignty, and agreed to fire the salute providing it would be returned gun for gun, to show good will on both sides. He also suggested that the Tampico incident be settled by the Hague Tribunal. The United States continued to demand the salute, but refused to return it, fearing it would be an act of recognition of the Huerta government, and flatly refused to take the incident before the Tribunal.[1]

On April 14, the American Atlantic fleet was ordered to proceed with haste to Tampico and Vera Cruz, and on the

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[1]For. Rel. 1914, pp. 448-474.

18th an ultimatum was sent Huerta, demanding that the salute be fired by six o'clock on the evening of April 20. On April 19 came Huerta's flat refusal to do so unless the salute was answered.[1] More American ships were sent to Mexican waters and on April 20, President Wilson with patriotic oratory addressed a joint session of Congress, and asked for quick action to approve use of armed forces.[2] The House approved a resolution justifying the use of arms, but before the Senate's approval, the President had ordered the custom house at Vera Cruz seized.

At 2:30 A. M. on April 21, President Wilson was called from his bed to answer a telephone call from Secre-

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[1]A couple of minor incidents also occurred, called by Secretary Bryan "heinous crimes." A cable to the American Embassy had been held up for two and one half hours by a clerk of the Mexican censor, although when Charge O'Shaughnessy telephoned authorities and called their attention to the matter, the cable was immediately released. The other "crime" was the arrest of a mail orderly of the U.S.S. Minnesota while ashore for mail at Vera Cruz. The arrest followed an argument between the American orderly and a Mexican orderly. They could not understand one another, and a policeman, to avoid disturbance, took both to jail. The American was immediately released and the Mexican incarcerated. The matter had been dismissed after an apology, and Admiral Fletcher had attached no importance to the affair, saying that the attitude of the Mexican authorities was correct. For. Rel. 1914, pp. 453,455, 465, 475.

[2]Ibid., pp. 474-476.

tary Bryan, who imparted the information that the Hemburg-American line freighter, Ypiranga, was steaming toward Vera Cruz, loaded to the gunwales with ammunitions for Huerta, and would arrive that morning at ten. Railway cars were ready there to transport the munitions to Huerta's army, which would then have ample arms to curtail the Constitutionalists; so the President ordered that Vera Cruz be taken at once.[1]

Admiral Fletcher sent a strong force of marines and bluejackets ashore, under the guns of the navy, and seized the custom house, preventing the Ypiranga from discharging her cargo. It was a surprise attack, and when young Mexican naval cadets attempted to defend their country they were slaughtered in their barracks by the expert marksmanship of United States navy gunners, who fired point blank through the windows of the barracks, gutting the interior while the walls remained intact. About 200 Mexicans met death, while only four Americans were killed and 20 wounded in the attack. For the next few days, sniping by Mexicans brought the number of American dead to 17 and the wounded to 62. It was reported that 40 Mexicans faced the firing squad for these offenses.[2]

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[1] Ibid., p. 477; Tumulty, op. cit., pp. 151-152.

[2] Edith O'Shaughnessy, A Diplomat's Wife in Mexico (New York: Harper & Bros., 1916) pp. 257-336; For. Rel. 1914 pp. 451-483; Bell, op. cit., pp. 389-393; Parkes, op. cit., p. 345.

> . . . . We have certainly trampled on the treaty of Guadalupe Hidalgo after 1848, providing that all disputes should be submitted first for arbitration. So sing me no songs of treaty rights,[1]
> . . . .

wrote Mrs. O'Shaughnessy, wife of the then United States charge d'affairs to Mexico.[2] Popular indignation throughout all Mexico was greatly aroused. Mexicans declared the attack a treacherous Yankee trick, but to the United States government it was strategy to prevent munitions from reaching Huerta. This attack had sealed Huerta's doom, but Carranza, influenced probably by public opinion, dispatched a number of notes in flamboyant terms to the United States State Department, in which he objected to the invasion and demanded that the United States evacuate Vera Cruz. He threatened that the Constitutionalists would join in an effort to expel the Americans if they would not leave voluntarily.[2] He regarded the act as a violation of Mexico's sovereignty, and suggested that, after the United States withdrew from Mexico, the Constitutionalists be recognized, in which event they would salute as much as might be desired.[3] But the United States refused--Wilson was deter-

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[1] O'Shaughnessy, op. cit., pp. 288-290.

[2] Villa said that Carranza's opinion was personal and that Huerta wasn't going to draw him into a war with his friends. For. Rel. 1914, pp. 484,488.

[3] Ibid., pp. 483-484; Bell, op. cit., p. 396; Pinchon, op. cit., p. 287.

mined to eliminate Huerta.

Carranza had been put on the spot by the United States' seizure of Vera Cruz. Mexicans, regardless of their political affiliations, were indignant against the United States, and this tended to strengthen Huerta. The declaration of Carranza, probably for home consumption, worried the border states, which demanded an embargo on arms for the Constitutionalists. A few shipments were withheld for some time, but no embargo was established.[1]

On April 25, 1914, the A. B. C.[2] countries offered to mediate the dispute. Huerta accepted the proposal, as did Washington. The Constitutionalists accepted on condition that nothing would be taken up but the controversy between Huerta and the United States, and denied the mediators right to deal with internal affairs of Mexico. The conference began on May 20, 1914, at Niagara Falls, Canada. Among Mexico's delegates was Senor Luis Elguero, a director of the National Railways of Mexico and also for Pearson's Mexican Eagle Petroleum Company. The others were important cientificos of the old regime. A truce with the United States enabled Huerta to get the shipment of munitions on the Ypiranga out from under the American guns, but the conference accomplished nothing more at this time.

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[1]Bell, op. cit., p. 398.
[2]Argentine, Brazil, and Chile.

Meanwhile, excitement in Mexico was intense. Americans were insulted, and were fleeing the country. At Tampico there were violent demonstrations, and it was claimed that the American warships in the harbor were a menace to Americans rather than a safeguard. Over 500 Americans were taken aboard the warships, then transferred to merchantmen which took them to New Orleans. Some alleged that this was done without their consent or previous knowledge.[1]

On April 13, 1914, the Constitutionalists captured Tampico and Huerta's troops withdrew to Tuxpam after serious losses. Very little damage, however, occurred to foreign property. A Dutch warship landed troops to guard the La Corona well (Dutch Shell), but there were no other foreign troops sent ashore. Pearson's property escaped serious damage, although control by the Constitutionalists caused him new complications. But Huerta was cut off by the occupation of Vera Cruz from his only open port and his main source of revenue, the custom receipts.

A steady flow of munitions across the border to Villa's and Carranza's troops had made them irresistible. Villa, with a mobile cavalry, rounded up thousands of Hearst's cattle and sold them in the United States, which

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[1] Inv. Mex. Aff. II, p. 3233; Bell, op. cit., p. 395.

helped him with funds for munitions. The war finally became a race between Villa and Carranza forces under Obregon for the capitol. Villa had stood the brunt of the fighting, as he had struck along the railroad from Chihuahua City to Mexico City, the line being guarded by many Huerta garrisons. His movements were also hindered by an embargo placed on his coal supply by Carranza following a break between the two leaders. Obregon, therefore, reached Mexico City first.[1]

As the Constitutionalists gained in power, the commission at Niagara Falls agreed upon a protocol, and instructed the Mexican congress to appoint a Minister of Foreign Affairs. Complying, the congress on July 10, 1914, named Francisco Carbajol. On July 15, 1914, Huerta resigned and boarded a train for Vera Cruz,

> . . . . with a heart 'heavy with sorrow' at leaving 'his beloved country' and pockets heavy with two million pesos gutted from the National Treasury.[2]

With him went a number of his generals who feared reprisals from the Constitutionalists for their conspicuous activities in the coup d'etat.[3]

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[1]Parkes, op. cit., p. 346.

[2]Pinchon, op. cit., p. 282.

[3]Gruening, op. cit., p. 583.

Carbajol now became provisional president. Bryan the same day wrote the Brazilian ambassador at Mexico City, who was now in charge of American affairs:

> We take it for granted that the new president will immediately enter into negotiations with Carranza for the peaceful transfer of authority.[1]

On August 10, 1914, the Federal garrison at Mexico City offered to surrender, and on August 13, Acting President Carbajol resigned and left the country. Two days later, Obregon made a triumphal entry into the capitol. Carranza followed on August 20, and two days later he announced he was in charge of the Republic. American influence--and force--had again been a decisive factor in the change of government in Mexico.[2]

Oil 1913-Early 1914

In spite of skirmishes in the oil regions, production in Mexico for 1913 was 25,696,000 barrels, an increase of 50 per cent over the 1912 production, of 12,553,000 barrels. At this time a total of around 350 wells had been drilled, of which 90 or more belonged to the Pearson interests and about 50 to the Doheny companies. The close of the year showed 97 wells being drilled, and the 12 months

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[1] For. Rel. 1914, p. 565.

[2] Ibid., pp. 583-589; Parkes, op. cit., p. 347; Gruening, op. cit., pp. 583-584.

preceding April, 1914, about 130 wells had been completed. Many remained unfinished because of title disputes, lack of transportation facilities and other reasons. On December 31, 1913, there were 11,656,000 barrels of oil on hand, and most of the large wells were shut in. Some, such as Casiano No. 7, could not be closed without ruining them, and production from these continued. Average daily production during 1913 was 70,000 barrels, coming from about 50 producing wells, but it was estimated that if all wells had been allowed to produce to capacity, production could have been more than doubled.

The Mexican Eagle Petroleum Company (Pearson) produced about half of the oil during 1913 and the Huasteca Petroleum Company (Doheny) and East Coast Oil Company (Southern Pacific) produced most of the balance. There were 165 companies then in the oil business; however, only about 50 were operating, and 25 actually producing.

The oil boom was now getting under way, and the greatest oil concerns in the world were in the field. Among these were the Standard Oil Company, the Southern Pacific Railway Company, and the Doheny interests. Other prominent individual firms were those of William Randolph Hearst, John Hays Hammond, and J. G. White and Company. Maximilian Whittier, Calvin Hunter and other Californians had formed companies, and a former employee of Pearson,

Richard Mestres, who had purchased Indian lands for 12 to 50 cents an acre, had organized a strong company with Hammond and other promoters. Many other substantial interests were also in the field, and London promoters were heavily engaged.

Around 425 miles of eight-inch pipe line was in operation and 50 miles more under construction, while 86 miles of narrow gauge railroads had been laid and 35 miles were being built. Nearly all the large companies by this time had a fleet of tank steamers and others were being added. The Doheny interests now had six tankers and Pearson many more.[1]

In early 1913, Pearson made a contract with the British Government to supply 7,200,000 barrels of fuel oil a year to the British navy. His way was now open for vast expansion, providing internal disorders could be kept out of the oil fields. His profits continued to increase, the Mexican Eagle Company netting 8,166,000 pesos for 1913. Of this, 3,551,000 was held for amortization and reserves , while an eight per cent dividend was paid. Too, Pearson, from the advent of the Huerta regime until the capture of Tampico by the Constitutionalists, had increased his in-

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[1] Min. Ind. 1913, p. 558; Bell, op. cit., pp. 347-348; Mexican Petroleum, p. 123.

vestments in the oil fields at the rate of 50,000 pounds a month, adding 750,000 pounds to the capital already engaged. This increase in operations was regarded by many as evidence of his confidence and backing of the Huerta Government.[1]

But regardless of the vast production of oil by the Pearson interests, the greatest part of Mexican oil was shipped to the United States. Of 20,915,928 barrels exported during the year, the United States received 17,809,058 or over 85 per cent.[2]

The official price of Mexican crude oil for 1913 averaged 40 cents gold per barrel. A few of the large producing companies, however, consigned oil to themselves in the United States at figures far less than the average price. The price of handling Mexican oil varied from the different fields, and difference in the quality of crude also caused variation in the price. The following gives an example of the cost of transporting to the United States. These are the charges on crude oil from Panuco field, which were probably higher than from fields closer to Tampico or Tuxpam, where the crude could be delivered direct from the well through pipe lines without extra handling.

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[1]Quintana, op. cit., p. 12; Bell, op. cit., pp. 401-402.

[2]A.I.M.M.E. Table, p. 416.

	Per Bbl. in U.S. Currency
Barging from Panuco to tanks at Tampico	$0.08
Pumping charge, loading ships from tanks	0.03
Government and State taxes, $1.50 per ton Mexican currency	0.16
Freight Tampico to U.S. ports:	
2 days to Port Aransas	
3 days to Galveston or Sabine Pass	
10 days to New York	
at 10¢ per ton, day	$0.05 to 0.25
Total Charges	$0.32 to 0.52[1]

The declared value of Mexican oil at United States ports averaged $0.526 from Tampico and $0.552 from Tuxpam. But the actual value of the oil for the United States fuel market was nearer one dollar a barrel.

In the North Fields, the principal operations were in the Panuco and Topila districts. In the Topila field, the oil seemed spotty, and a considerable amount of salt water was encountered. A good well was brought in during the latter part of 1913, but it soon declined in production. During the year, the Penn-Mex Fuel Company discovered the Alamo field, which lies at the southern end of the "Golden Lane." Well No. 1 produced 2,000 barrels a day, and Well No. 2 20,000 barrels a day. Drilling of wells No. 3 and No. 4 was shut down until such time as the

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[1]Quoted from Min. Ind. 1913, p. 559.

company's pipe line to the field could be completed.

The Mexican Eagle Petroleum Company also tapped a new field during the year. This was the Los Naranjos field to the south of the Juan Casiano field on the "Golden Lane." Two good wells were brought in, one with 5,000 barrels daily capacity, and the other producing 10,000 barrels daily. Two dry holes were also drilled, and new locations made for three other wells. Construction of a narrow gauge railway and a pipe line was being rushed to the field from San Sebastian in order to take care of the oil.[1]

Pearson's well No. 4, the famous Potrero del Llano which the company attempted to shut in, broke out in large seepages in various places. It was claimed that in December, 1913, General Candido Aguilar, a son-in-law of Carranza, appeared at the field with a band of Constitutionalist soldiers and demanded a loan of $10,000 (or $100,000) from the superintendent. Upon the superintendent's refusal, the soldiers damaged and stopped the pumps on the pipe line. The company attempted to shut the well down, but seepages broke out around it and under the Buenavista River.[2]

Doheny claimed that Aguilar's troops also demanded a $10,000 loan from the Huasteca Petroleum Company's Juan

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[1]Min. Ind. 1913, pp. 558-560; Muir, op. cit., p. 4.

[2]Inv. Mex. Aff., p. 284; Marett, op. cit., p. 203.

Casiano camp, and were granted it.[1] Besides this, they took supplies and all the ammunition and rifles from the camp. Although this loan was made under protest and "with the knowledge and consent and after consulting John Lind, the United States presidential representative to Mexico,"[2] there were two other known occasions on which the Doheny interests contributed to the Carranzistas. These were:

(1) $100,000 in cash which Doheny paid the Carranza representative, Felicitas Villareal, in the Hotel Belmont at New York.[3] This, Doheny testified, was "for the purpose of helping to finance their needs."[4]

(2) Doheny also testified that he sent a reprew sentative

> . . . . to assure General Carranza of our friendship toward the cause of the Constitutionalists and our refusal to pay taxes to Huerta . . . . and to tell him that if they needed fuel oil of any sort we would be glad to furnish them this fuel, keeping an account of it.[5]

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[1]A telegram from Secretary Bryan to Vice Consul Simpich on November 22, 1913, said that General Aguilar demanded $100,000 from the Doheny company. For. Rel. 1914, p. 765.

[2]Inv. Mex. Aff., pp. 277,284.

[3]Infra, p. 189.

[4]Inv. Mex. Aff.,p. 278.

[5]Ibid.

Oil worth $635,000 was furnished and this was set off against taxes to Carranza.

Doheny also testified that,

> . . . . So far as we know, every American corporation doing business in Mexico extended sympathy and aid, or both--and we extended both--to Carranza from the time that President Wilson turned his back on Huerta.[1]

It therefore seems apparent that at least some of the American oil interests as well as the United States Government were assisting Carranza, but whether American interests in Mexico followed the lead of the United States Government as Doheny claimed is doubtful. One is inclined to wonder if it was not the other way around--that the United States Government was constantly being pressed by the vested interests as President Wilson had asserted.[2]

In November, 1913, the Huerta government raised the export stamp tax to 75 centavos per metric ton, or $0.0577 (U. S. currency) per barrel. Up to this time the Madero tax of 20 centavos per metric ton or $0.0154 (U. S. currency) per barrel, established July 1, 1912, had been in force. Some of the American oil producers refused to pay this tax. These included the Doheny companies which produced nearly all the oil exported by American concerns.

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[1] Ibid., p. 279. [2] Supra, p. 172

Doheny testified, ". . . . as soon as our government turned its back on Huerta and refused to recognize him, we refused to pay him any more taxes."[1]

This refusal caused some trouble. When Harold Walker, manager of the Doheny interests in Mexico, was threatened in Mexico City with arrest and imprisonment if he did not pay the taxes, Doheny wired him to make a draft for $100,000 in favor of the Huerta treasury, and then get out of Mexico.[2] Walker gave the government the draft and then went to Vera Cruz, which had just been taken by the United States navy. Doheny immediately stopped payment on the draft, and then paid an equivalent amount to Carranza representative Felicitas Villareal, with the understanding that the draft would be returned if the Carranzistas got hold of it when they captured Mexico City.[3]

Oil Early 1914

By April, 1914, there were 187 companies in the oil business in Mexico. Quite a few of these had been organized during the first part of 1914.[4] Great development was occurring in the Panuco field. The Dutch-Shell Company

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[1] Inv. Mex. Aff., p. 277.

[2] Supra, p. 187. [3] Inv. Mex. Aff., pp. 277-278.

[4] Min. Ind. 1913, p. 558.

brought in its famous Corona No. 5, the first gusher in this field, and soon had it under control. This well was estimated to have a daily capacity of 33,000 to 200,000 barrels. The oil, however, was difficult to measure as it contained some water and was very heavy. It flowed into an improvised reservoir, and because of the water content, it was frothy; this foaming was probably the cause of the high capacity estimate.. It was pronounced the largest well in the world, but was probably the third largest in Mexico at that time, and may have produced 50,000 barrels a day.[1]

Shortly afterwards, on February 21, 1914, the Freeport and Mexican Fuel Company (later the Mexican Sinclair Corporation), drilling in the bed of the Panuco River, brought in another large well in the same field. This was Zurita No. 3, which turned out to be the fourth largest well the world has ever produced, yielding 21,000,000 barrels during its 14 years of productive life.[2] This was followed by several other large wells. All steel storage was filled and earthen reservoirs were built to take care of the production. The companies operating at Panuco could only move 28,000 barrels a day, while the production aver-

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[1]Min. Ind. 1914, p. 570; Bell, op. cit., p. 388; Muir, op. cit., p. 4.

[2]Mexico's Oil, p. 113.

aged 50,000 barrels daily. It was now only a question of building pipe lines and obtaining transportation facilities to make the Panuco field one of the greatest in Mexico. The barging equipment could only load 105,500 barrels, so additional equipment was ordered which would bring the loading capacity to 368,500 barrels. It was felt that when this equipment arrived it would be possible to handle 100,000 barrels a day from this field.

The East Coast Oil Company was building a 24-mile pipe line from the Panuco field to its terminal near Tampico, and had eight miles completed. English capital was constructing a railroad from Panuco to La Barra, and tests were being made over surrounding areas.

The daily average oil production in the Mexican fields was now 75,000 barrels, and it was estimated that 180,000 per day could be produced steadily if all the wells were allowed to flow. The field estimate was as follows:[1]

North Fields

Panuco	70,000 barrels per day.
Topila	4,000 barrels per day.
Ebano and Chijal	6,000 barrels per day.
	80,000 barrels per day.

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[1] Min. Ind. 1913, pp. 557-560.

South Fields

Juan Casiano.....30,000 barrels per day.
Balance South Fields.....70,000 barrels per day.
100,000 barrels per day.

There were a number of battles between the Huerta and Constitutionalist troops during this period, but the oil companies, although curtailed, continued business. But after the taking of Vera Cruz in April, 1914, it was necessary for all Americans and many British and Dutch to leave the fields, and for several months the oil business was in the hands of Mexican employees.

Attempts were made by the United States and Great Britain to have the oil regions neutralized; the United States negotiated with Carranza while Britain dealt with Huerta. It was felt that there was a dangerous possibility that much of the oil might be destroyed, since the Americans and other foreigners had left the fields for personal safety, and some wells, impossible to shut in, had been left in the hands of inexperienced Mexicans. At the time, the oil companies claimed that some of the wells were running wild.[1] Carranza said that the Constitutionalists were in control of the region, and since the employees of foreign companies were not expelled, they could return with safety. Therefore, he explained, there was no need to

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[1] For. Rel. 1914, p. 691.

neutralize the zone.

Huerta told the British ambassador that he would do all in his power to protect life and property in the districts controlled by his men. At this time, however, Huerta troops controlled the port of Tampico and American ships were not allowed to enter or leave, though all other ships were permitted to continue operations as usual, provided they were not carrying oil to the United States. Huerta offered to let these ships clear for the United States if the latter would permit oil to be transported to him through Vera Cruz, but the American government was not willing.[1]

Some of the American oil producers had oil leases on which rent was coming due. Since they could not pay this rent, it appeared that the leases would be forfeited. The Americans, therefore, were anxious to return to their fields. This, however, necessitated going through Tampico, and since American ships were not allowed to enter into the port, they could not get to their property. The British, probably because they feared riots, would not aid in any way. Consul Miller reported to the Secretary of State that the British consul and naval officers at Tampico had

> . . . . exerted every possible influence to get all Americans out and keep them out and have influenced large British oil companies to discharge all Ameri-

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[1]Ibid., pp. 690-702.

can employees and officials.[1]

On May 13, 1914, the Constitutionalists under General Gonzalez captured Tampico. Gonzalez immediately guaranteed safety to all foreigners who returned.[2] On May 21, Consul Miller wired that American oil companies were sending their employees into the fields, but that the Dutch and English companies would not employ Americans under the existing conditions. Besides, they claimed, they did not need them, as work would be shut down to a great extent.[3]

After the taking of Vera Cruz, there was much anti-American feeling in Mexico, and after the Americans returned, reports of anti-American demonstrations in the Panuco districts came to the United States consul at Tampico.[4] General Aguilar, the military governor of the district, in order to protect Americans, granted them permission, upon request, to carry revolvers and said he would "severely punish any disorders or molestation of working men."[5]

To the surprise of the returning foreigners, very little damage was done to their properties, and a negligible quantity of oil was lost despite all the trouble, although it was claimed that American oil interests had abandoned property which they evaluated at $200,000,000.[6]

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[1] Ibid., p. 703. [2] Ibid., p. 702. [3] Ibid., p. 704.
[4] Ibid., p. 708. [5] Ibid., p. 709. [6] Ibid., p. 677.

CHAPTER VII

CARRANZA AND THE REGULATION OF OIL

(1914-1915)

After Obregon installed Carranza in Mexico City, he began negotiations with Villa. They agreed that Carranza should not be a candidate for the presidency, but should rule as first chief of the Constitutional army until an election could be held. Carranza suggested a convention to elect the president be held in Mexico City, but Villa refused, fearing that Carranza could dominate it. An understanding was reached whereby the convention would be held at Aguascalientes, which was in neutral territory. But when the convention met, Villa's troops filtered in and filled the town; Carranza, who was in Mexico City, then announced that he regarded the convention as a body of Villistas, and that he would pay no attention to it. Villa proposed that he and Carranza both commit suicide, and when the latter was unwilling to oblige, the Villistas declared that Carranza was the obstacle in the way of peace.

Eulalio Gutierrez was elected provisional president

by the convention. Gutierrez hoped for Obregon's support, but Obregon decided to support Carranza, whom he declared the stronger. Gutierrez appointed a cabinet and Villa became his commander-in-chief. Soon Gutierrez found that he was only Villa's puppet, and virtually a prisoner; he later escaped. Villa had become dictator of northern Mexico, and five weeks after Carranza occupied Mexico City the two factions were at war.[1]

President Wilson tried to induce them to cease hostilities and settle their difficulties amicably, and Secretary Bryan warned that the future policies of the Constitutionalists would determine whether United States recognition would be given.[2] But no heed was given the warning, and Carranza's forces, threatened by Zapata and Villa armies, were forced to retire from Mexico City. On November 25, Zapata marched into Mexico City from the south as Obregon withdrew his army from the northern end of the Capital.[3] Zapata had aided Carranza against Huerta, but when Carranza had refused to yield to his agrarian demands, Zapata had withdrawn his support and had combined with the Conventionalists.[4]

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[1]Parkes, op. cit., pp. 348-351.

[2]For. Rel. 1914, pp. 568-569.

[3]Trowbridge, op. cit., p. 152.

[4]Plenn, op. cit., p. 299; Gruening, op. cit., p. 584.

Carranza then went to Vera Cruz, from which United States troops had just been withdrawn, and on November 29, 1914, set up his government. The population of Vera Cruz, normally about 60,000 swelled to nearly 100,000 persons. This included a large part of the American colony from Mexico City. Fear of the Zapata "hordes" had caused many to evacuate Mexico City, but there was much less disorder in the city after Zapata's arrival than there had been before. The Zapatistas, overawed by their surroundings, were well-behaved as a whole; there was no looting except of government property and horses which the "Zaps" considered fair spoil.

Ten days later, Villa, with a large force, occupied the city and installed Gutierrez as provisional president. The Zapatistas then left to engage the Carranza forces.[1] During the latter part of 1914 and early 1915, Carranza's army was hard pressed. Carranza, however, was not idle; he began to woo groups which could help him to re-establish his government, and decrees for this purpose streamed from his pen. He was compelled to legislate as well as to fight. Support of all the elements he could gather was needed now.

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[1]L. J. de Bekker, The Plot against Mexico (New York: Alfred A. Knopf, 1919) p. 112; Trowbridge, op. cit., p. 153; Priestley, op. cit., p. 430.

A large land-owner of an ancient and honorable Castilian family, Carranza had entered politics as a member of the Coahuila state legislature. He later became a senator under Diaz, and at the time of the Huerta usurpation was governor of Coahuila. Rising against Huerta, he issued the Plan of Guadalupe, which demanded restoration of constitutional government. The platform, however, had given little attention to the aspirations of the Mexican masses, and contained nothing for the improvement of the economical and social problems which were the leading causes of the Revolution. To Carranza, as to Madero, the revolution was not social but political. It was only when Carranza was forced to take refuge in Vera Cruz that he recognized the underlying motives of the revolution.[1]

Concerning this program, Carranza said,

> It . . . . became indispensable to demonstrate to the nation and the entire world that in the new conflict the officials ahd chiefs that had remained loyal to the Plan de Guadalupe did not have mere personal ambitions to satisfy but to once and foraall put an end to the evils of the past. . . . It was for this reason that it became my first care to make additions to the Plan de Guadalupe by the decree of December 12, 1914.[2]

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[1]Priestley, op. cit., p. 415; Tannenbaum, Agg. Rev., op. cit., pp. 164-165.

[2]C. Venustiano Carranza, Informe, Dec. 12, 1914, pp. 24-25, in Tannenbaum, Agg. Rev., op. cit., pp. 165-166.

In the proclamation of December 12, Carranza announced that he would

> . . . . put into effect . . . . all laws and measures necessary to satisfy the economic, social and political needs of the nation, effecting thereby such reforms as public opinion exacted as indispensable, to establish a regime which would guarantee the equality of all Mexicans.[1]

During the overthrow of Huerta, and after he fell, armed bands sacked haciendas and anything movable became plunder. Conditions were chaotic; anarchy and brigandage reigned. There was no national government and no law but the law of force. For the next two and one half years, the pre-Constitutional period, Mexico was ruled by decree. The edicts or whims of the "general who held a region was law regardless of the faction to which he belonged. He took what he wanted and if driven out by a contending force, the region was stripped bare. Funds to maintain his army were raised by levying taxes, commandeering property, and issuing paper money which was worthless outside of his jurisdiction. Sometimes supplies were paid for in typewritten money, made right on the spot when needed. If the general was driven out of the region, his money was worthless, and it soon became worthless if he stayed. It was said that the Revolution was financed by paper money, but obviously

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[1]Rep. in Memoria de la Secretaria de Gobernacion, 1916, pp. 323-326, in Gruening, op. cit., p. 99.

somebody paid the price.[1]

"Land for the people" had become the slogan of the masses. Samuel Gompers had suggested a program of land distribution, and Villa had united with Madero for an agrarian policy. Zapata had demanded redistribution of the land, but Carranza had put a brake on agrarian reform. It was only when he became hard pressed, and badly needed support, that Carranza, in his proclamation of January 6, 1915, acquiesced to the needs of the country.[2] Besides, President Wilson was now considering recognition of Villa as the "strong man" of Mexico. Therefore, on January 6, 1915, Carranza decreed a provisional agrarian law, said to have been the first constructive act of the revolution. Lands illegally expropriated by the States since the Ley Lerdo of 1856 and by the Federal government since 1876 were to be restored to the villages and communities, and the government was to expropriate lands for the ejidos when needed. Factories and plantations were required to establish schools for their laborers' children, and the company store was abolished. A national agrarian commission with branches in

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[1] Ibid., pp. 143-144, 313-314; Trowbridge, op. cit., p. 162.

[2] Tannenbaum, Agg. Rev., op. cit., pp. 166-167; Peace by Rev., op. cit., p. 154; Hackett, op. cit., p. 344.

each State was to be established, and local military leaders were expected to carry out the decree. This was to lead to abuses, depending upon the integrity and views of the leaders in charge.[1]

Though villages could apply for restitution of their lands, the law was not clear as to the kind of villages that could receive land as a gift, and because the first grants were only provisional, uncertainty and unrest resulted.[2] The law made no attempt at redistribution of the large estates and was no attack on the plantation system, as haciendas and their resident laborers were outside the law. As for the villages, the decree concentrated upon land of which they had been illegally deprived. Landowners could also resort to the courts against action for redistribution and final action could be held up by an amparo (injunction). Because of innumerable legal requisites, and the poverty of the villages, land reform became a long-drawn-out matter. By September, 1917, out of 1,393 applications,

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[1] Gruening, op. cit., p. 143; Hackett, op. cit., pp. 344, 344-345, 403; Tannenbaum, Peace by Rev., op. cit., p. 154.

[2] This law was changed in September, 1916, and Carranza brought the land distribution almost to a halt by taking the power from the local authorities. Tannenbaum, Peace by Rev., op. cit., pp. 202-203.

only 48 had been acted on, and of these only 21 definite grants, amounting to 19,000 hectares, had been made as gifts and only 76 hectares had been restored.[1]

Having "appeased" the agricultural workers in order to get their support, Carranza, on January 29, 1915, decreed federal jurisdiction over labor legislation. In the meantime, Obregon negotiated with labor leaders and on February 17, 1915, Carranza signed an agreement with the House of Workers of the World which bound him to sponsor progressive labor laws. The unions were also authorized to organize workers in territory held by Carranza. In return the unions formed the famous six "Red Battalions" and sent their members to the front in trade units with the officer of a particular union as the officer of that unit in the army. As these "Red Battalions" moved from town to town, they formed new local unions and thereby strengthened organized labor.[2]

These decrees, however, were not the first which had

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[1]Callcott, op. cit., p. 246; Tannenbaum, Peace by Rev., op. cit., pp. 201-206.

[2]Millan, op. cit., p. 84; Gruening, op. cit., p. 338; Tannenbaum, Agg. Rev., op. cit., pp. 168-171, Peace by Rev., op. cit., p. 233; Plenn, op. cit., p. 284; Callcott, op. cit., pp. 259-260; Parkes, op. cit., p. 352.

been issued for the improvement of the working class. In September, 1914, the Military Governor of Tabasco had cancelled the debts of the peons, abolished debt servitude, established an eight-hour day and a minimum wage of 75 centavos a day with meals and one pesos a day without. In addition, the employer was not permitted to advance his workmen more than one half a month's wages. Another decree issued by General Pablo Gonzalez on September 2, 1914, at Puebla, had established an eight-hour day and 80 centavos as the minimum wage in the textile factories. Later, on April 9, 1915, at Celaya, General Obregon had decreed 75 centavos as the daily minimum wage for all labor in that region. Other decrees had been issued by generals in charge of various districts for betterment of labor conditions through establishment of minimum wages and maximum hours, abolishment of child labor, and other improvements.[1]

In the meantime, Zapata had been defeated, Villa had abandoned Mexico City, and Obregon had moved in on January 28, 1915. He again evacuated the city on March 11, in order to furnish troops badly needed to the north.

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[1]Callcott, op. cit., p. 258; Gruening, op. cit., p. 99.

[2]For. Rel. 1915, p. 689.

Zapata again entered, but left when the Constitutionalists returned after defeating Villa at Celaya, where Obregon paid for the victory with the loss of his right arm.

Conditions in Mexico had gone from bad to worse. In the Capital, factories were closed, business suspended, and thousands starved to death while pestilence took its toll. The government of the city had changed hands six times between September, 1914, and February, 1915, and the poeple were dazed. There was extensive looting; the water supply was threatened with destruction, railroad communications were disrupted and between February and May outside mail could not reach the city.[1] Conditions in the rural districts were even worse. Agricultural pursuits had been stopped or greatly curtailed by the general disorder. Towns often had more administrative changes than occurred at the Capital, and unscrupulous officials took advantage of conditions to graft at every opportunity. Trowbridge claims that half of the large haciendas were run by leaders who seized them and appropriated the income from the produce.[2]

Property of foreigners was usually not disturbed

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[1]For. Rel. 1915, p. 689; Callcott, op. cit., p. 244; Trowbridge, op. cit., p. 155.

[2]Trowbridge, op. cit., p. 157.

and Americans were often offered large houses free of rent if they would live in them, as it was felt that their occupation would make the property somewhat immune to disturbance. Similarly, many owners whose property was seized by military leaders with strong backing, felt that the property would be secure from looting and wanton destruction.

Travel was dangerous, and rural estates or remote mining camps were often raided by bandits. People flocked to the Capital, well-to-do persons because of safety, peons because they could not find work on the haciendas. But the wealthy class suffered most, as many were stripped of all they possessed.[1]

It is recognized that Carranza's success was largely due to the support of the agrarian and industrial workers whom he had brought under his banner by his decrees. But as the hacendado, Carranza, through necessity swung to the left, the reactionary groups began to back Villa, the peon, whose simple insistence on the Plandof San Luis Potosi seemed conservative compared to Carranza's decrees.[2] Several of these decrees had caused American capitalists to conclude that Villa would be easier to handle, and American interests, some of which had been associated with Henry Lane

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[1] Ibid., pp. 158, 162-163.

[2] Parkes, op. cit., p. 352.

Wilson, began to establish representatives at Villa's headquarters. But Villa, too, was sometimes responsible for decrees which affected American interests. Through his influence the Governor of Chihuahua issued a decree which gave the industrial and mining interests one month to resume operations under a penalty of an additional 50 per cent tax if they failed. But when the United States protested, the decree was not enforced.[1] Villa also, in March, 1915, decreed that mines which had ceased operation without sufficient reason would be confiscated if they did not begin operation within a short time. The United States again protested, and it was stated that the purpose of the law was not to cause hardship on legitimate business but to prevent speculators from purchasing dormant mining properties and holding them for great profits. Villa also said he would not enforce the decree until he could give guarantees of safety and transportation to the industry.[2]

The United States adopted a policy of "watchful waiting" and was doubtful as to which faction would be recognized. Confidential emissaries were sent to both Carranza and Villa factions. These advised the leaders concerning the attitude of the United States on various issues as

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[1] For. Rel. 1914, p. 722.

[2] Ibid., 1915, pp. 894-895, 899, 901.

they came up, and reported whatever action was taken to the American Secretary of State.

Although Secretary Bryan, in July, 1914, had announced that the United States would not recognize concessions or loans contracted by the Huerta regime,[1] the government changed its mind, and supported claims of Americans which were based on concessions granted by the Huerta government. On September 3, 1914, a decree of Carranza's was published whereby all mining properties received from Huerta between February 4, 1913 and August 15, 1914, were to be revalidated within 60 days, or the property would have to be relinquished. To get a new title, the owners were required to pay five dollars per hectare; The United States objected to this charge, and to the declaration that all mining claims received from Huerta were null and void, as this would "result in the loss to American citizens of rights and interests acquired in good faith and in conformity with laws of Mexico."[2] So the period for revalidation was extended until March 31, 1931.[3] On March 1, 1915, Carranza increased the tax rate on mining prop-

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[1]Frank Moore Colby, ed., The New International Year Book 1914 (New York: Dodd, Mead & Co., 1915) p. 446.

[2]For. Rel. 1914, pp. 726-727.

[3]Ibid., pp. 724-727, 729.

erties to be paid by June 30, 1915. American interests claimed the tax was retroactive and confiscatory, the United States objected, and although the tax was not lowered an extension of time was granted.[1]

Soon the oil interests also became dissatisfied with the Carranza government. On June 3, 1914, Carranza had reduced the export stamp tax on oil to 20 centavos per metric ton,[2] but his decree had specified that this tax was to be paid in Mexican gold or, if this could not be obtained, the tax would be accepted in American gold at the rate of two to one. The decree was based on the theory that all oil exported was sold abroad on a gold basis. Therefore it did not apply to import duties, but did apply to the bar tax on oil exported, the rate of which had not been changed. The exchange rate of the Mexican gold peso on the New York Exchange at that time was a fraction more than 49 cents, while the Constitutional bills had an exchange rate of around 32 cents, or about three for one. Consul Miller declared this tax reduction a great benefit to the oil companies, and advised the State Department to send instructions recommending to the American companies the pay-

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[1] Ibid., 1915, pp. 900-901.

[2] This had been 75 centavos per metric ton under Huerta.

ment of the tax without protest.[1] Secretary Bryan, on June 15, 1914, wired back,

> In order to safeguard their possible future interest, American citizens should be advised to pay oil production taxes under protest.[2]

Most of the companies paid the tax according to the law, but one or two refused. They did not object to the export tax, which had been reduced, but they regarded the stipulation for payment in gold as "arbitrary and illegal," basing this contention upon an earlier decree by Carranza, issued in February, which compelled officials as well as the public to accept Constitutionalist money. The companies, therefore, tried to pay the bar tax in this money, but didn't get away with it. They then complained that since the currency exchange rate was three for one and the gold exchange rate two for one, the bar tax had been increased 50 per cent. They also claimed that the bar tax legally did not belong to the government, but to the National Railway Company (government-owned), and was not a tax but a railroad rate which had been imposed because of repair of the bar. Besides, they contended, this bar tax discriminated against American shippers as the American companies shipped from Tampico while the Mexican Eagle Company, a

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[1] For. Rel. 1914, p. 741.

[2] Ibid.

British concern, shipped from submarine pipe lines laid out to sea at Tuxpam and was therefore free from this duty. Because of this, they claimed the Mexican Eagle Company had gained sixteen per cent on the gross price of the oil.

The Carranza government refused to accept any basis for the tax but the Mexican gold peso, claiming it was only fair that products sold on a gold basis should be taxed on such a basis and that it was justifiable to limit the extent to which their currency should be used as legal tender. They were willing, however, since Mexican gold was not available, to accept American gold at the exchange rate of two pesos for one American dollar, or they would, as a convenience, accept New York exchange, which was thought to be obtainable in Tampico, at the same rate--two for one. They insisted, however, that those who needed the exchange must make their own arrangements for it, and if the exchange was purchased with Constitutionalist or other money its price would be what the seller demanded.[1] Consul General Hanna stated,

> It seems he [Carranza] is within his rights in this matter and by referring back to our national bank notes we are reminded that the United States does not accept all kinds of money for similar duties and taxes. I also understand that the have foreign obligations which have to be met in gold or its equivalent.[2]

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[1] Ibid., pp. 742-751. [2] Ibid., p. 751.

The Huasteca Company (Doheny) protested that it was exempt from paying a production tax by its contract with the Diaz regime in 1908.[1] The Carranza authorities claimed they would not recognize the contract and insisted on payment of the tax. The company complained to Consul Miller that Carranza officials refused to allow its ships to be loaded until the payment was made.[2] They contended that Carranza representatives also demanded $662,000 in back taxes, which Doheny refused to pay, since his companies had furnished the Constitutionalists fuel oil amounting to $685,000, and had credited the taxes against this bill.[3] Doheny claimed that an embargo was placed upon his ships, but when Secretary Bryan cabled Carranza, the embargo was immediately lifted.[4] The Mexican Department of Foreign Relations, however, on March 9, 1915, said that it was untrue that the Huasteca Petroleum Company and the Mexican Petroleum Company were forbidden to ship oil. The department also stated that on February 16, 1915, when the complaint was made, these companies were embarking petroleum.[5]

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[1]This tax, however, was not a production tax, but an export stamp tax.

[2]For. Rel. 1914, p. 744. [3]Supra, p. 188.

[4]Inv. Mex. Aff., pp. 278-279.

[5]For. Rel. 1915, pp. 881, 888.

Decrees of July 20, 1914, further increased the export tax from 20 centavos to 60 centavos Mexican gold per metric ton. This tax was considered by Consul Miller as a serious increase, when the low price of crude oil in the United States was taken into account.[1] The Doheny companies contended that this was a production tax and declared it illegal since it did not have the sanction of any legislative body, and was only enforced because Carranza was able to stop oil shipments.[2] On July 21, 1914, bar dues of ten centavos per metric ton on crude oil exported were also imposed.[3]

Besides these, other decrees brought discontent to oil interests. On July 1, 1914, General Aguilar, Carranza's military governor of the oil districts, decreed to confiscate all oil leases, concessions, or contracts effected during the Huerta regime. On August 3, 1914, he issued another decree whereby authorization by his government was necessary to obtain leases, concessions or any other encumbrance on land in his district. He threatened that confiscation of the land would follow non-compliance. Aguilar claimed the decree was necessary because most leases and sales of petroleum-bearing lands had been detrimental

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[1] For. Rel. 1914, p. 752. [2] Ibid., 1915, p. 999.
[3] Mexico's Oil, op. cit., p. 14.

to the owners of the land, while the companies, engineers, notaries and others taking part in these contracts had made enormous profits. These lands, he alleged, were exploited almost totally by foreign companies which had made fabulous fortunes while hard times prevailed for the natives.

The oil companies feared the retroactive feature of these decrees, and brought pressure to bear on Aguilar. The United States Consul at Tampico claimed great loss would be caused the interests which had invested large sums in that area during the Huerta regime. The United States protested and the retroactive feature of the decrees was not carried out.[1]

Pelaez

On November 10, 1914, "General" Manuel Pelaez rebelled in the oil fields against Carranza. Pelaez was a local rancher who owned property leased to the Mexican Eagle Oil Company. He and his brothers were reported to be of independent means, with stock and money which the Carranzistas had appropriated after Huerta's downfall as forced loans. It was claimed that Pelaez had always been a law-abiding citizen and a leader in that section of the country.[2] Since he

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[1] For. Rel. 1914, pp. 704-716.

[2] Mexico's Oil, op. cit., pp. xxxiii, 14; Inv. Mex. Aff., pp. 279-280, 840.

was obtaining a royalty from the Mexican Eagle Oil Company, he probably was closely associated with that concern, and since this Pearson interest had backed Huerta, Pelaez may not have been in good standing with the Carranza government, and therefore had been given rather a raw deal.

Born in the region, Pelaez was completely familiar with the oil country and all its by-paths. Thus, with a few poorly disciplined men, he soon controlled most of the productive oil regions of the South Fields. He had complete control of the camps of the Mexican Eagle Oil Company (Pearson), the Huasteca Petroleum Company (Doheny), and the Penn-Mex Fuel Company (Sinclair), the three largest oil groups producing in Mexico. Pelaez, aided by General Enriquez, a Mexican doctor who had his drug store in Tuxpam burned by Carranzistas, controlled this region for nearly six years, and was subsidized, willingly or unwillingly, by the oil companies, who paid him "taxes" and granted him "loans."[1]

This was an extraordinary situation, for while Pelaez was "king" in the oil districts, Carranza's government controlled the ports and collected export taxes. But under this anomalous condition, Carranza's laws affecting

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[1]Carl W. Ackerman, Mexico's Dilemma (New York: George H. Doran Co., 1918) p. 80; For. Rel. 1915, p. 767; Mexico's Oil, p. 14; de Bekker, op. cit., p. 26.

leases and sales between surface owners and producers could not be enforced. The government claimed a great many contracts of rentals and sales were effected in these fields during that period.[1] Besides this, the retroactive features of the Constitutionalist decrees declaring invalid all oil transactions during the Huerta administration could not be enforced in these regions.

Whether these "Generals" were maintaining a private army for the oil companies or whether they maintained their army by threatening destruction to the oil companies' property is hard to determine. Doheny, however, testified that his company paid $1,500 a month, that the payments of the oil companies were in all less than $30,000 a month, and that the United States State Department approved.[2] Carl W. Ackerman said that Pelaez got $40,000 a month as protection money from the oil companies and maintained an estimated army of from 3,000 to 27,000 men, depending upon the opinion given.[3] Vice Consul Bevan estimated the army at 700 to 800 men fairly well armed,[4] while de Bekker said Pelaez was estimated by a Belgian oil inspector who had been in these

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[1] Mexico's Oil, p. 14.

[2] Inv. Mex. Aff., pp. 282,289.

[3] Ackerman, op. cit., pp. 71-72.

[4] For. Rel. 1915, p. 767.

fields for 18 months to have less than 200 men.[1] De Bekker also said that the American Embassy in Mexico City told him that Pelaez got $200,000 a month from the oil men.[2] Apparently Pelaez' "take" had a mushroom growth which increased more rapidly as he grew in "prestige" with the oil companies. The oil men told de Bekker in 1919 that they could not shut off Pelaez or he would blow up their wells;[3] or, perhaps, they had a liking for Pelaez, as 10,000,000 cartridges were reported by the newspapers to have been shipped to him.[4] This was denied by the Doheny companies, which claimed that Pelaez absorbed the men and munitions which were sent against him.[5] But an oil man said the oil interests "would like to see Pelaez president of Mexico, because he was their friend."[6] An oil attorney, who alleged he had made a study of the Mexican situation, claimed Pelaez was friendly toward Americans and was protecting the oil fields for Americans and Allies against the pro-German Carranza, and that Pelaez drove from this oil region all German spies which were reported to him by the oil companies or American consuls.[7]

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[1] De Bekker, op. cit., p. 231.
[2] Ibid., p. 26.
[3] Ibid., p. 28.
[4] Ibid., p. 151.
[5] Inv. Mex. Aff., pp. 286-287.
[6] Quoted in de Bekker, op. cit., p. 26.
[7] Inv. Mex. Aff., pp. 840-841.

At any rate, Vice Consul Bevan, on December 12, 1914, notified the State Department that two companies which had paid their taxes to the Carranza government had been advised by General Pelaez, that they would have to pay taxes to the Villa authorities in Tamapache. Pelaez, however, was unable to show any credentials from Villa. The United States State Department requested Carranza to send enough troops to protect the companies from this second taxation. The request was forwarded to General Aguilar, who answered that he was surprised that the foreign oil companies should ask protection when they were aiding the rebels. He contended that before protection the companies, it would be necessary to make them account for their conduct and punish them for their hostilities.[1]

The Penn-Mex Fuel Company, on January 5, 1915, reported that "General" Pelaez had seized the company's payroll because of their refusal to make a "loan" of 50,000 pesos. Later, on September 2, 1915, Vice Consul Bevan wired the Secretary of State that Pelaez had given the company 72 hours in which to pay. When the company refused, Pelaez shut down the Alamo pumping station which stopped the flow of oil, and after appropriating 5,600 pesos from the paymaster he retired to his camp at Potrero. The oil company

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[1]For. Rel. 1914, pp. 983-984; 1915, pp. 871-872.

claimed it resumed work but feared a shut-down at any time.[1]

A memorandum issued on May 6, 1915, by the Mexican Petroleum Company, claimed that all the important oil wells in Mexico were in the hands of Villa forces who, if they desired, could do great damage to the producing wells. Many of these wells could not be closed without being destroyed, since the pressure was so great that seepages were apt to break through the ground, and it was feared that such catastrophes as the case of Dos Bocas might occur. The Doheny company asserted that these Villa troops demanded "taxes" or the advanced payment of large sums of money, threatening otherwise to stop the pumps on the pipe lines.[2]

During October, 1915, about the time the United States recognized Carranza, peace negotiations were carried on between the latter and Pelaez. These were at first a failure, but on November 5, 1915, Vice Consul Bevan wired Secretary of State Lansing that the negotiations had succeeded and that General Pelaez and General Salazar, leaders of the Villa forces in Vera Cruz, were to retain their same rank in Carranza's army, General Pelaez remaining in command of the Tuxpam district.[3]

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[1] Ibid., 1915, pp. 717-718, 1002-1003.
[2] Ibid., p. 999.
[3] Ibid., pp. 767,775.

Apparently, Pelaez found his new position not lucrative enough, or feared treachery from Carranza's forces,[1] for it was claimed that Pelaez continued his forced loans and collected "taxes" under threat of stopping the oil pumps, and Carranza was unable to entirely dislodge him. It was not until Carranza had been driven from Mexico City by Obregon in 1919 that Pelaez finally laid down his arms.

Oil 1915--Decrees

Immediately after the Constitutionalist had captured Tampico, the oil producing regions had enjoyed peace, and great progress had been made when work was resumed. The schism which occurred in the Constitutionalist ranks did not immediately affect production. In the latter part of 1914 and early 1915, however, Villa's troops laid siege on Carranza-held Ebano in order to curtail the supply of fuel oil being sent to the Constitutionalist forces. This siege lasted about four months; Carranzista officers at Ebano were reported to be threatening destruction of the wells and oil in storage if they were defeated. The United States protested this threatened destruction. The Doheny company then alleged that a distillate plant was destroyed with 5,000 barrels of distillates, as were two tanks with

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[1] Inv. Mex. Aff., p. 285.

40,000 barrels of petroleum and a tank with 55,000 barrels. The oil company claimed this destruction by the defending Constitutionalists was unnecessary, and feared it might be extended to the Tampico region unless vigorous action were taken to curb it.

This accusation was denied by the Carranza forces, which claimed that so long as fighting continued at Ebano, tanks were likely to be pierced by gun fire.[1] The alleged destruction evidently was untrue, as Doheny later testified that although pipe lines were broken and reservoirs punctured by rifle and artillery fire, no malicious destruction was indulged in and that officials at the camp were treated courteously.[2]

Despite the chaotic conditions caused by the civil war, the oil industry had held up surprisingly well. Although production increase was not nearly so great as during other years of this period, production in 1914 was 26,235,403 barrels as compared to 25,696,291 barrels in 1913.[3] (1912: 16,558,215 barrels; 1915: 32,910,508 barrels.) Mexico had suffered from war during the entire year, which considerably curtailed production. If it had not

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[1] For. Rel. 1915, pp. 885-889.

[2] Inv. Mex. Aff., pp. 237-239.

[3] Min. Ind. 1914, p. 570; A.I.M.M.E. Table, p. 416.

been for these conditions, transportation facilities would have been the only diminishing factor. The Pearson interests had completed 22 out of 25 new tank steamers, and this increase in transportation facilities was the main reason for the increase in production over 1913. Pearson's Mexican Eagle Company had added several large wells during the year, and Dutch-Shell, in the early part of 1914, had brought in a tremendous gusher, Corona No. 5. Doheny's Mexican Petroleum Company had started drilling on several wells but did not complete any of them until 1916. The company contended this was because of the unsettled conditions, but the real reason seems to have been the lack of markets and transportation facilities.[1] Towards this end the Doheny company completed a railroad to Cerro Azul during the year.

The oil men were quite worried during these disturbing times, because of the inflammable nature of the oil which they feared would tempt incendiarism. But there was only a small amount of oil lost through fires started in this way. Much more serious fires were caused by lightning. This natural menace destroyed one of the large pumping stations on a pipe line of the Mexican Eagle Petroleum Company, and on August 14, 1914, set fire to the famous El

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[1] Mexican Petroleum, p. 119.

Potrero gusher belonging to the same concern. Efforts to shut down the well in 1913[1] had caused many oil seepages and these were easily ignited, so when the lightning struck, a surface fire resulted which burned until March 24, 1915 before it was extinguished. This fire, however, did not prevent the well from producing and almost the usual amount of oil flowed to Tuxpam through the connected pipe lines.[2]

Another reason production of oil held up as well as it did during 1914 was the outbreak of the World War on August 1, 1914. Nevertheless, the effect was infinitesimal compared to what it was later to be. Oil fuel was now rapidly to take the place of coal in the navies of the world, as well as in the factories and railroads. Mexican oil fields were to supply the Allies with a great part of their oil during this war, and hence to become an important element in the Allied Victory.[3]

This vast increase in oil consumption, which was beyond all expectations, made imperative an increase in production, and prices of oil continually increased during the war. Hence, the lure of financial gain soon outweighed any fear felt by the oil companies of the chaotic conditions

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[1] Supra, p. 186. [2] Min. Ind. 1914, p. 570.

[3] Mexico's Oil, p. 14; Hendrick, op. cit., p. 179.

in the oil fields. Work increased with great intensity, as did disorderliness. Tampico became a wild boom town, wide open with "honky-tonks," gambling dives, and brothels galore. All nationalities were represented. American drillers received high wages, but their expenses were great--a bed cost five dollars, even though it was in a crowded room without privacy. Robberies and killings, often by foreigners, were common. Companies employed armed guards, and struggles between these company mercenaries over rights were not uncommon.[1]

Carranza attempted to bring the oil industry under government control, but constantly met with strong opposition from the oil companies through their governments. On January 7, 1915, he decreed that because it was necessary to revise the oil laws in a radical manner and establish rules and regulations for oil exploration and exploitation, works connected with these operations must be suspended unless authorized by his government. Any work undertaken after the promulgation of the decree could be ordered destroyed by the government at the expense of the company responsible for it, and petroleum pools encountered would become the property of the nation. Carranza's contention was that the oil interests had been the only beneficiaries from the oil

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[1]Mexico's Oil, p. 14; Kluckhohn, op. cit., p. 99.

exploitation, while great damage had been done agriculture and the waterway communications, and that the nation was being cheated of just profits to which it was entitled. He also alleged that several oil companies had been exploiting, exploring, and drilling wells to a large extent without authorization of his government. It was necessary, he contended, to stop this unlawful practice, which was a menace to international relations since foreigners operated most of the oil properties and some of the oil companies applied with great facility to their governments for protection against just obligations which they owed the country from which this immense wealth was being taken.[1]

Although Pelaez controlled much of the country in which these companies had their wells, Carranza was in control of the ports of export. The decree, therefore, was apparently somewhat effective. Vice Consul Bevan on January 11, 1915, wired the State Department that the decree had closed down the Penn-Mex Oil Company and the Mexican Eagle Petroleum Company. A few days later he wired that if the oil companies were closed down in the territory controlled by Carranza's forces, 1,000 American and 20,000 Mexican employees would be thrown out of work.[2]

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[1] For. Rel. 1915, pp. 870-873.

[2] Ibid., pp. 871-872.

Secretary Bryan protested and warned that serious complications would result if destruction of property was carried out. The decree, however, was interpreted by the Mexican Secretary of Fomento as applying only to work not completed. He stated that properties in actual production, and especially those of companies which had paid taxes and imposts up to date, had not, and were not to be hampered, since the government realized that serious damage would occur. He explained that the object of the decree was to prevent continuance of drilling and construction without authorization by the government. Oil wells under production, he claimed, were being operated without molestation, but several oil companies had taken advantage of the difficulties incurred by the government, and were constructing pipe lines in all directions as well as tanks and wharves, and even sinking new wells without permission from the government. He said that some companies had shipped oil to the amount of $500,000 per month upon which they refused to pay taxes. A few of these companies, he stated, had at the time of his message begun to pay the export tax.[1]

Companies which applied for permission to continue drilling were refused unless they signed an agreement to

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[1] Ibid., p. 874.

abide by the new petroleum laws and regulations which had not at that time been drawn up. The oil companies refused to sign this agreement, and Secretary Bryan backed them up. On January 25, 1915, he wired Vice Consul Bevan that the oil companies should not be expected to agree to conform to these prospective laws, and that the United States government protested against application of such requirements to American companies.[1]

One concern, the Cortez Oil Corporation, applied for permission to continue drilling a well in order to install a six-inch casing. The company, unable property to set an eight-inch casing in the well, feared that it might get out of control and destroy itself as well as damage the surrounding country. The Carranza government, before giving this permission, requested the following information:

1. A general map of the district.
2. The conditions entered into between the company and the land-owners in the lease.
3. The present total depth of the well.
4. The length and diameter of the casing already in the hole.
5. A map of the tract, which showed the location of the well, dams, and tanks constructed for storage, auxiliary buildings and other structures, together with specifications of completed construction, construction under way, and projected construction.
6. A geological chart, sealed and stamped in an envelope marked "Strictly confidential" so as to protect the interests of the company.

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[1] Ibid., pp. 874-875.

All this information was sent by the Cortez Company, with the exception of the geological chart which they claimed was in New York and would be sent when it arrived.[1]

Vice Consul Bevan complained to the State Department that not only did the Mexican Government request that the company agree to conform to the not yet enacted laws, but also demanded "strictly confidential geological information which costs thousands of dollars to obtain and which can be had only by actual drilling.[2] He further claimed the United States could not protest too strenuously ". . . . against such illegal procedure against American companies, for this would be a most dangerous precedent to establish."[3] Bevan said that practically all the drilling and construction work had closed down and many of the oil men had returned to the United States.[4]

The Cortez Oil Corporation, after protests by the United States, was given permission by the Carranza Government to go ahead with the work without submitting to the new petroleum laws. This permit was valid until the new laws were enacted.[5]

On January 29, 1915, another decree flowed from

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[1] Ibid., pp. 875-877. [2] Ibid., p. 875.
[3] Ibid. [4] Ibid.
[5] Ibid., pp. 879-881.

Carranza's pen. In this all construction work which had been performed on lands under Federal jurisdiction, without government authorization, were confiscated. The Secretary of Hacienda and Public Credit was to take them over and decide whether the work was to be destroyed or how it was to be disposed of. Contracts, permits, or concessions, which those in possession considered legal, were to be subject to revision or revalidation. Those interested were required to apply within three months from the date on which the decree was promulgated.

This decree affected the "federal zone", a strip of land twenty meters (about 65 feet) in-shore from the high-water mark, and extending as far inland as the tide flows. Permits for construction of wharves and buildings which had been obtained during the Huerta regime within the zone were not recognized as legitimate by the Carranza government. Besides, a number of the oil companies had erected buildings in the zone without permits. Carranza declared all works constructed on the lands of the public domain without due authorization to be the property of the nation by right of accession. He contended that contracts, concessions, or permissions which existed had almost invariably been based upon favoritism or bribes, without the nation deriving benefits to which it was entitled, and that the concessions had been granted in such a manner that they had become monopolies.

Vice Consul Bevan contended that if the decree were carried out, the oil companies would be considerably damaged. Nevertheless, a notice was published by the Inspector of Ports at Tampico requiring all companies occupying lands in the federal zone to present their permits for occupation within three days. The office of the Secretary of State informed Bevan that if the American companies desired the United States to protest they should notify the Department. No protest, however, was made by the American companies.[1]

A decree which Carranza had issued on September 19, 1914, for the purpose of reorganizing the tax list so an equitable distribution of taxes might be invoked now caused trouble. By the decree, committees were to be established in each of the districts of the States to register the real estate and fix its value as well as the amount of capital invested. Each committee was to be composed of the tax collector, the municipal treasurer and three taxpaying citizens to be chosen by the highest political authority in each district.

All holders of property, regardless of its type, were required to furnish within one month a detailed statement of all property held, including its description and

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[1] Ibid., pp. 871, 877-879.

value. In order that the property would not be undervalued, the government claimed the right to expropriate any property and pay the holders as indemnity the value which was given in the tax list. Tax-payers who failed to present statements within one month were to be penalized five per cent of the value of property not listed and were subject to whatever valuation was given the property by the assessment committee. The tax-payer, if he believed himself injured by the assessment made by the committee, was to be allowed 15 days after publication of the tax list in which to make written protest. A Board of Equalization, comprised of the governor and treasurer of the state and three members appointed by the governor, was to be set up in each state to decide on these complaints.

The decree was officially published in Tampico on November 11, 1914. The acting governor of thestate extended the term for filing the statement until December 31, 1914, and on December 28, 1914, the governor, without mentioning the extension granted by the acting governor, extended the time for filing 60 days, presumably until February 28, 1915.

On February 21, 1915, Vice Consul Bevan wrote the Secretary of State that when the decree was issued little attention had been given it. Special forms had not been

printed until February 19, 1915, which gave property holders only eight days to file returns. Several oil companies complained that the right of the assessors to set the value on property not listed for taxation and then fine them five per cent, besides having the right to purchase the property at the assessed value, was confiscation pure and simple. They also complained that improved oil lands, which had been purchased some time before at insignificant amounts, and upon which taxes had been paid up to this time in proportion to the lands' agricultural value, might be valueless or worth millions of dollars. If the oil companies undervalued such property, the government might expropriate it, and if they overvalued it taxes would be greater than they should.

Secretary Bryan on March 5, 1915, wired Vice Consul Bevan to protest, if enforcement was attempted, that the law was confiscatory. But on March 1, the Governor of Tamaulipas had extended the time until May 1, so ample time was given for the oil companies to make their manifestations.[1]

Things also were not going smoothly within the Constitutionalist government. General Gonzalez, with his headquarters at Tampico, appropriated all the money collected from the stamp tax on petroleum for his personal and

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[1] Ibid., pp. 882-886.

official use. A collector of customs appointed by Carranza refused to turn over $27,000 (U. S. currency) which he had collected to Gonzalez. Gonzalez removed the customs collector from office, got the money, and appointed a successor. Carranza consequently ordered the oil companies to pay the stamp tax directly to his government at Vera Cruz, instead of at Tampico. This caused the oil companies additional worry as they expected trouble when the next tax payment came due on March 15. No trouble occurred, however, and the tax was paid directly to Vera Cruz.[1]

The Carranza government, as it grew stronger, issued still more decrees in order to bring the oil producers under the sovereignty of the government. On August 14, 1915, a decree was promulgated which prohibited anyone from drilling within 30 meters (about 100 feet) of the boundaries of their property. A petition for drilling was required by the government with a detailed plan of the district, showing the point of drilling, its distance from the boundaries of the property, and the location and distance from towns, roads and waterways.[2]

Another decree, on November 15, 1915, required all companies or persons engaged in the oil industry to register within two months with the Department of Petroleum.

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[1] Ibid., pp. 886,890. [2] Ibid., p. 890.

They were required to give extensively detailed information concerning their holdings in what was described as an effort to insure protection from unscrupulous promoters for persons who were buying shares of oil stock.[1]

These efforst to regulate and control the oil industry aroused much antagonism among foreign interests.[2] Antagonistic also were many foreign mining interests, as well as foreign land-owners, who also found fault with Carranza's decrees.

Recognition of Carranza

American interests had insistently demanded United States intervention in Mexico. Reports of outrages--often grossly exaggerated--were spread throughout the United States by the press. The aid which President Wilson gave the Constitutionalists was denounced and every event which might cause him to act against them was applauded. Thus, the prolongation of the Mexican civil war became more and more embarrassing to the American president. He lectured on the benefits of Constitutionalism and peace and the rights of protection for foreigners in Mexico, but Carranza held to his belief in the sovereignty of his country. He

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[1] Ibid., pp. 890-891.

[2] In 1917, 99 per cent of Mexico's oil was controlled by foreigners. Hicks, op. cit., p. 77.

declared that no nation had the right to interfere in Mexico's internal affairs and that no foreigner had the right to expect better treatment than Mexico's own citizens.[1]

The propaganda of the interventionists was effective; American public pressure became too great, and President Wilson decided something must be done. On June 2, 1915, he called on the leaders of the factions in Mexico to unite, drop their differences, and set up a government which the world could recognize and which other nations could deal with. He threatened that if Mexico could not do so, the United States would ". . . . decide what means should be employed by the United States to help Mexico save herself and serve her people."[2] But the Constitutionalists were winning the civil war and were not willing to unite with other factions.

After General Obregon defeated Villa at Celeya, the latter was steadily driven northward and defeat after defeat weakened his army and his prestige. Wilson's notes also caused the Conventionists to fear intervention by the United States, and offered an excuse for a peace in which they might retain some power. President Garza of the Con-

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[1]Gruening, op. cit., p. 585; Parkes, op. cit., pp. 355-356.

[2]For. Rel. 1915, pp. 694-695.

ventionist Government, therefore, on June 3 and 8 sent messages to both Carranza and Villa in which he attempted to obtain an armistice and set up a United Mexican Government with a coalition cabinet from the different factions.[1]

Villa was willing to acquiesce and on July 11 notified Carranza to this effect. But Carranza remained adamant and issued a manifesto to the nation in which he declared the Constitutionalist Government to be in control of seven eighths of Mexico, 20 of the 27 states and more than half of the other seven, nine tenths of the total population and virtually all the ports of Mexico. He called for recognition of his government by the nations of the world in order that a speedy peace and constructive constitutional government might be obtained. He declared this would strengthen friendly relations with other nations and make possible the discussion of their affairs in common. Other factions were asked to submit to the Constitutionalist Government so that peace and reform of the Revolution might be expedited. He guaranteed foreigners residing in Mexico, as well as Mexicans, such protection as was their right under Mexican laws, and agreed to allow foreigners just indemnities for damage caused by the revolution. In addition, he asserted that all property legitimately acquired, which did

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[1] Ibid., pp. 697, 699, 703.

not constitute a privilege or a monopoly, was to be respected.[1]

Secretary Lansing, on June 18, wired that in view of the way things were shaping themselves, it was within possibility that the United States might recognize Carranza, providing he could conciliate the principal factions, adjust differences, and restore peaceful conditions.[2]

But Carranza refused to treat with Villa and Zapata, and declared that these leaders and their associates must leave the country or submit to military trials, since any combination of the factions would produce only a temporary peace, resulting only in new conflict. He said he did not want recognition conditioned on conciliation.[3]

President Wilson called a conference of the Ambassadors of the A. B. C. powers who were joined by envoys of Bolivia, Guatemala and Uruguay. They met in August, 1915, and urged that the chiefs of the conflicting factions meet in person or send delegates to a neutral zone and immediately call a general election. Villa and Zapata, with other Conventionists, accepted the proposal, but Carranza refused, saying he could not

. . . . consent to a discussion of the domestic

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[1] Ibid., pp. 704-707. [2] Ibid., pp. 715-716.
[3] Ibid., pp. 718-719.

> affairs of the Republic by mediation or on the initiative of any foreign government whatever, since it is the imperative duty of all to respect the sovereignty of the several nations and inasmuch as acceptance of the invitation . . . . would deeply affect the independence of the Republic and set a precedent for foreign intervention [intromision] in the settlement of . . . . [their] internal questions.

He further pointed out

> . . . . that by entering into agreement with the vanquished factions . . . . [he] would not only relinquish the victory won at the cost of so many sacrifices but also the First Chieftainship of the Constitutional Army, and the Executive Power of the nation.[1]

Nevertheless, Zapata during the latter part of July had occupied Mexico City three times in five days, and conditions were chaotic.[2] Carranza agreed, however, to meet with the delegates to discuss any Mexican affairs from an international standpoint with the object of his recognition. He was supported in his position by his generals and governors, 20 of whom referred the matter wholly to Carranza.[3]

The Pan-American Conference met on September 18, 1915. Secretary Lansing recognized Mexico's sovereignty, and urged recognition of the dominant power as the best solution.[4] Other envoys suggested recognition of the faction which demonstrated the greatest success in maintaining

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[1] Ibid., pp. 746-747. [2] Ibid., p. 732.
[3] Ibid., pp. 735-748, 753. [4] Ibid., p. 756.

order.[1] President Wilson believed that if Carranza was to be recognized,

> . . . . he must first guarantee, religious freedom, give amnesty for political offenses, institute land reforms which had been promised, give protection to foreigners, and recognize their just claims.[2]

The consideration of recognizing the Carranza government, however, vexed the American interests. Charles B. Parker, representing the American interests in Mexico, on October 5, 1915, wired the Secretary of State that conditions were terrible. He stated,

> . . . . Mail since April not arrived . . . . outgoing sealed letters are opened and read and some not forwarded. Press dispatches and all cablegrams personal or commercial are suppressed if they criticize existing conditions. . . . . [Carranzistas] force public accept their currency but refuse receive it themselves for important taxes. They issue decrees declaring invalid public and private business done under various previous regimes. Very limited food supplies have been brought to city but suffering among poor increase because of inability to purchase. Deaths from starvation continue. Fuel famine is acute. No freight can be moved without graft and scarcely any even with that. . . . . Soto y Gama . . . . threatened foreigners with death for protesting to their government. General Gonzalez said privately . . . . will punish us when their government is established. They insist daily through all news-

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[1] Ibid., p. 754.

[2] The Intimate Papers of Colonel House, arranged as a narrative by Charles Seymour (Cambridge: The Riverside Press, 1926) Vol. I, p. 224.

> papers that the United States will soon recognize them. Local press is not permitted publish real situation. Foreign and native public enraged over present systematic campaign by Carrancistas of misrepresentation in United States and are most apprehensive regarding its misleading effect on the friendly nations striving to aid Mexico.[1]

But regardless of the pressure brought to bear against recognition of Carranza, on October 9, 1915, the Pan-American Conference met again and found that the Carranzista party was the only one possessing the essentials for recognition as the de facto government of Mexico.[2] Thus, on October 19, 1915, the United States recognized the Carranza faction as the de facto government with Carranza as the chief executive. This was immediately followed with recognition by Brazil, Chile, Argentina, Bolivia, Uruguay, and Guatemala.[3] President Wilson at once placed an embargo on arms to Mexico and thus the Carranza government was firmly established, as the embargo did not apply to them.[4] Soon after, in December, 1915, diplomatic relations were resumed. Henry P. Fletcher was appointed Ambassador to Mexico, although he did not go there at once.

Oil 1915

During the chaotic times of 1915, although there were few new wells brought in, Mexico produced 32,910,508

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[1] For. Rel. 1915, pp. 762-763.
[2] Ibid., p. 867.
[3] Ibid., p. 771
[4] Ibid., p. 781.

barrels of oil.[1] Of this, 24,279,375 barrels were exported, of which 17,748,472 or 72 per cent went to the United States,[2] and 1,000,000 to South America. It was estimated that Mexico had a potential capacity of 600,000 barrels daily production. The output now depended upon the ability to sell the oil and this was mainly limited by transportation facilities. Because of this, a large amount of oil was stored, greatly increasing stocks already on hand. For this reason, few wells were drilled during the year, although the chaotic condition of the country was blamed by the oil men.

Despite the activities of Pelaez, who controlled the district, the greater portion of the oil produced came from three monster wells in the South Fields. These were owned by the Mexican Eagle Petroleum Company, the Huasteca Company, and the Penn-Mex Company.

A large well was drilled by the American Fuel Oil Company on May 23, 1915, in the Loma del Poso field situated in the North Fields. This well first produced a great amount of carbon dioxide gas, but began to produce oil about a week later. Panuco also yielded a large gusher which was drilled by the Freeport and Mexican Fuel Company to offset the

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[1]Production in 1914 was 26,235,403 barrels. A.I.M.M.E. Table.

[2]Ibid, p. 416.

Corona gusher on an adjoining lease. It was estimated that this new well had a capacity of over 60,000 barrels daily.

During the year, Tampico declined as an oil exporting port, but Tuxpam, where oil was loaded from submerged pipe lines to the sea, materially increased its oil exports.[1] These pipe lines, as already stated, were owned by the Pearson interests, and this British enterprise was now furnishing the Allies with much of their oil, which accounted for the increase in Tuxpam exporting.

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[1] Min. Ind. 1915, pp. 542-543; Muir, op. cit., pp. 4-5.

CHAPTER VIII

CARRANZA--THE PUNITIVE EXPEDITION AND AMERICAN OIL (1916)

The oil fields were by no means the only place trouble occurred. Throughout the revolutionary period, there had been border incidents between Mexican and American troops. Both Constitutionalist and Conventionist troops, as well as bandits, had fired into and raided American territory, and a number of times American troops and Texas rangers were guilty of firing across the border as well as encroaching upon Mexican territory. In fact, such incidents had occurred before the revolutionary period.[1]

But during the Revolution, American troops were increased to patrol the border. In various sectors batteries of powerful search lights played over the border in quest of bandits or ammunition smugglers.[2]

As Villa was driven northward by Carranza's troops,

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[1] For. Rel. 1919, Vol. II, pp. 531-544.

[2] Pinchon, op. cit., p. 331.

many of his men deserted and his oldest friend, Tamas Urbina, skipped with Villa's treasury chest.[1] Felipe Angeles and Raoul Madero were sent to New York to open negotiations with American interests in hopes of gaining friends and support. Meanwhile Villa, with a remnant of his troops, crossed the snowbound pass of the Sonora mountains in winter to attack the Sonorian town of Agua Prieta. This town, lying adjacent to the American border, was held by General Calles with some 3,000 men. If Villa captured Agua Prieta, he would control the entire state of Sonora. Obregon, realizing the crisis, rushed to El Paso, where he is alleged to have received permission from Washington, through General Pershing, to transport troops 600 miles across American territory to the support of Calles. After Villa had been driven back from an attack on the town, he tried an old strategy with which he had won much success in Mexican warfare. This was a night mass attack, in which his troops sneaked up under cover of darkness and stormed the enemy at a given signal. But when this signal came it was answered by the playing of American searchlights upon Villa's troops massed close to the enemy trenches. Under the blinding glare of these searchlights, Villa's troops were mowed down by Carranzista machine guns while a shrapnel barrage cut off their

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[1]Parkes, op. cit., p. 354.

retreat. Villa's army was almost annihilated. With what men he had left, he retreated over the Sierras and reached the other side with less than 600 of the 6,500 men with which he had started.[1]

Villa then disbanded his army and with some of his old band remained in Chihuahua, where before the revolution, as a bandit, he had been a "Robin Hood" to the peasants. Among these people, who shielded him, he was unconquerable, for he knew every trail and hiding place in the state; but as a national leader his career was about ended. Scattered bands of his troops now roamed over the country with hate in their hearts for the "gringo" whom they believed had treacherously defeated them at Agua Prieta, as if by a knife thrust in the dark. The border flickered with petty reprisals, while Americans and American property in Mexico were unsafe.[2]

The, on January 10, 1916, a band of these Villistas, all survivors of the Agua Prieta massacre, stopped a train five miles west of Santa Ysabel. Sixteen American mining engineers, on their way, by Carranza's invitation, to reopen the mines at Cusihuiriachic, were killed. Only one American escaped to report the incident. Other Ameri-

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[1]Pinchon, op. cit., pp. 326-333.

[2]Parkes, op. cit., p. 345; Pinchon, op. cit., p. 335.

cans in the district were immediately removed. Carranza declared Villa and Colonel Lopez, the officer in command at the Santa Ysabel massacre, outlaws and ordered immediate pursuit and punishment by death of those responsible for the atrocity. Lopez was eventually captured, confessed the murder, and with 17 of his band was executed.[1]

Pinchon claims, however, that at this time Villa was at Hidalgo de Parral in conference with representatives of the American mining companies operating in that district, ". . . . from whom he obtained financial support, in return for protection" against bandits and Carranza's decrees, by keeping Federal officials at bay.[2]

In the United States, political parties were getting ready for the Presidential election in November, 1916. Senator Albert Fall, leader among intervention advocates and a chronic critic of Wilson's Mexican policy, had introduced a resolution on January 6, 1916, for an investigation of Mexican affairs, and was in the midst of one of his diatribes for Mexican intervention when news of the Santa Ysabel massacre furnished him a strong argument.[3] Other Republican leaders, hoping to embarrass the Democratic administration,

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[1] For. Rel. 1916, pp. 465, 528, 651-653, 659-661.

[2] Pinchon, op. cit., p. 336.

[3] For. Rel. 1916, pp. 463-464.

demanded that troops be sent into Mexico. These leaders probably thought that Wilson could not be forced to intervene and meant to gain political strength by showing that Wilson had abandoned American rights in Mexico in a most cowardly fashion. The Democrats, detecting the political motive, warned their opponents that they were playing a dangerous game, as a war sentiment might be aroused in the United States which would force Wilson to abide, and if war was in progress in November, 1916, the election might be a Democratic landslide.[1] But the Republicans were heedless. Arizona's Senator Ashurst demanded more "grapeshot and less grapejuice." Senator Slayden of Texas declared there was a conspiracy in Mexico to vanquish Americans in the Southwest and turn one-time Mexican territory over to Mexicans, Japanese and Negroes. Others contended we must conquer Mexico to make our borders safe and that our southern boundary should be Panama.[2]

The American press became indignant. Amply furnished with material by powerful interests in Mexican mining and oil enterprises, the press printed much that con-

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[1] U. S. Congress. Record, 64 Cong., Sess. I., Vol. LIII, p. 1062.

[2] Rippy, U. S. & Mexico, op. cit., pp. 345-348; Am. Pol. Abroad, pp. 53-54.

tributed to a war hysteria. At El Paso a mob beat several Mexicans,[1] and throughout the Southwest, Mexicans received ill-treatment.

Carranza's attempt to prevent gun-running caused the shooting of innocent Americans, while vigilant American troops and Texas rangers killed innocent Mexicans. Public feeling in the United States was wrought to a dangerous pitch.

The excitement caused by the Santa Ysabel atrocity had barely subsided when, at 4:30 A. M. on March 9, 1916, Columbus, New Mexico, a town four miles from the border, was raided by about 300 Villista troops. Three American soldiers of the small garrison were killed and several injured, while the civilian losses were four killed and four wounded. The Mexicans occupied the town for several hours, and burned the depot and some of the principal buildings.

A posse of American cowboys was formed, and five troops of soldiers, with orders not to go more than two miles beyond the border, pursued the Mexicans. In all, 23 Mexicans were killed, but none was captured. Four American soldiers lost their lives in the pursuit, and one officer and seven men were wounded.[22]

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[1] For. Rel. 1916, p. 663.

[2] Ibid., pp. 480-481.

The next day, President Wilson ordered American troops into Mexico to capture Villa, but ". . . . with scrupulous regard to [the] sovereignty of Mexico,"[1] while additional troops were also sent to the border. The Carranza government rushed troops to Juarez and the Mexican Secretary of Foreign Affairs asked that

> Mexican forces be permitted to cross into American territory in pursuit of the . . . . bandits led by Villa, upon the understanding that, reciprocally, the forces of the United States may cross into Mexican territory if the raid effected at Columbus should unfortunately be repeated[2] at any other point on the border.[3]

A day later, on March 11, Carranza notified the American Secretary of State that there was no reason why the lamentable Columbus incident should lead to war between the United States and Mexico, but stated that if the pressure of those seeking intervention at all cost should cause war, his government would use all means possible to repel invasion. He declared that if the United States did not

> . . . . consider the mutual permission for American and Mexican forces to cross into the territory of one another in pursuit of bandits and insists in sending an operating army into Mexican soil, ...

Mexico would "consider this act an invasion of national

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[1] Ibid., p. 483. [2] Italics mine.

[3] For. Rel. 1916, p. 487.

territory."[1] On March 12, Carranza proclaimed that his government would not

> . . . . admit under any circumstances . . . . that the territory of Mexico be invaded for an instant, and the dignity of the republic outraged.[2]

Secretary Lansing, on March 13, answered the Mexican Secretary of Foreign Affairs' message and granted permission to the Carranza government

> . . . . to cross the international boundary in pursuit of lawless bands of armed men who have entered Mexico from the United States,[3] committed outrages on Mexican soil, and fled into the United States, ...

with the understanding that Mexico

> . . . . grants the reciprocal privilege that the military forces of the United States may pursue across the international boundary into Mexican territory lawless bands of armed men who have entered the United States from Mexico, committed outrages on American soil, and fled into Mexico.[4]

Lansing further stated that since the Mexican government proposed the reciprocal arrangement, the United States understood ". . . . the arrangement now complete and in force . . . . and the reciprocal privileges . . . . " could ". . . . be exercised by either government without further interchange of views."[5] This interpretation, how-

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[1] Ibid., p. 486. [2] Ibid., p. 487.
[3] Italics mine. [4] For. Rel. 1916, p. 488.
[5] Ibid., pp. 487-488.

ever, was not by any means as the Mexican Secretary of Foreign Affairs had stated or meant it.[1] Under Lansing's arrangement Carranza's troops would not be permitted to pursue Villa into the United States. Under the proposal of the Mexican secretary, American troops would only be permitted to cross the border should another raid be repeated. This the Mexican government pointed out.[2] Nevertheless, American troops in quest of Villa had crossed into Mexico under the command of General Pershing, on March 16, one week after the Columbus raid.

Meanwhile, although most American papers flamed with renewed demands for intervention, labor and liberal papers began to hint that there were American interests who knew more about the Columbus raid than they would care to divulge. These papers picked up bits of information and asked questions which were never answered: What were gentlemen dressed in smart New York clothes doing in this desert hamlet of Columbus, 40 miles from the nearest city, a week before the raid? Why was the raid made immediately after a large part of the garrison had been removed and only one officer, a lieutenant, left on duty? Why did this force of 300 to 400 strong occupy the town for three hours, firing their rifles in the air, chanting "Viva Villa!" and

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[1] Supra, p. 248 . [2] For. Rel. 1916, pp. 493, 515.

inflicting only a few casualties, when they easily could have massacred the population and looted the town in short order? It seemed the raid was only a gesture.[1] President Wilson, too, evidently felt that the raid was not logical, for shortly after its occurrence he gave the press a note in which he said:

> It is my duty to warn the people of the United States that there are persons all along the border who are actively engaged in originating and giving as much currency as they can to rumors of the most sensational and disturbing sort, which are wholly unjustified by the fact. The object of this traffic in falsehood is obvious. It is to create intolerable friction between the Government of the United States and the de facto Government of Mexico for the purpose of bringing about intervention in the interests of certain American owners of American property.[2]

But a Presidential election was at stake; enraged public opinion must be satisfied, so 12,000 American troops crossed the border and 18,000, a number greatly increased as the expedition progressed, remained to guard the American side.[3]

Keen resentment was aroused in Mexico. Prominent

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[1]Hanighen, op. cit., pp. 72-73; Pinchon, op. cit., pp. 338-339.

[2]Woodrow Wilson, "The New Democracy," Presidential Messages, Addresses and other Papers, 1913-1917, ed. by Stannard Baker and William E. Dodd (New York: Harper & Bros., 1926) Vol. II, p. 131.

[3]Priestley, op. cit., pp. 432-433.

Americans had spoken openly for a protectorate in Mexico, and what looked like an advance guard of an army of occupation had crossed the border. Demonstrations against Americans occurred throughout the country. At Torreon, the American consulate was stoned, the American shield torn down, the front of the building destroyed, and the furniture demolisned.[1] Americans, many destitute, fled from Tampico and other ports of the country, while some took refuge on American naval vessels.[2] Some American consulates were closed.[3]

Carranza was "losing face"--the "Colossus of the North" had again invaded Mexico. Villa was gaining strength and becoming a national hero, aided by the civilians and often by Constitutionalist troops themselves. Carranza had refused assistance to Pershing by denying him the use of the railroad, and to prevent friction, American troops were forbidden to occupy towns.[4] But on April 12, American troops entered Parral, causing a clash between resentful Mexican townsfolk and the American soldiers. Several persons

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[1] For. Rel. 1916, p. 671.

[2] For the number of Americans departing and the number remaining see Ibid., p. 706.

[3] Ibid., pp. 683-708.

[4] Ibid., pp. 497, 502, 508.

were killed on both sides. The Mexican government therefore requested that American troops be removed from the country.[1]

General Funston now declared that to succeed it was necessary for the American troops to take complete control of the country occupied and to control the railroads.[2] Mexican troops moved northward and began preparations to resist and crush the American forces unless they withdrew. Mexican bandits and others, sometimes Constitutionalists, made raids across the border, while General Obregon conferred with American generals concerning removal of American troops and joint protection of the boundary line.[3] On May 22, General Aguilar, Mexican Secretary of Foreign Relations, sent a lengthy note to the American Secretary of State in which the American government was charged with bad faith. He reviewed the situation, pointing out that the punitive expedition was intended to pursue a band of robbers, which required rapidity and should have been carried out by a squad of cavalry. He also declared that the employment of artillery and infantry could not be explained unless for use against regular Mexican forces; that Mexico did not wish war against the United States, and if war oc-

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[1] Ibid., pp. 513-514, 526. [2] Ibid., p. 522.

[3] Ibid., pp. 536-537, 544-545, 574, 550-552, 568-576.

curred it would be the fault of the latter. Requesting again the immediate removal of American troops from Mexican territory,[1] he stated,

> The Mexican Government is aware that in case of a refusal to retire these troops, there is no further recourse than to defend its territory by an appeal to arms. . . . .[2]

Diplomatic relations grew more tense, and it appeared that war was inevitable. In an answer equally as lengthy, Secretary Lansing refused to withdraw the expeditionary force until its purpose should be accomplished,[3] and notified the Mexican government ". . . . that the execution of this threat will lead to the gravest consequences."[4]

A clash between Mexican and American troops at Carrizal, in which a number were killed on both sides and 17 Americans captured,[5] led to further complications, as did an attack at Mazatlan on a boat from the U.S.S. Annapolis,[6] landed after the issuance of a manifesto which stated that entrance into Mexico of any more American

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[1] Ibid., pp. 552-563. [2] Ibid., p. 557.
[3] Ibid., pp. 563-592. [4] Ibid., p. 591.
[5] Ibid., pp. 593-596. [6] Ibid., pp. 578-580.

troops or sailors would be ". . . . considered . . . . [an] act of war by the Mexican Government and hostilities . . . .[would] ensue at once."[1] Then, on July 1, a naval launch from the U.S.S. Marietta was fired upon by Mexican troops at Tampico.[2]

In the meantime, on June 2, 1916, Senator Fall made his final pre-convention speech which spread over 17 pages of the Congressional Record and demanded full intervention in Mexico.[3] The Democratic party, however, during its national convention in June, opposed war in its platform.[4] But just as the platform was being published, the Carrizal incident took place, and the United States soon was demanding war. Carranza was slow in liberating the American prisonerm, the demand for release having been couched in none too diplomatic terms. The entire United States militia was ordered to the border, and relations reached the breaking point. Brazil and Chile offered mediation, but were refused by the United States as long as

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[1]Ibid., p. 578. [2]Ibid., p. 5981

[3]U. S. Congress. Record., 64 Cong., Sess. I, Vol. LIII, pp. 9150-9167.

[4]Democratic Text Book (1916), Platform, in Rippy, U. S. and Mexico, op. cit., p. 350.

American troops were held prisoner.[1] Labor leaders in both countries attempted reconciliation and Samuel Gompers apparently saved the day: on June 28, he telegraphed Carranza ". . . . imploring him in the name of humanity to release the American prisoners."[2] A few hours later, American papers announced that the American troops had been liberated. Non-interventionists in the United States now became active: labor organizations, educators, religious organizations, and the liberal press declared themselves against intervention and war.

Republicans took heed--votes were at stake--and although they continued to criticize the Mexican policy of Wilson, they refrained from openly declaring intervention in their platform. Although there were plans by Senator Fall and others for the "cleaning up of Mexico and establishment of a protectorate, it was not brought up during the presidential campaign.[3]

On July 12, Carranza suggested that a joint commission composed of three representatives from each country meet to solve the trouble.[4] This meeting was delayed by the United States because ". . . . most of the men of

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[1] New International Year Book, 1916, p. 424.
[2] Rippy, U. S. & Mexico, op. cit., p. 350.
[3] Ibid., pp. 350-351. [4] For. Rel. 1916, p. 601.

the caliber and prominence . . . . " which the United States desired as its commissioners were ". . . . so engaged as to prevent their acceptance of appointment."[1] This delay was probably for political reasons and it was not until September 6 that the joint commission met. In October the Mexican Commissioners requested withdrawal of American troops from Mexican territory as a preliminary to the discussion. This request was also frequently repeated during the conference. Finally, the joint commission agreed on a protocol to cover withdrawal of the expedition in 40 days, and for plans policing the border. Carranza, however, insisted that no protocol was necessary for withdrawal of American forces since they were in Mexico without its consent. The conference was stymied, and therefore adjourned in November, 1916. Nothing definite had been accomplished, but there probably was a better understanding on both sides.[2]

In the meantime, Villa had grown stronger and was winning victories. But the November election was over, the Democrats had won, and Wilson, who had "kept us out of war," was returned for another four years. Apparently, so far as he was concerned, the expedition had answered its purpose. The American Commissioners to the conference had advised

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[1] Ibid., p. 606.

[2] Ibid., p. 608; Callcott, op. cit., p. 265; Trowbridge, op. cit., p. 165.

withdrawal of American forces from Mexico; so on January 2, 1917, President Wilson ordered Pershing to withdraw. A week later, Ambassador Fletcher was ordered to take his post in Mexico. On February 5, the last of the American troops left Mexico's soil, and two months later the aggressiveness of the United States was diverted into the World War.[1]

But the punitive expedition had done American interests little good, and inevitably much harm. Not only had this "wild-goose-chase" for 11 months over the Chihuahua deserts--to the tune of $130,000,000 of the American tax-payers' money[2]-- failed to capture Villa, but he was gaining strength in manpower as well as prestige when the expedition finally left Mexico. Relations had been deeply strained, rancor and hatred had increased. Killing of Americans continued in Mexico and Mexicans were killed in Texas.[3] Much animosity had been created which was to show itself through anti-American feeling in Mexico during the World War, and by the Mexican Constitution of 1917 which was signed by Carranza on February 5, 1917, the same day that

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[1]For. Rel. 1916, p. 625; New International Year Book, 1916, p. 426; Trowbridge, op. cit., p. 165; Parkes, op. cit., p. 357.

[2]Priestley, op. cit., p. 434.

[3]Gruening, op. cit., p. 592.

the last American troops returned to the United States.

Economic Conditions, 1916

Before taking up the Constitution of 1917, it would be well to investigate briefly the general economic conditions of the country for this period, together with the progress made and the impositions upon the petroleum industry. Besides the difficulties caused by the punitive expedition, there were many others which presented themselves, some of which were intensified by this invasion. The year 1916 had opened with prospects of rapid improvement when a typhus epidemic, which had swept over Mexico's half-starved population in 1915, sprang up again during the winter with such drastic effect that burials at times created a difficult problem. Then the government paper money, which had been fairly steady, began to slip under the fear of American intervention. Declining rapidly, it collapsed with an upset of the entire industrial system of the nation. With the peso worth two cents (U. S. currency), a general depression in business, and United States troops invading the country, confidence was soon lost in the government.[1]

Trowbridge claims that during this inflation period, for six dollars (U. S. currency) a month, one could have a

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[1]Trowbridge, op. cit., p. 167.

large house with servants, electric light bills and water rates paid.[1] Imported goods were high and since agricultural production had been curtailed by the disturbed conditions, corn, staple Mexican food, had to be imported. Food stuffs advanced 750 to 2,000 per cent in Mexican currency. Wages, on the other hand, advanced only 100 to 200 per cent. All labor, therefore, suffered acutely. A pair of shoes cost 200 to 250 pesos, or about two months' wages. Mines were closed, as were thecotton mills at Puebla and Orizaba, which had employed thousands of workmen. Over 90,000 persons lost their means of support by the closing down of the smelters, steel works, and industrial plants at Monterey. Such conditions prevailed throughout the country.

The middle class suffered most of all, as its salaries and fees remained the same, while by strikes the laboring class was able to improve its condition somewhat.[2]

The fiat Vera Cruz peso, by the end of March, 1916, had dropped to a value of about two cents. Then the government, in April, put out a new money known as "Infalsicables" (non-counterfeitable) which was backed in part by a reserve of gold and silver. The value was placed at 20 centavos Mexican gold (ten cents U. S. currency) and by decree its acceptance was compelled at this rate. Vera Cruz

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[1] Ibid., p. 168. [2] Ibid., pp. 168-170.

money was taken up at a ratio of ten to one. But soon outside speculation caused the new money to drop 50 per cent and finally the decree stipulating its value was discarded. By December it was selling 500 pesos for one dollar (U.S. currency) regardless of its metal backing.[1]

The rapid decline in the currency caused many strikes, for when the employer and his laborers reached a wage agreement, the peso would tumble further and purchasing power would decline. Such factories as had reopened paid their labor with cheap paper money and sold their products on a gold basis. Mines and oil producers paid Mexican employees in this depreciated currency, while their products sold for stable money.[2] Labor sought to declare a general strike, and demanded payment of wages in gold. But Carranza cracked down on the labor movement, and on August 1, 1916, declared the movement an act of aggression. He dug up an old law of Juarez', promulgated in 1862, against public disorder, and made it applicable to strikers. This made it a criminal offense for any worker to go on strike, with a penalty of being shot as a traitor. The House of Workers of the World, which a few months before had been given lavish quarters by Carranza in appreciation of labor's aid against Villa, was closed, and several labor leaders were thrown in

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[1] Ibid., pp. 175-176; [2] Ibid., pp. 185-186.

prison. Obregon, however, saved these leaders from dourt-martial, and thereby strengthened labor's friendship for himself and gained greater popularity. Eventually it was to help him win the presidency.[1]

Although Carranza crushed the general strike, labor got its wish, for to correct matters a decree was issued, in October, 1916, in which all wages and salaries were to be paid on a gold basis. This decree was later amplified so that wages and salaries could be paid in paper money, on its ratio with the gold, and wages were not to be below 60 per cent--on a gold basis--of those in normal times. If conditions improved, this ratio was to increase until normal wages were received. Since there was little to save by using paper money, employers soon were paying part metal money and before long wages were practically all paid in "hard" money. Hoarded gold and silver appeared in circulation, and finally laborers demanded all their pay in gold or silver. Business was stimulated and real wages increased to the 1912-13 level. This increased buying power; factories jumped up production and employment became almost normal.[2]

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[1]Callcott, op. cit., p. 260; Gruening, op. cit., p. 338; Millan, op. cit., p. 84; Plenn, op. cit., p. 284; Tannembaum, Peace by Rev.,op. cit., p. 234.

[2]Trowbridge, op. cit., pp. 186-187.

The peso, which had dropped to four tenths of a cent on November 30, had returned to its old value of 50 cents (U. S. currency) by December 6. A shortage of currency was created, as banks were closed and checks could not be used, so large transactions had to be made with cash. The peso rose as high as 55 cents (U. S. currency) and large concerns imported American gold and bills which circulated freely. The mints were opened for free coinage and mining companies turned in their bullion for coinage to meet their pay rolls and to buy New York Exchange. New metal money was coined at the rate of 500,000 pesos a day, and soon the peso had dropped to normal.[1]

During the summer a decree required banks to bring their cash assets up to legal requirements. Under existing conditions, this could not be done, and the National Bank of Mexico and the Bank of London were taken over by the Government as liquidator. These banks were owned chiefly by French and British interests.

When, by this October decree, the Government had to pay the wages of its soldiers in "hard" money, a deficit occurred. With this and other expenses, the deficit ran around 10,000,000 pesos a month. Money could not be borrowed abroad, so forced loans were made from the National Bank and

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[1] Ibid., pp. 187-188.

the Bank of London. After several of these loans, the banks' bullion was exhausted. Foreigners called this "the looting of the banks,"[1] but money had to be raised somewhere, as a revolt of the army seemed probable.

Oil 1916

Considering the general turmoil of the country and the exodus of Americans owing to Mexican wrath caused by the punitive expedition, the oil fields during 1916 were comparatively quiet.[2] General Pelaez again split with the de facto government, and oil producers contributed to his cause. He received 30,000 pesos (about $1,200) a month, beginning January 1, 1916, from the Huasteca company, so Doheny testified,[3] and probably other companies paid in proportion. The Mexican government objected because of this support to armed rebellion, but the oil companies seemed quite satisfied with Pelaez, for they made little complaint concerning his demands to the United States Department of State.

The World War had caused an increased demand for oil, and until the punitive expedition on March 16, 1916, political conditions appeared more favorable for increased production. With this in mind, the Huasteca Company completed its Cerro Azul Well No. 4 (Blue Hill Gusher) on the Cerro

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[1] Ibid., p. 197. [2] Min. Ind. 1916, p. 556.
[3] Inv. Mex. Aff., pp. 281-282.

Azul pool, situated about halfway down the "Golden Lane" near Tumbadero. This tremendous gusher, which was rated the largest oil well in the world, was brought in on February 10, 1916. It produced a record measured flow of 260,858 barrels in one 24-hour period.[1] Though encroachment of salt water compelled stripping operations after 1921, by 1938 approximately 84,000,000 barrels had been produced by this well, making it the second largest oil well ever known.[2] The well had a closed pressure of 1,010 pounds per square inch, and it was not without much difficulty that the gusher was brought under control.[3]

The Cerro Azul pool had shown great potentialities, and a great producing well had been expected, though probably not one of such magnitude. An examination made of about 5,000 acres, owned by the Huasteca Petroleum Company in this region, showed 7,210 active exudes, caused by the many basaltic dykes and plugs found there.[4] Several producing wells had been drilled in this field during 1914, and two pipe lines to Tampico had been completed with expectation of a great well, before the Blue Hill gusher came in.

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[1] Mexican Petroleum, p. 57.

[2] Mexico's Oil, pp. xxxiii, 113.

[3] Muir, op. cit., p. 5.

[4] Ibid., p. 216; Mexican Petroleum, p. 79.

It not only furnished all the oil these two pipe lines could carry--around 45,000 to 50,000 barrels a day--but this flow was regulated by 900 pounds back pressure.[1]

Oil production in Mexico during 1916 rose to 40,545,712 barrels, the United States taking 75 per cent of the 26,746,432 barrels exported.[2] Much additional oil was consumed in processing at the refineries of Minatitlan and Tampico. Many cargoes of oil and refined products went to Great Britain and trade with South American was building up most satisfactorily.[3]

On February 2, 1916, Doheny organized the Pan-American Petroleum and Transport Corporation with a capital of $70,176,700, to engage in transporting the oil of the Doheny companies. The company owned 31 tankers and stock in the various Doheny corporations.[4]

Five concessions were granted by the government for pipe lines to be constructed for public use, and three concessions for pipe lines for private purposes. Besides these, concessions were granted the Huasteca Petroleum Company and the Mexican Eagle Oil Company to build new refineries and enlarge those already in use. On the other hand, concessions

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[1] Inv. Mex. Aff., pp. 293-294. [2] A.I.M.M.E. Table.

[3] Min. Ind. 1916, p. 556.

[4] Mexican Petroleum, p. 267; Mexico's Oil, p. 87.

which had been granted by previous regimes to the Mexican Eagle Oil Company and others to exploit oil in the maritime zones, margins, banks and beds of the rivers, esteros and marshes under federal jurisdiction were cancelled.[1] These leases by the government had been given mainly during the Huerta regime. One lease had been granted on June 18, 1912, by the Madero government to three Mexicans: two engineers named Jose Cos and Luis A Brito, and an attorney named Francisco Robelda. This concession was in four areas of 100 kilometers each, in the states of Vera Cruz and Tamaulipas. The three Mexicans formed the Mexican Oil Company, Incorporated. The company was without funds, and since living up to the contract required the spending of 100,000 pesos within seven years, outside capital was required. Americans became interested in the project and the Maritime Oil Company, Incorporated, was formed as a Mexican corporation, since the contract with the government stipulated that it would be forfeited in case it was transferred ". . . . to any foreign company or one not organized in Mexico according to Mexican laws."[2] This new company was organized with a capital of $1,000,000 (U. S. currency) and $777,500 of it was subscribed by the Americans, while the Mexicans subscribed $222,500.

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[1] de Bekker, op. cit., p. 209.

[2] For. Rel. 1916, p. 744.

The American capitalists supplied all the finances, the Mexicans transferring their lease to the new company. This transfer was approved in August, 1913, by the Minister of Fomento under Huerta.

When Carranza decreed, on September 1, 1914, that all administrative acts of Huerta's government were null and void, but allowed four months for revalidation, the the Maritime Oil Company applied, but the Carranza government refused to honor the contract transfer unless it was amended to cover less ground. Then, when on January 7, 1915, Carranza issued a decree to stop all drilling pending new petroleum laws, the company was forced to stop drilling its first well, which was at a depth of 2,000 feet but had not struck oil. The company applied for permission to continue drilling but was refused on the grounds that the transfer of the lease had not been revalidated. Then, on August 7, 1915, the Department of Fomento declared the contract subject to forfeiture because the property had not been exploited for six months, as the contract had required. This notice, however, was addressed to the Mexican Oil Company, the first organization, and not the Maritime Oil Company which the government had not recognized. The latter company claimed it had spent $200,000 (U.S. currency) in exploring and developing the property which they were about to lose. D. J. Huff, the company attorney, appealed

to Carranza and, on January 6, 1916, was notified that the company could apply to the Department of Fomento for a new contract. Since it appeared it would be compelled to give up part of the territory of the first lease, the company appealed to the United States Department of State to intervene for them, claiming that the transfer of the contract under the Huerta regime was purely an administrative act, and that the Carranza government had no right arbitrarily to cancel the lease. They contended that the company should have the right of defense before a tribunal as was guaranteed by the Constitution of 1857 and by treaty rights.[1] However, when Special Agent Stillman took the matter up, the Mexican Foreign Secretary replied,

> The Government of Mexico is surprised that the Government of the United States should make the representation transmitted when only the interests of Mexican citizens appear concerned.[2]

The Mexican government was determined to return to the nation the mineral wealth of which it felt it had been thoughtlessly or treacherously deprived, and to conserve the natural wealth by strict regulations.[3] Too, it was set upon stopping fraudulent "wildcat" oil promotion which

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[1] Ibid., pp. 741-753. [2] Ibid., pp. 754-755.

[3] Mexico's Oil, p. 15.

had caused considerable loss to Mexicans as well as to foreigners who purchased these stocks. In regard to this, Special Representative James L. Rodgers informed the United States Department of State that from his observations it appeared high time that Mexico applied laws in the nature of the ". . . . so-called blue-sky laws of some of the American States."[1]

On January 15, 1916, the governor of Vera Cruz amplified his decree of August 3, 1914,[2] by requiring that no sale or contract of any kind was to be made or transferred on land in the state without the consent of the state government. A penalty of confiscation of the land was to be imposed in case of a clandestine contract. All persons executing contracts were to be regarded as Mexican citizens regardless of their nationalities, were deprived of all interference by their governments, and were not to have any more rights than the laws conceded to Mexican citizens.[3]

Most of the oil lands in the state were in the hands of foreigners, and many of these had subsoil leases bought for speculation, hoping to sell at a profit to the oil companies. This decree prevented the transferring of these leases without authorization by the state, so these

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[1] For. Rel. 1916, p. 764. [2] Supra, p. 212-213.

[3] For. Rel. 1916, pp. 756-758.

speculators were worried. Vice Consul Bevan claimed that when a Mexican leased a piece of oil property to one of the large oil companies, the state government refused to approve the contract, claiming the property was worth double the price the oil company was paying. He also contended that the decree operated to the advantage of the military leaders, as the Commission used the information required with the applications to buy up oil leases for these military heads.[1]

Another decree was issued by the governor of Vera Cruz on May 6, requiring all concerns in the state to obtain a permit to operate and transact business. A charge of 100 pesos a year was made for the permit and all companies and enterprises operating for profit were prohibited to function without it. A fine of from five to 500 pesos and from one to 30 days imprisonment was the penalty imposed upon any official, manager, or employee found guilty of violating the law. Suspension of operations and closure of the office of the enterprise for a period not to exceed 15 days, or confiscation of all or part of the property of the company, were also imposed as further penalties.

Permits were not to be granted foreign companies except those already existing unless the state government

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[1] Ibid., pp. 754-759.

provided otherwise. Permits were subject to cancellation where real estate was found to have been acquired in violation of the laws in force. A State Petroleum Department notice specified conditions required for confirmation of contracts. In case the contract involved foreigners, it was necessary that the application be accompanied by a declaration, signed by all parties involved, that they, for legal purposes, would consent to be considered Mexican citizens, thereby waiving their alien right to solicit protection or aid from their countries.

Petroleum companies which were being organized were required to furnish a detailed geological report including: the location of land; means of communication; local topography and geology; petroleum deposits, with proof for the likelihood of their existence; economic conditions, as well as living and labor resources in the locality, fuel and water supply; approximate depth to which wells were to be bored, and estimate of their cost; cost of transportation of machinery to the property, as well as transportation of the oil to the nearest port or railroad.[1]

Then, to stop fraudulent claims by oil promoters who sold wild-cat stock to the gullible public, a federal decree was issued on May 15, 1916, requiring all exploiters

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[1] Ibid., pp. 766-771.

of petroleum in the nation to pay in advance 300 pesos Mexican gold every two months as an inspection fee. Companies which by previous contracts were paying stipulated inspection expenses were exempt. It was stated that the purpose of this fee was to help defray the expenses incurred by the Department of Petroleum, the Technical Commission, and inspectors' offices which, besides being necessary for supervision to protect the public, rendered valuable services to the oil companies.[1]

Another federal decree, on August 15, 1916, required foreigners to waive their rights of nationality and consider themselves Mexicans, for legal purposes, in order to acquire real estate, national lands, mining claims, or permits for exploration or exploitation of all natural resources, such as forest products, oil, and fisheries within the Republic.[2]

Then, on August 31, 1916, Carranza decreed that all permits, laws, decrees, and leases granted or authorized by state governments were null and void and of no legal value. The governors of the states were no longer to issue laws or decrees which dealt with the natural resources of the country.[3]

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[1] Ibid., p. 765. [2] Ibid., 1917, pp. 1060-1063.
[3] Ibid., pp. 1063-1064.

On September 2, Carranza ordered that a registry be opened for all petroleum producing companies, requiring them to register within 15 days, with a fine of not more than 1,000 pesos Mexican gold in case of failure to comply. The time for registering, however, was extended by a later decree to April 15, 1917. When this period had expired, the Minister of Fomento, on April 24, 1917, suspended all cases which had not furnished required certificates, until laws to be based on Article 27 of the Constitution were enacted. These laws would determine the action to be taken. If, however, a certificate was presented before these laws were passed, the President was to decide whether or not it would be received.[1]

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[1] Ibid., 1916, pp. 772-773; 1917, pp. 1058-1061.

CHAPTER IX

THE CONSTITUTION OF 1917

The Constitutional Convention

During the course of the punitive expedition, Carranza, in September, 1916, issued a call for a constitutional congress for the purpose of including in the consitution the ideals and reforms which were being advocated. These ideals and reforms became part of the central program of the Constitutionalists, and represented a commitment of this faction for the present as well as the future. The decrees and laws which had been issued under the Carranza dictatorship were not compatible with the Constitution of 1857, and it was clear that this older constitution could be used as the means of destroying any achievements which the revolution had made.

Carranza had promised a constitutional convention only when it seemed an expedient means of gaining public support, but it was not until he again needed this support that the convention was called. Originally, Carranza had not planned for a new constitution, but had merely intended

to overthrow the usurper Huerta and re-establish the constitutional government under the Constitution of 1857. This single idea was embodied in 1913 in his Plan of Guadalupe. Carranza was a large land-holder and not a social revolutionist. But to gain much-needed support, when it appeared he was close to defeat by the Villa faction, Carranza had promised to call the constitutional convention.[1] Now, because of the punitive expedition, his stand against labor, and an apathetic agrarian policy, Carranza was again losing prestige. He had also been unable to quell Villa, who, because of American invasion of Mexico at that time, was gaining strength.

Popular support was again desired, and the convention offered a way. The time was ripe, because it was imperative to act before Villa gained enough support to overthrow Carranza's regime. Besides, a new constitution offered a way for Carranza to remain in power, for under the Constitution of 1857, as a military dictator he could not be elected president, to succeed himself.[2] General improvement in the economic conditions of the country and the

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[1]Tannenbaum, Peace by Rev., op. cit., pp. 154-155.

[2]Emma Louise Baker, Some Phases of American-Mexican Diplomatic Relations, 1917-1923, A Master's Thesis (Eugene, Oregon: University of Oregon Department of History, June, 1941) p. 21.

government's return to a gold monetary basis, however, were used to justify the claim that the time had arrived to put the program of the Constitutionalist party into effect legally.[1] So nearly five years after he had taken the field against Huerta, Carranza finally issued a decree calling for a convention, to reform the Constitution of 1857.

Article 127 of the Constitution of 1857 stated that

> No amendment or addition shall become part of the Constitution until agreed to by the Congress of the Union by a two-thirds vote of the members present and approved by a majority of the State Legislatures.[2]

But Carranza declared that the methods of amendment of the Constitution of 1857 were framed illegally since they violated the methods of the preceding Constitution. Therefore, instead of calling for an election of congressmen, he called for an election of delegates for a constitutional convention.[3]

Delegates were to be popularly elected on a basis

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[1] Trowbridge, op. cit., p. 202.

[2] "The Mexican Constitution of 1917 Compared with the Constitution of 1857," Translated and arranged by H. N. Branch, in The American Academy of Political and Social Sciences, Philadelphia, 1917. Supplement to The Annals, Vol. LXXI, May, 1917, p. 108.

[3] Callcott, op.cit., p. 265.

of one delegate for each 70,000 persons or a fraction greater than 20,000 persons in each state or territory, and each state or territory was to have at least one delegate and a substitute elected. The 1910 census was used to determine the population of each district. It was the same basis upon which representatives to the Chamber of Deputies had been elected in 1912. Each delegate, to qualify, was required to be eligible to membership in the Chamber of Deputies under the Constitution of 1857, and must not have aided any faction or government which had been hostile to the Constitutionalist cause. Besides this, the convention had authority to approve or disapprove the validity of any of its members. Therefore, in reality the convention was merely a Constitutionalist Party convention, and as in previous regimes represented only a minority of the people of Mexico.

Elections were held on October 22, 1916, and on November 21, 1916, the convention met at the Iturbide Theater in Queretaro. In the meantime, several commissions prepared drafts of various sections to be incorporated into the Constitution.[1] When the Convention met, Charles B.

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[1]Callcott, op. cit., pp. 269-270; Gruening, op. cit., pp. 99-100; Tannaenbaum, Agg. Rev., op. cit., pp. 172-173; Trowbridge, op. cit., p. 202.

Parker, who represented American commercial interests in Mexico, went to Queretaro. He kept the United States State Department well informed in regard to the various articles as they were drawn up, and advised the department of any features objectionable to American interests; The Department of State then complained to the Mexican Government, but apparently this did not affect to any great extent the decisions of the delegates.[1] Protests by the conservative element of the convention, though forceful, were largely unheard and unheeded. As Callcott says, "Probably they were much more noticeable north of the Rio Grande than south of it. . . . . "[2]

The convention was represented by 221 out of the 248 electoral districts of the country, and it was only from the states of Chihuahua and Guerrero that the majority of the electoral districts did not have representation. There were three factions represented: a small group of conservatives, who had little influence; a military group, governed largely by selfish motives; and a radical group, who favored drastic reforms, which would elevate the landless and working classes. It was this latter idealistic group, led by General Francisco Mugica and backed by General Alvaro Obregon,

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[1] For. Rel. 1917, pp. 946-982.

[2] Callcott, op. cit., p. 288.

strongest Mexican general, that controlled a majority of the delegates, and was responsible for those parts of the Constitution of 1917 that caused it to become a world-famous document.[1] This constitution has been declared on one hand the most advanced document of its kind ever produced, and on the other hand the most retrograde.

One writer claims that few of the delegates to the convention had any previous experience in governmental affairs, and that many lacked the qualities necessary for the purpose.[2] Attendance was fairly regular, but out of the 202 delegates who drew wages there were only two sessions which had 150 present, and on January 16 and 27 the meetings had to adjourn, unable to do business because the working quorum of a majority could not be obtained. On January 28, it was agreed that the convention should remain in permanent session so that the work on hand could be completed.[3]

The Constitution

The first regular business meeting was on December 2, with 149 delegates attending, and after weeks of wrang-

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[1]Tannaenbaum, Agg. Rev., op. cit., pp. 172-173; Peace by Rev., op. cit., p. 165; Trowbridge, op. cit., p. 203; Parkes, op. cit., p. 360.

[2]Trowbridge, op. cit., p. 203.

[3]Callcott, op. cit., pp. 270, 287-288.

ling debate the Constitution of 1917 was born--a document far different from the amended Constitution of 1857 which Carranza had submitted in its complete form to the convention. Carranza's suggested reforms were mainly political, dealing largely with the administrative, judicial, and political structure of the government. The social program did not come from Carranza but from the radical element within the convention itself.[1]

The Constitution as it stands reflects the troubled past of Mexico. It was written during a period of intense national and international conflict by the soldiers of the Revolution, men who had fought and suffered. It therefore reflected a people trying to free themselves from peonage and from the domination of the foreigner. It reflected the ideology of the World War, which was allegedly fought "to make the world safe for Democracy" and for the "sovereign rights of small nations to govern themselves." It reflected Mexico's attitude of resentment and fear of the imperialistic designs of more powerful nations, and it reflected the concensus of public opinion of Mexico. It therefore was an attempt to definitely solve Mexico's ills,

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[1] Ibid., p. 272; Gruening, op. cit., p. 100; Plenn, op. cit., p. 154; Tannenbaum, Agg. Rev., op. cit., pp. 173-174; Peace by Rev., op. cit., p. 166.

in hopes that the internal conflict might end.[1] As one writer put it,

> . . . . the convention was to attempt to immediately correct, by one document, all the ills of four centuries of unsatisfactory conditions.[2]

But since Constitutional articles and laws in Mexico are not put into effect until followed by their reglamentacion, which works out the details of the legislation,[3] the Constitution of 1917 was a statement of aspirations and not of facts, and many of its provisions were to remain inanimate for some time to come. The history of Mexico since the promulgation of this famous document has been that of a long struggle to make these aspirations become realities.[4]

Tannenbaum says that the intellectuals of Mexico had been influenced for some time by Compte's sociology--that society was an organic group which gave the individual his personality and shaped his destinies, instead of being made up of individuals each of whom took precedence. He says that while the social economic writings of Karl Marx, Henry George, Peter Kropotkin, and others were known to

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[1]Plenn, op. cit., p. 154; Tannenbaum, Agg. Rev., op. cit., pp. 174-180; Peace by Rev., pp. 167-168; Trowbridge, op. cit., p. 203.

[2]Trowbridge, op. cit., p. 203.

[3]Gruening, op. cit., p. 148.

[4]Parkes, op. cit., p. 362.

some of the members of the convention, the influence of French literature in Mexico was more potent, and, therefore, the members of the constitutional convention seemed to have depended more upon Compte's philosophy.[1]

The Constitution of 1857 was followed in form,[2] and separation of powers between the executive, legislative and judicial branches of the government, as well as between the state and federal governments were virtually the same. It is in Articles 27 and 123 that the nature of the document has been greatly modified, and the essentially individualistic principle of the Constitution of 1857 changed to the collectivism of the 1917 Constitution. Older doctrines were also carried over into the new constitution and have frequently conflicted with the newer concepts of these two articles, thus causing much legal controversy in constitutional interpretation, and the condemnation of the document as a hodge-podge.[3]

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[1]Tannenbaum, Agg. Rev., op. cit., pp. 178-180.

[2]A comparison of the Constitution of 1917 with that of 1857, article by article, can be found in the May, 1917 Supplement, The Annals of the American Academy of Political and Social Sciences, Vol. LXXI, op. cit., et al.

[3]Callcott, op. cit., p. 279; Hackett, op. cit., pp. 346-347; Plenn, op. cit., p. 154; Tannenbaum, Agg. Rev., op. cit., pp. 180-182.

Although the Constitution of 1917 was drawn on the lines of that of 1857, every precaution was used to prevent a return to a despotic government. The president was to be elected for a four-year term and was never to be re-elected. (Article 83.) To prevent the recurrence of abuses, especially those during the Diaz regime, the administration of justice was reformed (Articles 14, 16, 17, 18, 19, 20, 21, 22, 23.) The Supreme Court was to be comprised of 11 members, and its hearings to be public except in cases where public interest or morality required otherwise. (Article 94.) Liberty of religious thought was guaranteed, but places of public worship were placed under government supervision, (Articles 24, 130) while all churches, rectories, asylums, convents, colleges and schools were declared the property of the nation (Article 27). Monopolies of all kinds were abolished, with the exception of patents and copyrights, and labor organizations. Co-operative associations selling directly to foreign markets under supervision and protection of the state or federal government were also permitted. There were to be no exemptions from taxation except in some government industries as the coinage of money, postal, telegraphic, and radio telegraphic services. (Article 28.) Sealed bids were required for all contracts for governmental work, and these were to be opened publicly.

(Article 135.) A Public Health Service was created to take preventive measures against disease and to campaign against alcoholism and other injurious habits. (Article 73.)[1]

Other reforms were also included, but the provisions with which this paper is concerned are found in Articles 14, 27, 33, and 123.[2] Article 123 deals with labor; Article 33 gives the President the right to expel foreigners when necessary; Article 14 provides that no laws may be made retroactive; and Article 27, which has become a bone of international contention, deals with property rights, terming the nation owner of all subsoil deposits. It is this article, as well as Article 123, which brought the Mexican Government in full tilt against the oil interests of Great Britain and the United States.

Article 27[3]

The agrarian decree issued by Carranza on January 6, 1915, to appease the landless masses of Mexico and gain

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[1]English translations of the Constitution of 1917 can be found in For. Rel. 1917, pp. 951-981; The Mexican Year Book 1920-1921, pp. 116-153; 1922-1924, pp. 122-159; The Annals, Supplement, op. cit. et al.

[2]See Appendix, p. 394-415.

[3]The following unless otherwise indicated is abstracted from Article 27 of the Constitution of 1917. See Article 27, Appendix, p. 395-405.

their support during that period of need was incorporated and enlarged in Article 27 of the Constitution. The nation was declared the original owner of all lands and waters of Mexico, and therefore had the right to create private property by giving its title to private persons. It could also expropriate private property, with indemnification, but only for public utility. It was to have the right to impose such restrictions on this property as public interest might require and could regulate the development of natural resources so that the public wealth might be conserved and equitably distributed. Measures necessary for the division and distribution of large estates and for the development of small holdings were to be taken, while private property expropriated for this purpose was to be considered as acquired for public utility. Federal and state laws were to be passed for the purpose of determining, within their respective jurisdictions, the maximum amount of land a person (or corporation) could hold. The excess was to be sold by the owner under provisions to be made by law. If he failed to sell within the time specified by the law, this excess property was to be expropriated, and authorities were to determine its value at ten per cent above the figure for which the property had been assessed for tax purposes.

The excess expropriated lands were to be subdivided

and offered for sale on terms amounting to not less than 20 years and at interest not exceeding five per cent per annum. Those from whom the property was expropriated were to be indemnified in state bonds of a special issue.

Communal Lands

Legal walls were placed around communal lands so that land-grabbing, which had nullified every previous attempt to distribute farm acreage, would not recur. Article 27 declared null and void all proceedings, decisions, or concessions which had deprived hamlets, tribes, or other settlements of the community lands owned by them when the law of June 25, 1856 (the Ley Lerdo) was promulgated, and these lands were to be restored to the original owners. Excepted were lands not exceeding 50 hectares on which the title was acquired by the law of June 25, 1856, in division of communal lands, or which were held for ten years in undisputed ownership. But all excesses over 50 hectares were to be returned to the community and the owner indemnified. Communal property holders were to have legal rights to the waters, woods and land belonging to the property which they held or which was restored to them.

Under no condition could this communal land, the birthright of the family, even after division, be alienated or attached, or made subject to any liens or court action of any kind. The same was true of other lands up to the extent

of the family patrimony, which extent was to be governed by the local laws.

Commercial stock companies could not acquire, hold, or administer rural properties for agricultural purposes, and other companies, organized for manufacturing, mining, or petroleum or other industrial development, were only to acquire, hold, or administer the amount of land absolutely necessary to serve their purpose. This was to be determined by the executive of the nation or of the state, as the case would determine.

Though banks could make loans on rural and urban property, they could not administer more land than was necessary for their direct purpose. They could, however, temporarily hold real estate granted them by the courts in execution proceedings. So a new kind of property was created which cannot be described as socialistic, nationalistic, communistic, or private property. Rather, it was a property which was to become a part of the man working it, even to such an extent that he could not sell it, and it could not be taken from him by taxes or foreclosure. It was his and his family's, as well as his descendants', to enjoy, cultivate, and improve forever.[1]

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[1]Plenn, op. cit., p. 232; Tannaenbaum, Peace by Rev., pp. 168-169.

It was a beautiful picture--on paper--but Article 27 also stated that the federal and state legislatures were to pass the necessary laws and proceed to divide the large estates. Redistribution of land was a necessity, yet this reform was fought to the last gasp by the old order, and it was 17 years before Congress, in March, 1934, passed a workable agrarian code which standardized and coordinated diverse legislations that had confused and delayed the parceling of the land.[1]

General Provisions

The nation was vested also with the ownership of the territorial seas, lakes, inlets, rivers, ravines, and waters extracted from mines. This ownership could not be alienated, but concessions were to be granted to corporations organized under Mexican law and to persons on conditions that Mexican laws be observed. Contracts and concessions made after 1876 which resulted in a monopoly of lands, waters and natural resources were subject to revision and any which seriously prejudiced the public interest could be declared null and void.

Under this general provision, over 200 concessions made for surveys, purchase or colonization between 1876 and

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[1]Plenn, op. cit., p. 232; Gruening, op. cit., p. 147.

1910 were cancelled by successive governments. Most of these cancellations, however, did not cause any transfer of the lands, as many had been held for speculation or had been transferred to foreigners who had not lived up to the original contracts. But a number of cancellations were made on enormous land holdings, mainly belonging to foreigners. In this program, Carranza was most zealous, and over 13,000,000 hectares were reclaimed from nine owners during his administration.[1]

Foreigners

Only native or naturalized Mexican citizens and corporations organized under Mexican law were to own lands, waters and their appurtenances or obtain concessions for the development of mines, waters or mineral fuels. Foreigners, nevertheless, were given the same rights, providing they agreed to be considered as Mexicans for this purpose, and also agreed not to call on their governments for protection. In case of breach of this agreement, the property so acquired was to be forfeited.

No foreigner, however, under any condition, was to acquire direct ownership of land or waters within a zone of 100 kilometers of the frontiers or within 50 kilometers of the sea coast.

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[1]Tannenbaum, Agg. Rev., op. cit., pp. 316-317.

Reason for this provision was obvious. In the middle of the last century Mexico had lost much of her territory in the wars which followed settling by Americans within her frontiers. Then, during the Diaz regime, from 1876 to 1910, foreigners had been encouraged to acquire property and restrictions were relatively few. The turn of the century had come, and with it United States intervention in the Caribbean. It took control of Puerto Rico and stepped into the foreign affairs of Cuba in 1898, of Panama in 1903, the Dominican Republic in 1905, Haiti in 1915, and Nicaragua in 1916. There had just been an invasion of Mexico's territory by the Pershing expedition and powerful American interests had strongly advocated the annexation of northern Mexico as a protectorate. Thus, by preventing foreigners from securing further land within this zone, which would be the first to be invaded in case of war, and by inheritance laws, which would prevent foreign heirs from keeping the property unless they became Mexicans, Mexico hoped eventually to have a strip of land a round her borders which was owned exclusively by Mexicans.[1] Since Mexico had a long coastal line, an enormous amount of land was affected. Some have claimed that these restricted zones included almost 40

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[1]Hicks, op. cit., pp. 47-50.

per cent of the nation,[1] and one writer contends that ". . . . tens of millions of dollars worth of oil concessions lay within the fifty-kilometre prohibited zone . . . . "[2]

Petroleum Deposits

On January 26, 1916, Carranza had told Special Agent Stillman, "The Government is not contemplating the issuance of a decree nationalizing the petroleum industry."[3]

Carranza may have told the truth, as his objective seemed mainly to be regulation of the oil industry and from it the securing of much-needed revenue. But in January, 1915, a Petroleum Commission had been created for the purpose of technical study, and it was known that the government had been conducting explorations for oil deposits.[4]

Strictly speaking, a decree nationalizing petroleum was never issued by Carranza, but Article 27 of the new constitution brought petroleum into the domain of nationalized subsoil along with mineral deposits which had been nationalized for centuries. In Article 27, the nation was declared the owner of all minerals or substances in the sub-

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[1]Callcott, op. cit., p. 279.
[2]Weyl, op. cit., p. 288.
[3]For. Rel, 1916, p. 755.
[4]De Bekker, op. cit., p. 209.

soil, including ". . . . solid mineral fuels, petroleum and all hydro-carbons--solid, liquid or gaseous. . . . ."[1] It could not surrender or transfer its ownership, but could grant concessions to persons or corporationsoorganized under the laws of Mexico on condition that regular development be made and legal provisions observed.

The theory back of this provision was that the nation never had the right to alienate subsoil deposits. This was based on old Spanish law, and its advocates claimed that Diaz had violated Article 72 of the Constitution of 1857 by legislating the petroleum deposits to the owner of the land.[2] Whether the administration went beyond its constitutional powers is a moot question, but in 1884 the first of a series of laws was enacted, changing the status of the ownership of the oil.

Previous to this law, all subsoil deposits were regarded as the property of the nation. Spanish sovereigns looked upon the New World as their personal domain; they owned the lands and waters as well as everything upon or in them. This was a feudal system of property rights, and vassals were granted concessions which were revoked when the sovereign desired.[3] These rulers, at any rate, identified

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[1]See Article 27, Appendix, p. 396.

[2]Priestley, op. cit., p. 438.

[3]Gruening, op. cit., pp. 102-103.

differences between the surface soil and the subsoil. When rights to the surface soil were granted the conquistadores, the Spanish Crown, under the old "Regalian Law," retained the subsoil rights. When concessions were made affecting the mines, it was provided that they could be operated on the provision that operators contribute the "Royal Fifth" to the Royal Treasury.[1] If they failed to do this, or to comply with any of the provisions established, they forfeited the mines.

The original mining ordinances were enacted under the reign of Philip II in 1563. These laws were later amended by others known as Nuevo Cuaderno, or New Book of Laws, which remained in force until 1783, when Charles III issued the Royal Orders of New Spain. The ordinance of 1783, among other things, also included ". . . . bitumens or juices of the earth."[2] This legislation was in force when Mexico declared her independence in 1821.[3] On December

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[1]Wilgus, op. cit., p. 67.

[2]The True Facts about Expropriation of the Oil Companies' Property in Mexico (Government of Mexico, 1940) pp. 22-23.

[3]Frank Feuille, in "Property Rights in Mexico," Present Status of the Mexican Oil Expropriations (New York: Standard Oil Company, 1940) Appendix, p. 131, claims that by a royal order of November 28, 1789, the King declared that coal mines belonged to the owner of the land. But apparently this was not recognized by Juarez or Maximilian, as they both regarded coal as belonging to the nation. See Appendix, p. 385-387.

22, 1836, Mexico and Spain signed, at Madrid, the Treaty of Peace and Amnesty, in which all rights of the Spanish Crown were transferred to the Mexican Government.[1] The Spanish mining laws remained in force and Mexico became the owner of her subsoil deposits.[2]

In order to exploit the oil deposits or seepages as well as the mines, denouncements were made. Possession of the property was then granted to individuals or companies on condition that they work the property and pay taxes. If they failed to live up to these conditions, the property was subject to confiscation, or another person might claim or denounce it.[3]

No change was made in these laws until 1884. On January 14, 1883, under the Gonzales administration, the Mexican Congress empowered the executive to issue a Mining Code. By the Mining Code of 1884, which followed, subsoil

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[1] Mexico's Oil, p. xxvi.

[2] Frank Feuille, "Property Rights in Mexico," op. cit., p. 132, claims that the rights and prerogatives of the Spanish Kings were not transferred to Mexico since "When Mexico obtained its independence and the sovereignty of the Spanish Kings ceased over the country, the political rights and prerogatives of the king became extinct and did not pass to the new sovereign, under well-known rules of international law."

[3] See Royal Ordinance, 1783; Mining Code, 1884, in Appendix, p. 384-385, 388-390.

wealth in Mexico underwent a legal change. All minerals remained the property of the nation, but coal and petroleum and gaseous springs[1] became the property of the owner of the land.[2]

On June 4, 1892, a more inclusive mining law was issued. It covered mineral substances which could not be worked without first obtaining a concession or grant, and those which necessitated operations that might jeopardize the lives of the workmen, the security of the workings, or the stability of the soil. The ownership of the mines, once legally acquired, was to be perpetual and irrevocable, providing the federal rental tax was regularly paid. The owner of the land was entitled to work freely mineral fuels, mineral oils, waters, rocks in general, earths, sands, and clays of all kinds without the necessity of any special concessions.[3]

A new mining law, the Mining Law of 1909, went into

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[1]Italics mine. Note that if a comma is placed after "petroleum," this phrase takes on a different implication:

petroleum and gaseous springs
petroleum, and gaseous springs

I find that publications of the oil companies use the comma, but Mexican Government publications omit it.

[2]See Mining Code of 1884, Appendix, p. 388-390.

[3]Ibid., p. 389.

effect on January 1, 1910. In this, all mineral deposits were declared under the direct domain of the nation, subject to the provisions of the law. But in Article 2, ". . . . wells or deposits of mineral fuels in all their forms and varieties . . . . "[1]were declared the exclusive property of the owner of the land.[2]

It is interesting to note that the mining laws of 1884 and 1892 did not speak of petroleum wells or subsoil oil deposits and the implication was that only petroleum which had reached the surface became the property of the land-owner. At the time, of course, the value of the petroleum deposits was unknown. Although wells had been drilled, so far they had been unsuccessful.[3] The interpretation given by the Diaz government, however, included all petroleum, and when an attempt was made in 1906 again to give petroleum the same status as the mineral deposits, the movement failed--probably because of the interests then held by the cientificos in Pearson's oil enterprise.[4] But the Mining Law of 1909 cleared all of this up and all petroleum deposits became the property of the land-owner. By this time, both Doheny and Pearson were well-established in the

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[1]Mexican Year Book, 1909-1910, p. 508.

[2]Ibid., in Appendix, p. 391-393.

[3]Supra, p. 90-97. [4]Callcott, op. cit., p. 279.

production of oil in Mexico. By 1910, Mexico had produced 3,634,000 barrels of oil, and 240 wells had been drilled, although only around 30 per cent were productive.[1]

It might also be noted here that it was only the petroleum, bitumen substances, coal, water, rocks, earths, sands, clays, surface ores, and salt that became the property of the owner of the soil. As mining was the oldest Mexican industry and the most important of those in which American capital was interested, this is significant, for there has been comparatively little serious trouble between the mining companies and the Mexican government. Many writers seem to be under the impression that mineral rights were under the same status as were petroleum rights before the Constitution of 1917. This idea is fallacious, for mineral deposits had never become the property of the land-owner. Coal, however, had the same rights as petroleum, both before and after the Constitution of 1917 had been enacted. But coal production in Mexico was so small that it created little interest. The Constitution affected mining only to the extent that concessions were to be granted only to Mexican corporations and individuals who agreed to be regarded as Mexicans and to give up diplomatic protection of their governments so far as the exploitation of the concessions was con-

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[1]Supra, p. 118.

cerned. A new mining code was not adopted until 1926, and the Mining Laws of 1909 remained in force until suspended by these new laws.[1]

Foreign interests contended that Article 27 was merely robbery under the guise of legalism. This seems not entirely correct when one considers that it was in harmony with a four-century old tradition, and the agrarian reform certainly seemed justifiable in respect to public welfare and the necessity of the Mexican masses. But the situation was complicated by the great number of foreign owners who were not interested in Mexican tradition, but wished to apply their own nations' property concepts and invoke the backing of their governments.[2]

The foreign petroleum interests felt they had much at stake. Foreigners controlled 99 per cent of the industry at the time the Constitution was adopted, and it was claimed that their investment amounted to $100,000,000.[3]

Article 14 of the Constitution stated specifically that, "No law shall be given retroactive effect to the prejudice of any person whatsoever."[4] But the provision of Article 27--that concessions which had resulted in the mon-

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[1]Hicks, op. cit., pp. 155-156, 160.
[2]Gruening, op. cit., p. 105.
[3]Hicks, op. cit., p. 77. [4]Appendix, p. 394.

opoly of lands, water, and natural resources by a single individual or corporation were subject to revision and that the executive was authorized to declare null and void those which seriously prejudiced the public interest--caused much furor. This provision was probably no more radical than much of the anti-trust legislation in the United States at that time. The trend of the times was toward broadening of public control as against private rights. But foreign interests saw in this a hostile attitude toward outside capital, and felt that they were put at a disadvantage. This law appears to put the foreigner on a par with the Mexican, but foreign interests believed the Mexican courts would be prejudiced and inclined to decide against them.[1]

But regardless of the foreign attitude, when Article 27 was submitted to the convention for a final vote it was passed unanimously by the 150 delegates present.[2]

Article 123[3]

Another article apropos to the subject is Article 123, which provoked the most discussion during the convention, and was passed only a short time before the convention dispersed, on January 23, 1917. It, nevertheless, re-

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[1]Hicks, op. cit., p. 11; Trowbridge, op. cit., pp. 209-217.

[2]Callcott, op. cit., p. 280.

[3]See Appendix, p. 407-415.

ceived the unanimous vote of the 163 delegates present at the time.[1]

This elaborate labor code, which Mexican labor regards as its Magna Charta, was clearly not the doing of Carranza. All he asked was that Article 73 of the Constitution of 1857 be amended so that the federal government could pass labor laws for the entire country. But the brief draft, couched in vague terms, which was submitted to the convention, evolved into a complete and detailed labor code which gave unexpected significance, both in Mexico and abroad, to the Mexican Revolution.[2]

Tannenbaum claims that Article 123 would never have been included in the Constitution if the industrial attack had not been an attack on the foreigner and a means of controlling foreign interests in Mexico--". . . . it was a declaration of national emancipation from foreign tutelage."[3] This may have been, but the labor movement had been gaining strength throughout the revolution. The men who met at Queretaro were not business men, and the government, from the start, had received little sympathy from the commercial interests. Its strength was derived from the small

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[1]Callcott, op. cit., p. 275.

[2]Plenn, op. cit., p. 156; Tannenbaum, Peace by Rev., op. cit., p. 234.

[3]Tannenbaum, Peace by Rev., pp. cit., p. 235.

ranchers and lawyers, engineers, militia, and other professional people.[1] Labor had been enrolled when Carranza, to save his hide, gained labor's support by sending Obregon to negotiate with labor leaders. An agreement was reached in which Carranza was bound to sponsor progressive labor legislation and to allow the workers to organize.

"Yankee-phobia" probably did contribute somewhat to the passing of Article 123, and many members of the convention may have favored it for that reason. It must be remembered that the punitive expedition was just withdrawing at that time, and there had been much agitation in the United States to put Northern Mexico under a protectorate so that American capital might meet with no interference in the exploitation of Mexico's natural resources. The anti-foreign feeling certainly was expressed in Article 33 of the Constitution, which gave the chief executive of the Republic the power to expel from Mexico, without giving his reasons for doing so, any objectionable foreigner, who then would have no recourse.[2]

Whether the passing of Article 123 was or was not an attempt to control foreign interests, Mexican labor appeared to receive in one stroke the legal powers, rights

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[1]Trowbridge, op. cit., p. 203.

[2]See Appendix, p. 406.

and prerogatives which, for over a century, labor in Great Britain, Germany, France, the United States and other nations of the world had been struggling.[1] A survey of the provisions of Article 123 may be enumerated, for convenience, under five headings: (1) Hours; (2) Wages and Income; (3) The Labor Contract; (4) Labor Disputes; and (5) General Benefits.

(1) Hours. Article 123 specified a maximum eight-hour day, a seven-hour night, and one day's rest for every six days' work. Labor for children under 12 was abolished, and a maximum six-hour day was established for children between 12 and 16. Women and male children under 16 were barred from unhealthy and dangerous work, nor could they work in commercial establishments after ten at night. Pregnant women were not to perform any heavy work for three months before parturition, and were to have the following month off, with full pay and employment rights retained. During lactation, two periods of one-half hour each were to be given each day.

(2) Wages and Income. The minimum wage was to be sufficient for the worker and his family's normal needs,

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[1]Clarence Senior, Mexico in Transition (New York: League for Industrial Democracy, 1939) Pamphlet Series, Vol. VI, No. 9, p. 22; Tannenbaum, Peace by Rev., op. cit., p. 170.

education, and pleasure, and was to be exempt from attachment, set-off or discount. Any debts contracted by the worker were collectable only from him, not from his family. The family patrimony, to be determined by law, was to be inalienable, and could not be attached or mortgaged, but could be bequeathed. No more than one month's wages could be collected from the worker in any month. Wages were to be paid in legal currency, not in merchandise, orders, or substitute money. An equal wage was to be paid for equal work regardless of sex or nationality. Double time was to be paid for overtime work, with three hours as the maximum overtime for any day. Such overtime work was not to continue over three consecutive days. Workmen in agricultural, commercial, manufacturing, and mining enterprises were to participate in the profits. The rate of the profit-sharing, as well as the minimum wage to be paid, was to be determined for local conditions by a local commission under a Central Board of Conciliation created in each state. All wages, salaries, and indemnities were to be preferred in bankruptcy or composition of a concern.

(3) The Labor Contract. The following stipulations in a labor contract were declared null and void and not binding: an inhuman day's work; a wage rate which was not remunerative; more than one week before a pay day; the assignment of amusement places, cafes, taverns, saloons, or shops

for wage payments when the employees of these establishments were not involved; purchases or consumption in specific shops or places; retention of wages by fines; waiver of indemnities for accidents or occupational diseases; damages for breach of contract or discharge from work; and all other stipulations implying the waiver of any right given the worker by the labor laws.

(4) Labor Disputes. Both employers and workers were given the right to unite and organize for their protection and both strikes and lockouts were to be lawful. Peaceful strikes for the purpose of harmonizing the rights of capital and labor were legal, but in public service, a ten-day notice was to be given the Board of Conciliation and Arbitration before the strike went into effect. Lockouts were legitimate when excess production made it necessary in order that prices could be held reasonably above production costs. Strikes were unlawful when a majority of the strikers resorted to acts of violence, in times of war, or in military manufacturing establishments. Labor disputes were to be submitted to and settled by a Board of Conciliation and Arbitration which was comprised of an equal number of workmen and employers and one government representative. If an employer refused to arbitrate or accept the decision awarded, his labor contracts were to be considered terminated and he was to be compelled to pay three

months' wages to the workers and all liability incurred. If the workmen rejected the award, the labor contract was to be considered terminated. In case an employer discharged a workman without proper cause, for joining a union, or for lawfully striking, the employer, at the workman's option, was required to pay the worker three months' wages or perform the labor contract. The same wages were to be paid if a worker resigned because of the employer's lack of good faith, or because of maltreatment of himself or his family.

(5) General Benefits. Employers were liable for accidents and occupational diseases. They were to install, such safety devices and provide such sanitary conditions as were required by law. Outside inhabited communities, where less than 100 persons were employed, employers were required to furnish the workers with comfortable and sanitary dwellings at monthly rents not to exceed one half of one per cent of the assessed value of the property. They were also to establish schools and dispensaries and other necessary services. If the population exceeded 200 inhabitants, a labor center was to be set aside, which contained not less than 5,000 square meters, for amusement, markets, and municipal purposes, but no saloons or gambling houses were to be allowed.

The federal government was to encourage the organization of insurance institutions for old age, sickness, life,

unemployment and accident insurance. These institutions were to be considered as social utility and were to encourage thrift. Co-operative associations for the building of cheap sanitary houses, to be purchased by the workmen on easy terms, were also to be considered a social utility.

All employment agencies, private or governmental, were to be free to the worker. Laborers hired to work in another country were to have their contracts, with provisions for payment of the cost of their return, legalized by a competent municipal authority and visaed by the consul of the country in which they were to be employed.

But all these provisions were only a statement of aspirations, for the opening paragraph of Article 123 stated that the Congress and the state legislatures were to make labor laws for the need of each region of the nation, which laws were to conform with the principles outlined in the article.

Although several states adopted local codes based upon Article 123, or appointed arbitration boards, the federal government refrained from putting the article into effect, and Carranza's soldiers even court-martialed and killed workers on strike while the Constitutional Convention was in session. Besides, the Mexican Supreme Court, from 1917 until 1923, repeatedly ruled that these Boards of Conciliation and Arbitration were not tribunals, but were

only a convenience to attempt settlement of differences between labor and capital, and their decisions, therefore, were not binding on either party. But since 1924, the Supreme Court has reversed this position, giving complete jurisdiction to the boards in labor disputes. By this time, organized labor's power had greatly increased and pressure from this groups is probably the explanation for the Supreme Court's reversal. It was not until 1933, however, that anything was done about a minimum wage. At that time, President Rodriquez established the first National Minimum Wage Commission.[1]

Many of the provisions of the Constitution naturally met with serious opposition, for to carry them out meant a radical reorganization of the economic set-up. This, in the eyes of the old regime, and foreign capital, could only be tyrannical and subjugational.[2] Article 123 was criticized as socialistic and impractical. The assumption that higher wages, shorter hours, and better housing conditions would automatically hoist the social status of the Mexican working classes was proclaimed absurd. Cheap labor, the world over, was declared cheap in quality as well as price.

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[1]Gruening, op. cit., pp. 338, 509; Millan, op. cit., p. 31; Parkes, op. cit., p. 363.

[2]Callcott, op. cit., p. 286.

The peon laborer's price was low because his efficiency was low, they contended, observing that higher efficiency could only come through higher intellectual standards, which in turn could be accomplished only over a long period of natural evolutional development and not by artificial legislation. The paying of higher wages and the lowering of working hours was hot an adequate solution, as the peon's wants were simple, because as a rule he was not interested in bettering his social status. If he earned enough for a bare existence until his next payday, he was satisfied, and if he earned more, he would take time off to spend in intoxicated bliss or in sheer idleness. Any employer of a large number of workers in Mexico knew for a certainty that he would be short from 10 to 15 per cent of his labor the next day after pay day. So ran the arguments, for which much could be said.[1]

Thus, many provisions of Article 123, as well as of Article 27, were to remain theoretical for some time to come. Nevertheless, the Mexican labor movement now had a

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[1]Trowbridge, op. cit., pp. 218-220. Although Trowbridge recognized these arguments, he believed suitable legislation to protect the laborer, along with education, would aid in increasing the laborer's desire for a higher standard of living, and result in higher efficiency.

definite goal. Instead of seeking to overthrow the government, labor was now in a position legally to insist that the Constitution be put into effect and that the labor laws be passed and enforced.[1]

But it seemed obvious that the economic system could not withstand such drastic changes immediately without dire results; therefore, the Constitution was applied in piecemeal fashion, and was sporadically enforced over various sections of the country as the local authorities saw fit. If these authorities happened to be conservative, no changes were made, and, on the other hand, if they were radical, drastic changes took place.

Carranza accepted the new constitution and swore to defend, respect, and enforce it; this has been declared ". . . . one of Carranza's greatest acts."[2] But he was content to let well enough alone, and made little attempt toward enforcement of its liberal provisions--that was left to his successors[3] and to the local politicians.[4]

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[1]Gruening, op. cit., p. 105; Parkes, op. cit., p. 362; Tannenbaum, Peace by Rev., op. cit., p. 243.

[2]Tannenbaum, Peace by Rev., op. cit., p. 167.

[3]Callcott, op. cit., p. 288; Tannenbaum, Peace by Rev., op. cit., p. 171.

[4]Carranza, however, did recapture 30,000,000 acres of land which had been alienated under Diaz and redistributed 450,000 acres to 48,000 families. Parkes, op. cit., p. 363.

Nevertheless, American interests, which in 1910 had put into Mexico between 40 and 50 per cent of all United States capital invested abroad--amounting to about one-half of the entire wealth of Mexico[1]--felt that American business had bought and paid for Mexico. As Plenn says,

> . . . . foreign imperialism. . . . wasn't going to permit a little thing like a constitution to break up a joyous picnic of profits.[2]

They weren't, that is, if they could prevent it.

Hicks claims that

> . . . . Mexico's efforts to repudiate the bargain throught the Constitution of 1917, ... was of concern to the United States for three outstanding reasons:
>
> (1) Investments of nearly a billion dollars in the country were placed on an uncertain foundation.
>
> (2) Mexico's action seemed to close the country to new investments of United States capital.
>
> (3) That Latin Americans looked upon Mexico as the leader in resisting imperialistic policies of the United States, and the possibility existed that other Latin American countries would adopt similar restrictions.[3]

Thus, the salient features of ensuing years in Mexican diplomatic history were to be the conflicts between the Mexican Government and American interests who appealed to their governments for protection.

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[1] P. D. Dickens, "American Direct Investments in Foreign Countries," Trade Information Bulletin No. 731 (Bureau of Foreign and Domestic Commerce, 1930) p. 38; Max Winkler, "Investment of United States Capital in Latin America," World Peace Foundation Pamphlets, XI, No. 6, 1928, p. 275.

[2] Op. cit., p. 155. [3] Op. cit., Preface, pp. 2-3.

CHAPTER X

CARRANZA AND OIL AFTER THE CONSTITUTION

(1917-1920)

On March 11, 1917, the national election was held, and Carranza was elected president by an overwhelming majority. People opposing the government did not vote, but had every one voted, Carranza still would have been elected. The election of the Senators and Deputies, however, was strongly contested within the party. The military group made a strong fight, but were defeated and the government faction came out with two thirds of their candidates elected in both houses. Carranza was inaugurated Constitutional President on May 1, the same day that the Constitution of 1917 went into effect.

Most of the members of the Supreme Court were selected from the northern part of Mexico. They were men of good reputation, but few had had any great experience on the bench. These men were elected for two years by Congress, and therefore were in accord with the government's policies.[1]

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[1] Trowbridge, op. cit., p. 222.

On April 6, 1917, the United States entered the World War. But just previous to this, an incident occurred which was used by those interested in intervention in Mexico to further increase antipathy toward that country. This was the Zimmerman note. In the latter part of February, the British Foreign Secretary, Balfour, handed United States Ambassador Page an intercepted German dispatch which was dated January 19, 1917. This message was from the German Foreign Secretary, Zimmerman, to the German Minister in Mexico, Von Eckhart. It included these statements:

> We intend to begin on the first of February unrestricted submarine warfare. We shall endeavor in spite of this to keep the United States of America neutral. In the event of this not succeeding, we make Mexico a proposal of alliance on the following basis: make war together, make peace together, generous financial support and an understanding on our part that Mexico is to reconquer the lost territory in Texas, New Mexico, and Arizona..... . .[1]

The note went on to say that the Mexican Government was not to be informed of this message unless the United States declared war. Mexico was also to be asked to use her influence to get Japan into the alliance.

When Germany announced that she would again resort to submarine warfare, the United States severed diplomatic relations. Several American vessels were torpedoed,

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[1]Hendricks, op. cit., pp. 332-333.

and President Wilson asked Congress for authority to arm American merchantmen. While Congress discussed this measure, President Wilson released a copy of the Zimmerman note for publication. Certain parts of the note were stressed and others disregarded, so the war spirit against Germany was strengthened, especially in the Southwest, which had been apathetic. Although Germany had the right to seek an ally, and although Mexico turned down the offer, this dispatch was used by the interventionists to further their purpose, and Mexico was declared pro-German. Rumors of submarine bases in Mexico were spread and fear was expressed that Mexico was going to cut off the oil supplies that were being shipped to Britain. A few American publications saw the absurdness of Mexico attacking the United States and brought this to the attention of the American public. There was, however, an energetic German propaganda campaign in Mexico, which capitalized on the intervention campaign in the United States. Several papers were subsidized by German money, spent freely during the war, and, in view of previous happenings, anti-American and anti-British feeling was easily aroused.[1]

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[1]Walter Consuelo Langsam, The World Since 1914 (New York: The MacMillan Co., 1940) pp. 41-42; Hendrick, op. cit. pp. 331-364; Trowbridge, op. cit., pp. 247-251, 255-258; de Bekker, op. cit., pp. 157-163.

De Bekker claims that the United States did nothing to offset this propaganda, and that the pro-Ally press in Mexico had great difficulty in obtaining newsprint, while the German Legation supplied its subsidized newspapers all they could use.[1] Nevertheless, Mexico remained strictly neutral during the war. Before the United States declared war, Carranza tried to get its cooperation in arranging a peace in Europe. After diplomatic relations with Germany had been severed by the United States, he offered to help restore those relations. He also offered aid in obtaining peace after the United States entered the war.[2] His services were rejected by the United States, which was convinced now that Germany must be crushed. Mexico's enemies in the United States even used these peace proposals to show that Mexico was pro-German, and trying to save Germany.

General Economic Conditions, 1917

Industrial conditions had gradually grown better, when a serious drought resulted in a short crop. This situation was aggravated when the United States placed an embargo on foodstuffs because of the war. Corn, therefore, skyrocketed to $2.50 a bushel in Mexico, and disturbances resulted in some sections. Silver also took a rapid rise,

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[1] De Bekker, op. cit., p. 163.

[2] For. Rel. War Supplement, pp. 45-46, 241-242, 245.

and the intrinsic value of the silver peso went to 62 cents (U. S. currency), about 25 per cent above its legal value. Silver pesos started to disappear. To force them into government hands, the treasury placed United States gold at a discount of two and one half per cent, while United States National Bank and Treasury notes were put at 12½ per cent discount. These discounts forced taxpayers to find Mexican gold or silver. As coins were turned in to the government, they were recoined with a larger percentage of alloy, making their intrinsic value lower than their legal value. But silver continued to rise, and by early fall it had more than doubled its ordinary value, finally reaching $1.08 (U. S. currency) an ounce. The silver peso reached 85 cents, and as it again went out of circulation, there was a shortage of silver money. This peso, however, was stabilized finally at 62½ cents, where it remained for some time.

Meanwhile, a moratorium was declared on paper money. The "Vera Cruz" bills that had not been exchanged on the new issue were taken up on short time bonds at a ratio of one for ten. The bonds sold at a discount, but the value of the "Vera Cruz" money was increased from nothing to about five cents on the dollar. Besides these "Vera Cruz" bills, there were also about 200,000,000 pesos of the "Infalsificable" money still in the hands of the public. The government had issued 500,000,000 pesos, but when this

issue dropped to 200-1 to 300-1, the government bought up a large amount. To redeem the balance of this money, a decree was issued placing a supertax of an equal amount of "Infalsificable" money, to be paid in addition to the regular taxes, which were payable in gold. The taxpayer, if he did not have "Infalsificable" money, had to purchase this paper on the market, so it immediately rose from 300-1 to 50-1. The taxpayer, therefore, suffered as usual, but the expense of redemption was nil to the government. The extra cost to the taxpayer, however, was only about four per cent, so the hardship was not so great as it appeared.[1]

Oil 1917

Pelaez was still causing the government trouble in the oil region. On January 25, 1917, the commander of the U.S.S. Nashville reported that Carranza's commander threatened to burn the oil companies' properties and shoot the managers if evidence was obtained that payments were being made to Pelaez. When Secretary Lansing protested, the Mexican Minister of Foreign Affairs replied that it had come to the knowledge of the military commander that the oil companies had not only furnished Pelaez with money, but also with arms and munitions.[2] He denied that foreigners had been

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[1] Trowbridge, op. cit., pp. 189, 190-191, 223-224.

[2] The oil companies, however, denied that any arms or munitions were sent Pelaez. Inv. Mex. Aff., pp. 286-287.

mistreated or threatened in any way or their properties molested, but contended that, on the contrary, all courtesies had been extended them.[1]

Other trouble was brewing. Because Article 14 of the Constitution had stipulated that no law would be retroactive, and since the Constitution did not go into effect until May 1, 1917, the oil companies saw a chance to increase their holdings. It appeared to be the last chance of the landowners to get something out of the subsoil rights, so since leases were easily acquired, the oil companies obtained numerous leases in the interim between the signing of the Constitution on February 5 and its going into effect on May 1. The Mexican Government, however, refused permits for drilling on any leases taken after February 5, claiming that leases and contracts entered into before that date were "presumed to have been made in good faith,"[2] but those made subsequently were not, because they were obtained with the knowledge that Article 27 declared that the subsoil did not belong to the surface owner of the land, and therefore these leases would not be recognized.[3]

With the support of the Constitution, Carranza, on April 13, decreed a special stamp tax on petroleum and its

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[1] For. Rel. 1917, pp. 1062-1067.

[2] Ibid., p. 1071. [3] Ibid., p. 1069-1070.

products, to go into effect on May 1, 1917, along with the Constitution. This tax, known as the Production Tax, was the first tax on oil production in Mexico. The imports were payable in stamps. The Mexican Government claims that Louis Cabrera, the Secretary of Finance and Public Credit, was careful to specify that this tax was to be paid in stamps, the object being to prevent the Mexican Eagle Petroleum Company from refusing to pay the tax because its 1906 concession exempted it from the payment of all taxes except the stamp tax. The Mexican Eagle Company, after a number of efforts to evade paying the tax, finally decided to deliver to the National Treasury, under protest, a sum which was always slightly less than the tax assessed, as a deposit on account of future taxes. This practice was continued until 1935, when President Cardenas revoked the contract.[1]

By the decree, petroleum and its derivatives were to be taxed on their commercial value. All crude petroleum, its derivatives, and gas were subject to the stamp tax from the moment they left the fields or tanks. So all petroleum for domestic use as well as that exported was taxable. Waste of oil or its products caused by neglect or by not complying with government regulations was penalized by double taxation,

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[1]Mexico's Oil, pp. xxxiii-xxxiv.

and gas products so wasted by ten per cent of their commercial value. The reason given was that negligence caused frequent losses to the government in taxes as well as losses to the companies. All taxes were to be paid in Mexican gold, and the Minister of Hacienda, for tax purposes, was to issue a statement every two months, fixing the prices of the petroleum and its products at the ports of lading. The average valuation of these articles for the previous month was to be used as a basis for the taxation. The companies' invoices for domestic sales were to determine valuation, but where there were no domestic sales, the average valuation of these products sold at New York or in other ports of the United States, less the cost of transportation from Mexican ports, was to be used.[1]

These taxes applied as follows:[2]

Crude and fuel oil.....10 per cent of its assigned value.
Refined gasoline..... 3 per cent of its assigned value.
Crude gasoline..... 6 per cent of its assigned value.
Refined kerosene..... 3 per cent of its assigned value.
Lubricating oils..... ½ ¢ per liter.
Asphalt..... 1.50 pesos per ton.
Gas..... 5 per cent ad valorem.[3]

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[1]For. Rel. 1917, pp. 1065-1067.

[2]A.I.M.M.E. Transactions, LXV, pp. 546-547.

[3]Prior to 1912, there had been no tax except a negligible stamp tax on the 24,800,000 barrels of oil produced up to that time. After that, the export stamp tax was as follows, irrespective of the quality of the oil:

The reason given for this decree was that the great development in the production of petroleum should constitute an income to the Mexican Treasury in proportion to the great profits being made in this industry. The decree claimed that it was reasonable and equitable that petroleum and its products should be taxed on a basis of their commercial value, and according to their quality.

The oil companies complained to the Department of State, as usual, and on June 6, 1917, Secretary Lansing wired Ambassador Fletcher that the tax decree and regulations were confiscatory, discriminatory, retroactive, and

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Madero, July, 1912-Nov., 1913, 20 centavos per metric ton or approx. 1.54 U. S. ¢ per bbl.
Huerta, Nov., 1913-May, 1914, 75 centavos per metric ton or approx. 5.77 U. S. ¢ per bbl.
Carranza, May, 1914-May, 1917, 60 centavos per metric ton or approx. 4.62 U. S. ¢ per bbl.

Exports from July, 1912 to April, 1917, inclusive, amounted to about 111,700,000, and were taxed approximately $4,355,000 or an average of 3.9 U. S. cents per barrel. From May, 1917 to December, 1920, the tax on the four main grades averaged as follows:

Heavy crude	5 U. S. ¢ per barrel.
Light crude	11 U. S. ¢ per barrel.
Fuel oil	9 U. S. ¢ per barrel.
Crude gasoline	56 U. S. ¢ per barrel, or 1 1/6 U. S. ¢ per gallon.

A.I.M.M.E. Transactions, LXV, pp. 545-550. To give some idea of the importance of this new tax, see table from Hicks, op. cit., p. 185.

impaired contractual obligations.[1]

Ambassador Fletcher, however, advised against this protest, as he feared such representation would prove fruitless and possibly harmful. He did not believe that the government would discuss the matter, and thought it would contend that the United States was interfering in a purely domestic matter. He also said that the House of Deputies had, in a resolution, asked the president to propose a petroleum law based on Article 27 of the Constitution, and in the debate it had been charged that foreign petroleum companies had attempted to delay this legislation by bribes. He further said that the Mexican government had a deficit of about 70,000,000 pesos, which drew interest at the rate of 5,000,000 pesos a month--without the pre-revolutionary debts--and that there seemed to be no present prospect of a loan. Since money had to be raised, and Mexico was unable to secure foreign loans, mining and petroleum taxation was popular, as foreigners bore most of the burden. Ambassador Fletcher felt that the antagonistic attitude toward American interests would change, and a friendly adjustment would be made, if financial assistance could be secured from the United States.[2]

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[1] For. Rel. 1917, pp. 1067-1068.

[2] Ibid., p. 1067.

But American oil interests feared nationalization of the oil industry. When Ambassador Fletcher took this up with Carranza on August 2, 1917, the latter said that the oil companies need not worry, as it was not the government's intention to confiscate properties which were being exploited.[1] Also, the State Department was afraid that the provision in Article 27 which required foreigners to renounce their national rights in order to own land or obtain concessions might be construed to mean complete renunciation of American citizenship. But the Mexican Government gave assurances that ". . . . foreigners should only renounce their nationality insofar as affecting the property acquired and not in an absolute manner. . . . . "[2]

In the meantime, at Tampico, the Mexican employees of the Mexican Eagle Oil Company, on April 23, 1917, demanded a 50 per cent increase in their wages, the eight-hour day guaranteed by the Constitution, and payment of their wages in Mexican gold or American money instead of depreciated paper currency. A time limit of 24 hours was given the company to meet their demands, and at the end of that time they went out on strike. When, on April 25, the British manager, another Englishman, and an American official of the company attempted to enter the plant through the

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[1] Ibid.

[2] Ibid., pp. 982-983.

picket line, they were assaulted. The British manager was knocked down while the American was knocked unconscious and suffered a knife wound in the arm.

The strike spread, and on April 26 the Mexican employees of the Pierce Oil Corporation (American) went out and forced American employees of the plant to leave. By mass picketing, all persons were kept from entering the plant, and the master and crew of the American steamship Mexicana, which was docked at the plant, were not allowed to board the vessel.

To prevent trouble and damage, the municipal authorities of Tampico took over the plants and policed them, refusing to let operations continue until the strike was settled. The general superintendent of the Pierce Oil Corporation protested to the military authorities at Tampico and received a letter which he thought would give him full possession of the plant, but which, when translated, was only a permit for six American department chiefs of the plant to enter. The superintendent then complained to the American Consul, who was told by the military chief that the strike was a purely domestic issue and that Americans had no rights in the matter. The Consul then put the matter in the hands of the commander of the U.S.S. Tacoma, which was in the Tampico harbor.[1] The commander interviewed

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[1] Ibid., pp. 1020-1023.

the Mexican military chief, an interview which Consul Dawson said

> . . . . was marked by that degree of candor and sincerity combined with blunt finality so necessary in dealing with Mexicans and especially with the semi-savage element in control here, an element which is not amenable to reason, logic or the dictates of decency and law; and as a result the chief of arms promised to send and did send within a few hours, his written offer of guarantees. . . . ."[1]

for full possession of the plant by the Pierce Oil Corporation. Dawson also states, "He did it, however, only because he feared the consequences of a further refusal to do so."

The oil men claimed that the strike was agitated by the I.W.W. and the pro-German authorities, and a vigorous press campaign in the United States condemned their activities. Sums varying in amount from $500 to $14,000 were known to have been received by the workers from sympathizers in the United States. The strike was finally broken when the military governor of the state took a hand, imprisoning three of the labor leaders.[2]

Then, on July 16, 1917, the Internal Navigation Sailors Union at Tampico went out on strike. The men demanded increased wages, decreased working hours, and improve-

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[1] Ibid., p. 1023.

[2] Ibid., p. 1020; Weyl, op. cit., p. 288.

ments in food and quarters on board ship. Unable to get their demands, they called for a general strike of all labor at Tampico. The military general of the state sent troops and the local executives intervened to stop the general strike. But evidently by this time the state had passed laws in accordance with Article 123 of the Constitution, so the laborers returned to work and were received by their employers in accordance with the law. A committee of conciliation and arbitration was formed and it reached a decision which settled the trouble.[1]

Another strike for higher wages developed at the Mexican Eagle Oil Company plant at Tampico on October 1, 1917. The Pierce Oil Corporation plant was also threatened with strike. By November 16, a large number of the oil company employees were out and a general strike was threatened unless Governor Recaut released the three labor leaders whom he had imprisoned.[2] Similar strikes occurred to trouble the oil companies from time to time.

In spite of the disorder, oil production during 1917 increased around 36 per cent over the previous year. This important increase was not brought about by any great amount of effort in drilling, as only about 50 productive

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[1] For. Rel. 1917, pp. 1028-1030.

[2] Ibid., p. 1030.

wells were brought in during the year, and many large wells were still shut in because of scarcity of transportation facilities. Rather, it was the increase in the number of tank steamers that made greater production from existing wells feasible. The United States Government, after entering the war, took over the tankers, and though some companies suffered, Mexican oil exports were increased. Of the 55,292,770 barrels of oil produced, 42,545,843 were exported. Of this, the United States took 70.4 per cent, a great part of which was re-shipped after being processed. Besides oil exported in the United States, the Mexican Eagle Petroleum Company shipped 4,000,000 barrels of crude oil to its refinery in Minatitlan to be processed and re-exported from there.

The Tepetate field in the Golden Lane produced its first well during the year. It was thought that this well was good for at least 50,000 barrels a day. Other wells were also brought in in the Molino district of the South Fields by the Penn-Mex Company. Well No. 2 came in at a depth of 2,713 feet in December, 1917. The oil was quite heavy but the well had an estimated capacity of 75,000 barrels a day. There was little progress in the North Fields, and wildcatting in the state of Tamaulipas was reported

unsatisfactory.[1]

Oil 1918 [2]

A series of regulatory decrees was now issued by Carranza. On February 19, 1918, a progressive tax on the annual rental and production of the property was put on all oil lands, regardless of how they were acquired. Land leased was taxed ten per cent of the rent received up to five pesos per hectare, 20 per cent of the rent if from five to ten pesos per hectare, and 50 per cent if the rent was above ten pesos per hectare. Besides, five per cent of the royalties received were payable as tax. Land developed by the owner was taxed five pesos per hectare and five per cent of the production. If no rental was paid on the oil land it was taxed five pesos a hectare, and if no royalty was paid the tax was five per cent of the production. This tax was payable in cash or oil at the option of the treasury department.[3]

The law aroused much opposition from the oil com-

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[1] Min. Ind. 1917, pp. 504-505; Muir, op. cit., p. 223.

[2] The main text of this thesis ends here. The balance is a condensed summary of the salient events leading up to the oil expropriations, in order that a rounded out picture may be had.

[3] For. Rel. 1918, pp. 698-704.

panies. Not only was it an increase in taxes, but, they contended, its payment meant actual surrender of their ownership. The Mexican land-owners were hit the hardest, because much of their royalties and rents were taxed away. Both American and English companies protested to their governments, which in turn protested to the Mexican Government. The United States Department of State declared the tax confiscatory, retroactive and a great burden on the oil industry. Carranza, nevertheless, contended that the law was merely fiscal and in accord with Mexico's sovereign rights. On May 18, he granted an extension to July 31 as the time limit for the filing of a manifestation which had been required by the decree.[1]

Then, on July 8, Carranza decreed that any land on which owners failed to present the manifestation would be considered free ground and subject to denouncement. The oil companies complained that high officials, by denouncement, were preparing to seize valuable oil property for their own profit. The majority of the oil concerns refused to file the returns, but instead filed an injunction with the Federal Court contending that the law was retroactive and unconstitutional. They claimed that they were surrendering

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[1] For. Rel. 1918, pp. 705-707, 721-722; Mexican Year Book, 1920-1921, p. 303.

their private titles for denouncement titles.[1]

After an interview with Ambassador Fletcher, in which Fletcher told Carranza the United States would be forced to protect its citizens property, Carranza issued another decree which Fletcher said relieved the situation. This decree, issued on August 12, declared oil lands on which investments of capital had been made for exploration or exploitation were not subject to denouncements, even though they were not covered by manifestations. The tax, nevertheless, remained.[2]

Meanwhile, on August 8, 1918, another decree was iasued. Under this oil exploration was permitted on free land amounting to more than four hectares only by denouncement titles. A rental of five pesos per hectare and a five per cent royalty on the production was imposed. To hold the concession, operations were not to be interrupted for more than two successive months without just cause.[3] Lands covered by manifestations were not to be considered free, but since the companies refused to file these manifestations, parts of their property which had had no exploration or exploitation work were subject to denouncement. Therefore, the entire year of 1919 marked a struggle between

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[1] For. Rel. 1918, pp. 737-742, 750, 755.

[2] Ibid., pp. 759-767. [3] Ibid., pp. 759-765.

the government and the oil companies. Only one American company, the Agwi, which was organized by the Atlantic, Gulf and West Indies Steamship Company, agreed to the government policy and denounced oil lands. Despite the hostility of the other companies, which sometimes amounted to clashes between armed guards, the Agwi Company built up an enterprise of considerable size. The rest of the oil companies did no exploration on new lands but exploited only the lands they had acquired before May 1, 1917.[1]

Despite the decrees, oil production during 1918 increased to 63,828,000 barrels. Transportation facilities were still insufficient and this held back production. Of the 60 wells completed during the years, 42 were producers and most of them were large. Salt water was struck in seven wells and 12 were dry holes.

The great Potrero del Llano Well No. 4 of the Mexican Eagle Oil Company, the largest well the world has ever produced, made a quick change from oil to salt water. Oil exploiters became worried about the instability of Mexican wells, for unlike wells which showdd a normal decline, these gave normal production until an emulsion of salt water and oil appeared. The well was then either closed down, or stripped, a process which greatly curtailed production.[2]

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[1]Mexico's Oil, pp. xxxiv, 15.

[2]Min. Ind. 1918, pp. 538-542.

Oil 1919

Throughout 1919 the oil struggle continued and new oil explorations were paralyzed, although productive fields were more intensely exploited. Production, however, increased to 87,073,000 barrels.[1] Although lack of transportation was still holding it down. Storage facilities and pipe lines were substantially increased during the year. 45 large steel and three concrete tanks with a total capacity of 2,000,000 barrels were constructed. This brought the total storage capacity to more than 45,000,000 barrels, while the 29 pipe lines built during the year aggregated 100 miles in length.[2]

The Huasteca Petroleum Company's Juan Casiano No. 7, which had been producing 25,000 barrels a day, turned to salt water. This caused the company's production to drop from first to second place. The Cortez Oil Corporation's wells in the Tepetate district went completely to salt water, while the Chinampa field was also reported yielding only salt water. All these were in the South Fields area. At this time the encroachment of salt water had not reached great proportions, but much was to be heard of it in the future.[3]

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[1]U. S. Bureau of Mines.

[2]Min. Ind. 1919, p. 512. [3]Ibid., 1920, p. 509.

United States relations with Mexico had become more strained with the closing of the World War. Interventionists had carefully gathered material during the war, and now, while President Wilson was attending the Paris Peace Conference, they began to propagandize the American people. In January, 1919, the National Association for the Protection of American Rights in Mexico was formed. Its alleged purpose was to protect American prerogatives and lives in Mexico so that peace, progress and the welfare of that country would be bettered. The association, however, issued interventionist propaganda, and declared Mexico I.W.W. and Bolshevik,[1]

In July, 1919, a resolution submitted to the Senate asked for an investigation of damages and outrages suffered by Americans in Mexico. Then, on August 15, Senator Albert Fall introduced a similar resolution which resulted in the formation of a sub-committee to the Committee on Foreign Relations, with Senator Fall as chairman, to investigate Mexican affairs.[2] The material and witnesses gathered by the interventionists was presented. Edward Doheny spent days on the witness stand and his testimony was declared

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[1] Inv. Mex. Aff., pp. 404-405, 414-415.

[2] Cong. Record. 66 Cong. Sess. I, V, 57, Senate Resolution 106, p. 9688.

"very interesting." But testimony offered by non-interventionists who had asked to be heard was not so "interesting." This report was published in installments and given free to the American public. Later, when bound into two huge volumes, this "Preliminary Report and Hearings" covered 3551 pages. Of this report, Rippy says,

> The historian could hardly ask a better source for the study of motives and methods of appeal employed by recent imperialism in the United States than is found in this report.[1]

While the investigation was going on, newspapers declared it imperative that democracy be extended to Mexico and order be established. Public opinion again was aroused. Representatives of the oil companies, as well as Senator Fall, demanded that Article 27 of the Mexican Constitution be repealed and the original regulations put back, urging intervention by the United States if Mexico refused.[2] Then, at the opportune moment, when intervention agitation was at its apex, United States Consular Agent William O. Jenkins at Puebla was seized by bandits and held for ransom. Jenkins was released a few days later but was soon arrested by Mexican authorities on charges of giving false evidence as to his disappearance. This led to a bitter exchange of

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[1]Rippy, U. S. and Mexico, op. cit., p. 355.

[2]New International Year Book, 1920, p. 433.

notes between the two governments, and to prevent trouble an American citizen in Mexico paid Jenkins' bail and he was released.

Senator Fall, however, on December 5, 1919, issued a resolution urging President Wilson to withdraw recognition of the Carranza government. He claimed that Carranza was plotting revolution with I.W.W. and German elements in the southwestern United States with a view to adding that territory to Mexico. Attention was also called to certain acts of the Mexican government of recent date which had stopped operations of oil companies upon their lands. He declared that this was done in face of repeated warnings by the United States that such action should not be taken.[1]

President Wilson turned the resolution down, and with the liberation of Jenkins and the work of a few anti-interventionist writers, war hysteria was somewhat eased.

Meanwhile, regulatory decrees--and protests--had continued. On August 1, 1919, Carranza issued a notice that no drilling should be undertaken unless a permit had first been obtained from the government. Some of the compan-

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[1] Inv. Mex. Aff., Report of Senator Albert B. Fall to the Subcommittee of the Committee on Foreign Relations, Examining into Mexican Affairs, Senate Committee Print, 66th Cong., Sess. II, Partial and ad iterim report, Washington, D. C., December 9, 1919.

ies, nevertheless, continued drilling and were notified that the wells would be taken over by the government if they did not acquire the permits. On November 12, troops were sent into the oil fields to enforce the ruling and drilling was stopped. Then, on November 19, Carranza ordered that the companies get permits to take oil from the wells already drilled. Protests were made by the oil companies to their governments, but it was not until January 17, 1920, that Carranza agreed to issue provisional drilling and operation permits good until the proposed petroleum law, sent to Congress on November 23, 1918, was enacted.[1] The petroleum law, however, was not passed, and it was not until 1925 that such a law was enacted.

A decree issued on March 12, 1920, authorized exploration in federal zones. Contracts for ten-year concessions were to be granted in which the government was to receive an annual rent of 100 pesos per kilometer and a percentage of the production. This percentage progressed from five to 20 per cent depending upon the quantity of oil produced.[2] This decree permitted drilling in the rivers and

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[1] New International Year Book, 1920, p. 433; Guy Stevens, in Am. Pol. Abroad, op. cit., pp. 321-322.

[2] For. Rel., 1920, pp. 205-210.

bodies of water as these belonged to the government. It therefore provoked a storm of protest from the oil companies since this allowed offset drilling adjacent to and sometimes within their holdings. Concessionaires were frequently prevented from operating by company armed guards. The decree, however, remained and was later incorporated into the petroleum laws.[1]

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[1] Mexico's Oil, pp. 16-17.

CHAPTER XI[1]

PETROLEUM 1920 TO EXPROPRIATION 1938

Obregon

At a labor convention held during May, 1918, the Confederacion Regional Obrera Mexicana (C.R.O.M.) had been formed. This national federation of labor unions was organized along craft lines and modelled after the American Federation of Labor. Morones became secretary and a secret Grupo Accion composed of 18 members controlled union activities. This group formed the Mexican Labor Party, a political organization which sponsored Obregon for the next president.

Meanwhile, Carranza sponsored Ignacio Bonillas for president. Bonillas was Mexican ambassador to Washington and had spent most of his life in the United States. Though familiar with American ways he was not popular in Mexico. Carranza, nevertheless, could easily elect Bonillas in the Mexican traditional fashion, so the Obregonistas found an excuse for rebellion and marched on the capital. The rebellion amounted to little more than a parade, gaining strength

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[1]This chapter, unless otherwise indicated, is abstracted from Parkes, op. cit., pp. 363-408.

as it proceeded. Carranza therefore skipped Mexico City for Vera Cruz, taking 500,000,000 pesos of gold and silver. His train was attacked and with a few followers he fled on horseback for Tampico. En route, while asleep in a remote village, Carranza was murdered by one of his followers and it was explained that the president had committed suicide.

Adolfo de la Huerta became provisional president and used a policy of appeasement with all factions. Villa consented to lay down his arms and received, as a gift from the government, an _hacienda_ in Durango. Zapata had been disposed of by a treacherous trick, by one of Carranza's officers who deserted with his troops to Zapata and then assasinated him.[1] But Zapata's followers had carried on. Promised land, they now stopped fighting. Even Pelaez, in the oil fields, was appeased and he too made peace. The oil companies now resorted to "white guards" to protect their property from the government. Many stories of coercion by these guards have been told. It is reported that the guards sometimes resorted to murder in attempts to obtain desired property.

In November, 1920, when Obregon became president, Mexico was united and at peace, and much progress was expect-

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[1]Edgcumb Pinchon, _Zapata the Unconquerable_ (New York: Doubleday, Doran and Company, Inc., 1941) pp. 317-328.

ed. The Obregon regime was similar to the Diaz dictatorship with grafting politicians and generals, but the government slowly moved in a different direction. Politicians acclaimed themselves as socialists fighting the class struggle against imperialism, and the American press "discovered" that Mexico was now definitely Bolshevik. But the real program of the Obregon regime, as well as its successors, was not by any means socialistic or even revolutionary. Obregon, a practical business man, had no intention of making too rapid reforms. Labor was given such protection as it has already received in advanced capitalistic countries and the growth of native Mexican capitalism was encouraged.

Some of the Carranza obstructions were removed from the agrarian reform, but drastic redistribution of land by breaking up the large estates did not ensue. During the Obregon administration, 3,000,000 acres were allotted 624 villages, but 320,000,000 acres remained privately owned, mainly by a few wealthy **hacendados.**

Morones became the labor tsar. Any strike by the C.R.O.M. was declared lawful, and was protected by government troops. But strikes by independent unions were termed illegal and Morones furnished strike breakers. Therefore, much hatred grew between the rival unions.

Meanwhile, in the United States, Warren G. Harding had become president, and in his cabinet were special

friends of the oil companies. The oil senator, Albert B. Fall, became his Secretary of Interior; Secretary of State Charles Evans Hughes was a former Standard Oil attorney, and Secretary of the Treasury Andrew Mellon had large oil interests in Mexico.

From the time President Obregon took office he declared Article 27 of the Constitution not retroactive and that petroleum rights acquired by foreigners before 1917 would be respected. Nevertheless, it was three years before his government was recognized by the United States. Executives of American oil companies met at Glaveston, Texas, on March 16, 1921, and opposed the recognition of Mexico as long as the Constitution remained unchanged. Pressure was brought on Obregon for removal of Article 27 from the Constitution in return for recognition. But Obregon refused recognition on such terms.

Meanwhile, a series of injunctions which had been granted by the Mexican Supreme Court in a suit brought by the Texas Oil Company in 1919 to test the validity of Article 27, were acted upon. On August 30, 1921, the Supreme Court rendered a decision upholding the contention of the oil companies that Article 27 was not retroactive. The decision acknowledged the rights of the surface-owner of the land to petroleum deposits where the title was acquired, and positive acts performed to obtain oil, before May 1, 1917.

This decision, however, did not satisfy the oil interests as the surface-owner of property upon which no positive acts had been applied did not own the petroleum deposits.[1]

Washington had insisted upon a treaty whereby petroleum rights acquired by foreigners before 1917 were to be regarded as their property. Although agreeing in principle, Obregon refused and regarded these demands as an insult to his government. Wall Street then negotiated a loan with Obregon's Secretary of the Treasury and after nine years of default Mexico attempted the resumption of interest payments to foreign bond holders. The proceeds from oil taxes were earmarked to take care of this. Export oil taxes were increased 25 per cent, and when they went into effect all but one of the large concerns stopped exporting. But American bankers were now enlisted on the side of Mexico, checkmating the oil interests, and negotiations led to an agreement whereby the taxes were slightly modified and the oil companies paid the Mexican Government 25,000,000 pesos in back taxes.[2]

Besides enlisting the friendship of the American bankers, trade had increased between the two countries and

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[1]Hicks, op. cit., p. 83; Stevens, op. cit., p. 331; New International Year Book, 1921, p. 450.

[2]Hicks, op. cit., p. 100.

the C.R.O.M. had gained the support of the American Federation of Labor. Too, arrangements were made for a joint commission to meet at Mexico City to reach an agreement on agrarian and subsoil matters. Conferences were held from May 14, 1923 until August 15, and it was agreed that Mexico would compensate for damages to Americans during the Revolution. Besides, an understanding was reached which reaffirmed that Article 27 was not retroactive. These agreements are often referred to as the Bucareli agreements, as they were held at No. 85 Bucareli Street.[1] They resulted in United States recognition of the Obregon government on August 30, 1923.

After Carranza's downfall the country had not revivied as rapidly as had been expected. Fortunately for the government, as well as the producers, the oil industry experienced a tremendous boom, and furnished the government with much needed revenue from taxes. In 1920, Mexico produced 157,060,000 barrels of oil, exceeding the combined production of all the oil fields of the world outside the United States.[2] Then, in 1921, Mexico reached the apex of

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[1]Proceedings of the United States-Mexican Commission Convened in Mexico City, May 14, 1913 (Washington, D.C.: Department of State, 1925) et al.

[2]Nearing and Freeman, op. cit., pp. 86-87; See U. S. Bureau of Mines table for production figures, Infra, p. 417.

its production with 193,398,000 barrels. This dropped to 182,278,000 barrels in 1922 and 149,585,000 barrels in 1923, and from then on yearly production decreased until 1932, when only 32,805,000 barrels were produced. The discovery of the Poza Rica field in 1930 resulted in increased production. This, however, was not felt until 1933 when production increased slightly, but from then on until the oil expropriation production gradually increased and 1937 showed 46,907,000 barrels.

The tremendous increase in 1920 production came mainly because of transportation improvements, but even then there was still a shortage of ships. Production had to be curtailed accordingly and much surplus oil was stored in earthen reservoirs. During the year, the government, because of loss of oil and danger from fire, prohibited their use; steel and concrete tank construction, therefore, increased. At this time geologists predicted that if the rate of production continued, Mexico in 1922 would see the end of the great proven fields.[1] Wells drilled during 1920 were nearly all in these fields and few wild-cat wells were attempted, while salt water appeared in most of the wells of the Panuco fields. The year 1921 showed a decrease in output of oil in the United States and an increase in oil prices. Mexican

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[1] Min. Ind. 1920, pp. 509,511.

production therefore reached its peak as tankers were diverted to the Mexican trade. Salt water encroached in the Amatlan, Zacamixtle, Cerro Azul, and Toteco fields before the end of the year,[1] and from this time on salt water was gradually to cause a decline in Mexican oil production.

The sudden decline of oil production in the United States also caused a search for new fields throughout the world. It was at this time that the Venezuelan fields got under production and one company produced oil during the year.[2] The oil companies through Dictator Gomez received legislation to their liking. Gomez, who held ideas similar to Diaz' and was even more ruthless with the peons, enriched his coffers.[3] Royalties were paid directly to the government, and since Gomez was the government, his support was assured. Too, a lower production cost resulted from Venezuelan oil being produced close to the shores of and in Lake Maracaibo. From here water transportation to the refineries and to foreign countries was less expensive than from the Mexican fields. Besides not having inland transportation,

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[1]Muir, op. cit., p. 5.

[2]Min. Ind. 1921, p. 515.

[3]Harvey O'Connor, Mellon's Millions (New York: John Day Co., 1933) pp. 190-192.

the distance from the Atlantic ports of the United States was less, as were transportation rates. Refineries on Curacao and Aruba were convenient for loading of fuel by oil-burning vessels using the Panama Canal.[1]

Not only did oil production, and consequently government revenue, decline in Mexico, but a reaction set in in 1923 which had a depressing effect over the entire country. Since Obregon had been much more lenient with the oil companies than Carranza, the American oil interests came to his support with a loan of $10,000,000.[2] But before the end of the year rebellion had broken out and Mexico City almost fell into the hands of the rebels. The revolution was fought over the problem of naming a successor to Obregon as president. Obregon backed Elias Calles, secretary of gobernacion and left-wing leader. Calles was disliked by many congressmen, and other factions were dissatisfied with the present administration. These included the independent labor unions, the hacendados, some military chiefs, and, according to Obregon, British oil interests.

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[1]Production costs of Crude Petroleum and of Refined Petroleum Products, Report of U. S. Tariff Commission, 72nd Cong., Sess. I, House Document No. 195 (Washington, D.C.: Government Printing Office, 1922) pp. 39-56.

[2]Hicks, op. cit., pp. 122-113.

Ex-provisional President Adolfo de la Huerta, who for years had been a faithful ally of Obregon, led the revolt. With Obregon declaring for Calles, de la Huerta left the cabinet and then denounced the entire government policy. Three months of hard fighting followed, but Doheny came to Obregon's aid with a $5,000,000 loan and ample munitions were furnished by the United States, so the revolution was soon put down. De la Huerta fled the country and became a vocal teacher in Los Angeles.

Calles

Calles, in 1924, was elected president. He took office, determined on social reform and enforcement of the Constitution, if necessary as a dictator. During his four years in office many of the promises of the Revolution were fulfilled, but a ruling clique gained control of the government. These "socialists" became wealthy men, and as they developed into a capitalistic class a period of commercial prosperity occurred from which the Calles government received more revenue than any which preceded it.

Vast improvements in sanitation, hygiene and education were made, while modern roads and irrigation projects brought much of rural Mexico from isolation. Around 8,000,000 acres of land were allotted 1,500 villages, while land banks were dreated to furnish agricultural credit. These banks, however, were too tempting to the politicians

who borrowed four fifths of their resources.

Morones became virtually dictator of labor and was given the cabinet post of Secretary of Industry. The Grupo Accion continued to fight the independent unions, and an attempt was made to bring every worker under the C.R.O.M. Wages continually rose, and the C.R.O.M. claimed a membership of 1,500,000 workers, though only 13,000 paid dues. The Grupo Accion built itself a magnificent country club and became owner of hotels and even factories, while Morones wore expensive diamond rings which he contended were a reserve for labor. But very little of this wealth came from labor, for Morones had discovered a better and more profitable way. This process, which had a likeness to blackmail, was found more remunerative than class warfare. It consisted of accepting bribes to call off threatened strikes.

In December, 1925, a petroleum law for reglamentacion of Article 27 of the Constitution was adopted. Although a law of this kind had been sent by Carranza to the Mexican Congress in the latter part of 1918, it was not until this law of 1925 that action was taken. During the intervening period uncertainty had prevailed as to possible provisions which the law might contain. Under the law, the anti-alien clause of Article 27 was brought into force. Besides, owners of oil lands were ordered to confirm their titles in order to exchange outright ownership for 50-year leases on

oil deposits dating from the time they had acquired the property. Concessions could not be held unless some positive act had been made, as drilling, geological survey, or leasing of the land for the particular purpose of exploiting petroleum.[1]

The United States Department of State protested that the exchange was confiscatory and that the law was contrary to the Bucareli agreements of 1923, and insisted that Calles was morally bound by Obregon's assurances. By January 21, 1927, 147 companies had accepted leases and 22, which were virtually all subsidiaries of the large companiss, had refused.[2] The main trouble was not the 50-year lease, as oil fields are depleted long before that length of time, but that much of the land held by the oil companies was without a clear title. This was partly because of confusion in Mexican land titles, but more frequently because lands had been acquired illegitimately. Legal proceedings were brought by the Mexican Government against the owners who refused to apply for leases and this led to much diplomatic controversy.

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[1] Ibid., pp. 79-80.

[2] Plutarco Elias Calles, "Mexico Before the World," trans. by Robert Hammond Murry, Public Documents and Addresses of Plutarco Elias Calles (New York: The Academy Press, 1927) p. 185.

During 1926 and early 1927 many heated notes were exchanged by Mexico and the United States. American interests again drove for intervention and attacks on Americans by bandits in Mexico grew amazingly frequent. It seemed, as before, that secret influences were working for a breach between the two countries. Forged documents appeared and the Hearst papers accused four liberal United States Senators of receiving more than $1,250,000 in bribes from the Mexican Government. Investigation showed these accusations were ridiculous and Hearst acknowledged the documents were forged, but said he believed them true in principle.[1] The Senators were cleared while the strongest interventionists, Albert B. Fall and Edward Doheny, were shown up as leading protagonists in the Harding oil scandals. American public opinion now unmistakable declared itself for non-intervention and the United States Government changed its tactics. In the fall of 1927, Ambassador Sheffield was recalled, and Dwight Morrow was appointed ambassador to Mexico.

Ambassador Morrow brought changes too. Instead of using threats, he began to woo the Mexicans. He flattered the Mexican people; Will Rogers and Colonel Lindbergh were invited to make good will visits, and soon Morrow won the

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[1]Hicks, op. cit., p. 121.

confidence and friendship of Calles. Within two months after Morrow arrived, the Supreme Court gave a decision that the petroleum law was unconstitutional in requiring the oil interests to accept concessions for a limited time. The court held that foreigners with subsoil rights acquired before May 1, 1917, had full petroleum rights for an unlimited time providing they had taken some positive act proving they intended exploiting the property for oil.

The petroleum law was then modified, during March, 1928, and permanent concessions were granted for rights acquired before 1917. The period of application was extended until January 10, 1929. This revised law was accepted by the foreign interests and on April 14, 1928, the Huasteca Petroleum Company applied for concessions. Others followed, and the United States Department of State indicated that no further pressure would be brought for any other modification of the petroleum law.[1]

Meanwhile, another presidential election was approaching and Calles was determined to restore the presidency to Obregon. The Constitution was amended for this purpose and the presidential term was extended to six years. This threat of rotation of the presidency led to plots of rebellion by military leaders. Those plotting revolts were

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[1] Ibid., pp. 89-91.

seized and shot. Because of such intimidation Obregon was the only candidate. He was elected president in the summer of 1928 and three weeks later, on July 17, he was assassinated. Since the Grupo Accion had become hostile to Obregon, they were blamed, and some rumors had Calles implicated. But it appeared the assassin was a free-lance fanatic, and that no one else was responsible.

In September, when congress met, Calles addressed the governors of the states, the military chiefs and Congress. In this address he declared that Obregon should be the last Caudillo, and that in the future neither himself nor anyone else would govern as dictator. The time had come, he asserted, to replace government by persons with government by laws, and to establish democracy.

Congress chose Emilio Portes Gil for provisional president. He took office at the end of 1928. Portes Gil carried on the agrarian policy even more fully than had Calles, and 2,500,000 acres were distributed. He also worked for the enforcement of Article 123, but it was not until 1931 that a uniform federal labor law was passed which put this Article in effect over the entire nation. With Calles' aid, Portes Gil succeeded in bringing all the important political groups, including the Callistas and Obregonistas, into a new political party known as the National Revolutionary Party (P.N.R.). Morones and the Grupo Accion, how-

ever, remained outside the party and Portes Gil smashed the C.R.O.M. and supported the independent unions.

In 1929, the P.N.R. held a convention and Pascual Ortez Rubio was nominated for president. The usual revolt followed but was put down within two months. Although Rubio was elected president, Calles continued to run the government, and Calles was greatly influenced by Ambassador Morrow. Morrow, a convinced advocate of orthodox capitalism, who had risen to a partnership in the House of Morgan, urged Calles against the further distribution of land unless it was paid for in cash. He declared that distribution of land to peasants who often could not use it was a violation of sound economics and was imposing great obligations on the Mexican Treasury. After a trip to France, Calles concluded that Morrow was right and in June, 1930, announced that the agrarian program had been a failure, that peasants were using their land inefficiently and production of the basic food crops was decreasing. As a result land contribution was gradually decreased and in 1933 less than 500,000 acres were allotted.

In September, 1932, the presidency of Ortiz Rubio abruptly ended when Calles informed the press that Rubio had resigned. When the president heard this, he decided it was best to confirm it. President Rubio had attempted to remove from office some of Boss Calles' pet officials, but instead

was removed himself. A wealthy banker and gambling house operator, Abelardo Rodriquez, now became president. It now appeared that the Revolution was ended, but the period proved one of transition. The Mexican people were still back of the Revolutionary program, and a new generation of politicians, who regarded Articles 27 and 123 as their Gospel, were ready for leadership. During 1933 and 1934, these younger men gained strength in the P.N.R. Political conflicts arose within the party and this left wing was able to overcome many of Calles obstacles to reform.

By the end of 1933, there had been 19,000,000 acres of land distributed to 4,000 villages since the inception of the Revolution. Over 300,000,000 acres, however, were still privately owned, while four fifths were in haciendas of more than 2,500 acres and over half this land belonged to less than 2,000 families. Mexico, after 20 years of revolution, still had basically a feudal rural society. But during 1933, this left wing of the party succeeded in gaining momentum for agrarian reform, and in 1934 an agrarian code was enacted which transferred land distribution from the states to the federal government, making apportionment swifter and regulations uniform. Too, the agricultural banks were reorganized so peasants could obtain loans.

New leaders were also appearing in labor. Vicente Lombardo Toledano, a former university professor, who had

fought Morones inside the C.R.O.M., in 1932 organized a number of labor unions into the General Confederation of Workers and Peasants (C.G.O.C.). This organization theoretically was superior to the C.R.O.M., while its officials as a rule were more honest.

Cardenas

Lazaro Cardenas, in 1934, was chosen as a candidate who would be acceptable for president by the younger group of the P.N.R. A platform was adopted containing a "six-year plan" which in vague terms promised rapid extension of educational and agrarian programs as well as governmental control of industry. Cardenas campaigned with fervor and traveled 16,000 miles over rural Mexico. He was elected, became president in November, 1934, and accepted the cabinet picked for him by Calles. It was presumed that Calles would run things. But Cardenas proved to be a leader, not a figure-head, and his election was followed by Mexico's first peaceful revolution. He pushed the agrarian program as it had never been before, and when in 1935 a succession of strikes occurred, he sympathized with the workers.

When Calles found he could not control Cardenas, he used anti-clericalism to stir up rebellion. Catholics were assaulted by Calles' henchmen in an attempt to goad them to rebellion and compel Cardenas to call on Boss Calles to straighten matters out. When this failed, Calles called a

number of senators to his home and condemned the numerous strikes, and indicated that Cardenas might share the fate of Rubio. Cardenas in return broke with Calles. He dismissed the Callista cabinet and quickly formed a new one from the anti-Callista factions and dominated by the left wing of the party. Others climbed on the Cardenas bandwagon and soon he had as complete control as Calles ever enjoyed.

Demonstrations by labor in April, 1936, demanded Calles' death, so Cardenas loaded both Calles and Morones in an airplane and shipped them to Texas. With the troublemakers gone, Cardenas was virtually dictator, but the press remained free, and opposition was allowed to criticize, while the peasants were invited to proclaim their grievances. The administration was the most honest since Juarez and Lerdo, and the ideals of the Revolution were unencumbered by greed or personal ambition.

A new federation of labor, the Confederacion de Trabajadores de Mexico (C.T.M.), was organized on an industrial union basis in the spring of 1936. Lombardo Toledano became secretary and friendly relations were established with the C.I.O. in the United States. Cardenas, though friendly to the C.T.M., opposed its aspirations to control the peasants. He endeavored to unite the peasant leagues into a

nation-wide structure.

Delegates from the peasant-leagues as well as the workers' unions were admitted to the P.N.R. This resulted in its complete reorganization during 1938. The new party, representing peasants, labor, and the army, was called the Party of the Mexican Revolution.

Cardenas carried the revolutionary program forward with great zeal and by the end of 1937 he had allotted 25,000,000 acres among the peasants. This exceeded by 6,000,000 acres the entire land distribution of all the previous governments. Not only was land apportioned, but co-operative farms were organized for commercial production. In the Laguna district, after a strike on the cotton plantations, Cardenas organized 600,000 acres into co-operative farms of 3,000 families. Seeds and machinery were shipped in and irrigation projects on a large scale were undertaken. Schools and consumers co-operatives were established. Loans of 30,000,000 pesos were made by the National Bank of Ejido Credit, organized for such purposes. Too, similar co-operatives were set up in the henequen districts.

The war on foreign capital, which had ended when Morrow became Ambassador, was now resumed. Because of President Roosevelt's "good-neighbor" policy, this could be carried out with more energy. Foreign capital was caught

between the forces of militant labor, demanding a higher standard of living, and the growing governmental control over the economic system. Cardenas believed foreign capital and technicians were needed. He invited them to Mexico and disclaimed any design to disrupt or collectivize industry. But he supported labor in strikes against native as well as foreign capital and declared that if industrialists would not pay adequate wages the government would be delighted to take over their businesses. This policy led to a rapid enlargement of government ownership. When strikes occurred, the government would decide if the conflict affected the economic order of the nation. If so, a committee of experts would be called to determine what wages the business could afford. This policy, of course, was unattractive to foreign investors. By it, the government gradually would have acquired Mexican industries and natural resources, building up, not native capitalism, but socialism.

Oil Expropriation

The constitution was amended and expropriation laws were passed in November, 1936. But until actual expropriation of oil, the law was enforced only three times. In May, 1937, the Alamas school lands in the state of Chiapas were expropriated; the national railroads, which had been operated to the benefit of foreign bond holders, were nationalized

in June, 1937; and in December, 1937, the gambling resort at Aqua Caliente was seized by the government.[1]

Then, on March 18, 1938, the British-Dutch and American oil properties were expropriated. Cardenas, on February 4, 1935, cancelled the concessions on national lands that Diaz had given S. Pearson and Son, Ltd., in 1906. These concessions had been transferred to the Mexican Eagle Oil Company, at that time dominated by Pearson, but in March, 1919, the Royal-Dutch group acquired the controlling stock. The concessions, however, had not been worked to any great extent, but the contract had been used by the oil company to avoid taxes.[2] When this concession was cancelled, the Mexican Eagle Company was quick to assert that all its oil production came from private lands which it owned or leased. During the same year, Cardenas created the Petroleos Mexicanos (Pemex), a government-owned company which drilled on government lands and in rivers and creeks of the oil fields.[3]

The Poza Rica field had been discovered in 1930, when exploration and development was begun by the Mexican Eagle Oil Company. Royalties of 11 per cent were paid pri-

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[1]Plenn, op. cit., p. 25. [2]Supra, p. 110-112.

[3]Virginia Prewett, Reportage on Mexico (New York: E. P. Dutton and Co., Inc., 1941) p. 116; Kluckhohn, op. cit., p. 101.

vate owners and from five to ten per cent were paid on government lands, many of the concessions being on a 30-year basis. The company held rights on 7,700 acres. During 1937, while the oil-labor controversy was in the hands of the Federal Labor Board, Cardenas granted the Mexican Eagle Oil Company a concession in the Poza Rica field which covered the entire proven area of 13,000 acres. Under the contract the company agreed to invest 5,000,000 pounds in field development and pipe-line construction. Production was to be increased to 200,000 barrels a day, and the government was to receive from 15 to 35 per cent of the production, and taxes on the balance.[1] Though the contract had been pending for some time, it was signed on November 12, 1937.[2] This vast expansion in the weakened oil industry would have meant a great increase of revenue to the Mexican Government. But this possibility was obliterated by a severe labor conflict which resulted in the expropriation of the oil company's property.

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[1]Kluckhohn, op. cit., pp. 100, 109-110; Weyl, op. cit., p. 293.

[2]Kluckhohn believes that by giving this contract, Cardenas intended to break the unity of the British-American oil companies in their fight against the government. Op. cit., p. 109.

Cardenas had ordered the Secretary of Labor, in 1935, to insist upon more uniform labor conditions in the oil industry. Labor had been discontented for some time and complained because the oil companies refused to pay equal wages for equal work. Besides, living costs in the oil area had increased. To remedy conditions, the labor department organized 21 independent labor unions of the petroleum industry into one industrial organization, the Oil Workers Union, which affiliated with the C.T.M. when it was organized in February, 1936.[1]

The Oil Workers Union asked for a collective agreement from the oil companies, and after a special labor convention in October, 1936, the companies were presented with an industry-wide contract. This contract included a 40-hour week of six days, wage increases with a basic wage of $1.70 a day, paid vacations with transportation, places in management, and other benefits. The oil companies claimed these demands were exorbitant and would raise their labor costs around 300,000,000 pesos per year or approximately 500 per cent.[2] The unions themselves even admitted that labor costs

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[1]Alejandro Carrillo, The Mexican People and the Oil Companies (Mexican Government Publication, 1938) p. 10; Weyl, op. cit., p. 293.

[2]Expropriation, pub. by Huasteca Petroleum Company; Standard Oil Company of California (New York: Mail and Express Printing Co., Inc., 1938) p. 11.

would be raised 133 per cent. The demand, however, was probably a statement of aspirations with the hopes of reaching a compromise. The oil companies rejected the contract and a general strike was called. The Department of Labor intervened on November 23, 1937, and both labor and the oil companies agreed to a conference of 120 days to work out an equitable solution. After months of negotiations lasting until May, 1937, only 21 of the 250 items of the proposed contract had been approved. The oil companies contended they were paying the highest wages in the country, but on May 17, they offered $2,000,000 in wage increases to avert a strike.

Despite this, on May 27, 1937, a general strike was called against 17 oil companies, most of which were subsidiaries of the Standard Oil, Dutch-Shell, and Sinclair groups. The strike lasted for 12 days and the economic life of the country was disrupted. Oil-driven vehicles and industry were stalled and tourists were stranded. On May 30, the Federal Labor Board declared the strike legal. In accordance with Mexican labor laws, the black and red flag was raised over the plants and offices of the oil companies, and they were closed.

Negotiations continued and before the strike ended the companies offered to increase wages 13,000,000 pesos ($3,600,000) annually, but the workers demanded 16,000,000

pesos ($4,500,000). The companies conducted a press campaign to arouse public opinion, apparently with little success. The union, however, saw that the economic condition of the country was growing too serious and decided to break the strike and resort to arbitration. The strike was called off on June 8, 1937, and the workers returned to their jobs. Demands were then submitted to the Federal Board of Conciliation and Arbitration and the government declared the conflict one of an economic order. A committee of experts was appointed according to the law to make a thorough study of the oil industry and determine how much wages the companies were capable of paying.[1]

This commission was headed by one of Mexico's most eminent economists, Dr. Jesus Silva Herzog, who with 80 assistants worked 20 hours daily for 40 days in order to get the report in on time.[2] The commission included economists, accountants, engineers, and technicians. An exhaustive study was made and on August 4 the commission turned in its

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[1]A. Curtis Wilgus, The Development of Hispanic America (New York: Farrar and Rinehart, Inc., 1941) p. 419; Carrillo, op. cit., pp. 10-11; Kluckhohn, op. cit., pp. 107, 201-204; Millan, op. cit., pp. 200-202; Prewett, op. cit., p. 117; Weyl, op. cit., pp. 293-294.

[2]Millan, op. cit., p. 202.

findings.[1] It found that the companies averaged over 60,000,000 pesos profit a year and that they were capable of increasing wages and benefits 26,000,000 pesos ($7,200,000). The report showed that the average output per employee in the oil industry in Mexico was 12 times greater than in the United States; that Mexican oil workers' average real wage in 1935 was .575 pesos an hour as compared with the average of 3.84 pesos hourly wage of oil workers in the United States; and that Mexican oil laborers' real wages had decreased 22.82 per cent from 1934 to the end of the first half of 1937, while the American oil laborers' real wages had increased 8.75 per cent during the same period. Therefore, for every ten pesos purchasing power received by the American oil worker, the Mexican worker received only 1.50 pesos, or 14.97 per cent of the purchasing power of American oil employees.[2] The report also showed that although the money wages were higher in the oil industry, real wages were lower than in either the railroad or mining enterprises.[3]

The commission also found that total taxation in Mexico amounted to 1.18 pesos a barrel, while in the United

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[1]This extensive report, translated into English, comprises the huge volume Mexico's Oil.

[2]Mexico's Oil, p. 240. [3]Ibid., pp. 233-234.

States the total taxation was 4.10 pesos a barrel.[1] Too, the report showed that the production of each barrel of crude oil in Mexico required an investment of 8.64 pesos as compared to 48.12 pesos in the United States.[2] The commission's comparison of profits on the total investments in the oil industry of each country were as follows:[3]

	United States	Mexico
1931	2.76 %	not given
1932	loss	not given
1933	1.70 %	not given
1934	2.20 %	16.53 %
1935	1.44 %	17.82 %
1936	not given	16.05 %

The Federal Board of Conciliation and Arbitration, after studying the report for four months, ruled, on December 17, that the companies should establish a 40-hour week, a minimum wage of $1.38 daily, and that a five-member board should be created to settle future disputes. The workers were also given certain rights in management and other benefits. Claiming the wages and benefits would run to 42,000,000 pesos ($11,600,000), the oil companies contended that the workers were awarded more than they demanded, and that the oil companies would be ruined. They alleged that the government report was wrong in regard to their profits, which they maintained were 17,000,000 pesos instead of

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[1] Ibid., p. 269. [2] Ibid., p. 514.

[3] Ibid., p. 512.

60,000,000. Eventually they offered to increase the wages and benefits 22,000,000 pesos, or within 4,000,000 pesos ($1,000,000) of the amount set by the board.[1] On December 19, the companies announced that the board's decision was a "denial of justice," and they threatened,

> In view of the foregoing, the oil companies formally state that they cannot accept responsibility for the consequences that may arise out of the present situation and that they will be forced to take all necessary steps to safeguard their rights.[2]

Then, on December 29, 1937, the American and British oil companies filed a joint petition with the Mexican Supreme Court for a permanent injunction against the labor board's decision.[3]

At a national congress of the C.T.M., Lombardo Toledano, on February 22, expressed his conviction that the Supreme Court would uphold the labor board, and warned that Mexico might have to take over the oil industry to maintain production. The oil companies were quick to charge that Lombardo had been improperly informed in advance of the Court's decision and emphasized his close friendship with Supreme Court Justice Xavier Icaza. Justice Icaza became enraged over this charge, and in a speech to the supreme

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[1]Kluckhohn, op. cit., p. 107; Parkes, op. cit., p. 406.

[2]Kluckhohn, op. cit., p. 109. [3]Ibid., p. 111.

tribunal he disqualified himself. Among other things, he declared, "For Mexico, this is a struggle of the people against imperialism."[1]

On March 1, the Supreme Court upheld the Federal Labor Board by a vote of four to nothing, with Justice Icaza abstaining. The oil companies immediately announced that they were financially unable to accept the decision. The government claimed they refused to obey the court and the oil companies contended they merely were unable to meet the terms. On March 14, an ultimatum was issued by the labor board demanding compliance with the award. The next day the companies formally notified the board that since putting the award into effect would ruin their business they were unable to do so.[2] Despite offers by the government to guarantee that the entire costs would not be over 26,332,756 pesos, the oil companies remained adamant until March 18, the day of the expropriation, when they offered to pay the 26,332,756 pesos, but refused other demands such as the sharing of management.[3] The same day the Petroleum Workers Union demanded the president put an end to the situation, and toward late afternoon the government radio sta-

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[1]Weyl, op. cit., p. 298.

[2]Kluckhohn, op. cit., pp. 113-114.

[3]Parkes, op. cit., p. 406; Mexico's Oil, p. 878.

tion began to announce, "Please keep tuned to this station for an important message from President Cardenas." Later the announcement was changed to, ". . . . a message of transcendent importance."[1] For, within the national palace, Cardenas was in conference with his mimisters, a meeting which ended with his signing the decree which expropriated the properties of the oil companies.[2]

During his presidential campaign, Cardenas had often repeated,

> I pledge my honor to the promise of fulfilling my obligations to the working class if I am placed in power. . . . . My only hope is that some day you can say that Lazaro Cardenas fulfilled the promise he made as a soldier and citizen of the Revolution.[3]

The promise was fulfilled, but there still remained the question of how the property would be paid for, and what the effects of expropriation would be.

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[1]Millan, op. cit., p. 205. [2]Supra, p.1-2.

[3]Plenn, op. cit., p. 21.

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APPENDIX

The Royal Ordinance of New Spain (1783)[1]

The Royal Ordinance of 1783 for the mining industry in New Spain speaking in the Title Fifth of original dominion in the mines, established the dominion of the sovereign in the following:

"Art. 1. The mines are property of my Royal Crown, both because of their nature and origin and because it is so provided in Law 4th, Title 13, Book 6th of the New Digest.

"Art. 2. Without removing them from my Royal Patrimony, I concede them to my Vassals in property and possession, in such manner that they may sell, exchange, lease, donate, bequeath by inheritance or legacy, or in any other way alienate the right pertaining to them, under the same conditions of their ownership, to other persons qualified to acquire it.

"Art. 3. This concession is understood to be subject to two conditions: the first, that they shall contri-

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[1]Taken from Mexico's Oil, op. cit., p. xxvi, quoting Fernando Gonzalez Roa, Las Cuestiones Fundamentales de Actualidad en Mexico, 1927.

bute to my Royal Treasury the stipulated share of the metals; and the second, that they shall work and enjoy the Mines in compliance with the provisions of these Ordinances, so that they shall be held forfeited in case of failure to comply with those (ordinances) wherein it is so provided, and they may be given in concession to any other person denouncing them under the terms of this Title."

Below, in Title Sixth, Article 22 enumerated the substances comprised within the Royal Patrimony as follows:

"Art. 22. I likewise concede the right to discover, solicit, register, and denounce in the manner prescribed not only the Mines of Gold and Silver but also those Precious Stones, Copper, Lead, Tin, Quicksilver, Antimony, Loadstones, Bismuth, Rock Salt, and whatsoever other fossils, whether perfect metals or semi-minerals, bitumens or juices of the earth; issuing for their capture, processing, and working, in the necessary cases, the respective regulations."

Juarez[1]

The Juarez Government, in August, 1863, expressed itself as follows:

"Ministry of Justice, Development [Fomento] and

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[1] Ibid., Introduction, pp. xxvi-xxvii.

Public Instruction. Section of Justice and Mining. The Citizen President, having been informed of your communication of the 28th of last month, enclosing a claim of Citizen Francisco Ferrel with respect to a coal mine which he denounces, has been pleased to state that seams of fossil coal stand in the same condition as the mines over which the Nation has direct dominion; but as regards both, it cedes useful dominion to citizens, giving them the mines in property in accordance with the provisions of the Ordinances of Mining; that therefore coal seams are subject to the same procedure as that established for the denouncement, adjudication, and possession of mines.

"And by superior order, I transmit this to you, for your knowledge and the corresponding legal effects.

"God and Liberty. San Luis Potosi, August 22, 1863.

"Ramon I. Alcaraz. C. Head of the Treasury of Sinaloa, Mazatlan."

Maximilian[1]

For his part, Archduke Maximilian of Austria issued

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[1]Ibid.

on July 6, 1865, an Imperial Decree which, among other things, says the following:

"Maximilian, Emperor of Mexico, considering that in Article 22, Title 6th, of the Ordinances of Mining there is established no regulation for the working of substances which are not precious metals, and as it is now necessary to establish them because of the development being acquired by these important branches, and having heard [the opinions of] our Councils of State and of our Ministers, We Decree:

"Art. 1. No person may exploit salt mines, fountains or wells and lakes of salt water, mines of coal, bitumen, petroleum, alum, kaolin, and precious stones without having obtained the prior express and formal concession thereto from the competent authorities and the approval of the Ministry of Development [Fomento]. Superficial outcroppings of any species and all other substances not stipulated in this article may not be denounced."

Mining Laws[1]

On January 14, 1883, under the administration of General Manual Gonzales, a decree was promulgated empowering the Executive to issue a Mining Code in the following terms:

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[1]Ibid., p. xxvii.

"The Congress of the United Mexican States, in exercise of the power granted it by Article 127 of the Federal Constitution and subject to approval by the majority of the Legislatures of the States, declares Fraction X of Article 72 of the said Constitution reformed in the following terms:

"'X. To issue Codes, obligatory throughout the Republic, of Mining and Commerce, comprising within the latter all banking institutions.'"

The Mining Code of November 22, 1884, contained the following provisions:

"Art. 1. The following are subject to this Code:

"I. The mine and seams of all inorganic substances which in veins, beds, or masses of whatsoever form constitute deposits whose composition is different from that of the rocks of the earth, such as gold, silver, copper, iron, manganese, lead, mercury, tin, antimony, zinc, sulphur, rock salt, and other analogous substances the exploitation of which requires mining work.

"II. Placer deposits of gold and platinum, together with the metals which accompany them, and those of the precious stones used in jewel-working.

"III. The processing plants and the sites for their construction, understanding under the former denomination all the industrial establishments of mining in which by any

kind of method are separated some of the substances contained in the materials extracted from the mines or placers mentioned in the two preceding fractions.

"IV. The waters extracted from mines and those required for drinking by the workmen and animals, for motive power, or for any other use in the mines and processing plants. . . . .

"Art. 10. The following are the exclusive property of the surface owner, who may, therefore, without the necessity of a denouncement or of special adjudication, exploit and utilize:

"I. The seams of the several varieties of mineral coal.

"II. The rocks of the earth and the matters of the soil, such as limestones, slates, porphyry, basalts, building stones, earths, clays, sands and other analogous substances.

"III. The substances not specified in Fraction II of Article 1 which are found in placers, such as iron, tin, and other loose surface minerals.

"IV. The salts which may be found on the surface, sweet and salt waters, whether superficial or subterranean; petroleum and gaseous springs or those of thermal and medicinal waters.

"For the utilization of all these substances, the

surface owner shall nevertheless be subject in his operations to the police dispositions and regulations; and in the exploitation of mineral coals and of the other matters which require the opening of excavations, to the provisions of this Code relative to the conservation of mines and the safety of mine workers."

The Mining Law of June 4, 1892, contained the provisions transcribed below:[1]

"Art. 1. Property in mines in the United Mexican States shall be governed by the following bases, to be regulated by the Executive in accordance with his constitutional powers:

"Art. 2. Subject to the present law are all mineral substances which cannot be exploited without prior concession and those for the extraction of which labor is required which may endanger the life of the workers, the safety of the work, and the stability of the soil.

"Art. 3. The mineral substances for the exploitation of which the respective concession is in every case necessary are those specified below, whatever may be the nature, form, and location of their respective deposits:

"A. Gold, platinum, mercury, iron, except bog iron, loose surface iron, and the ochres used as coloring

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[1] Ibid., p. xxviii.

matter; lead, copper, tin, except loose surface tin; zinc, antimony, nickel, cobalt, manganese, bismuth, and arsenic; whether found in natural state or mineralized.

"B. Precious stones, rock salt, and sulphur.

"Art. 4. The surface owner may freely exploit, without the necessity of a special concession in any case, the following mineral substances:

"Mineral fuels. Mineral waters and oils. The rocks of the earth, in general, which serve either as direct elements or as primary materials for construction and ornamentation. The matters of the soil, such as earths, sands, and clays of all kinds. The mineral substances exempted from [the necessity of] concession in Article 3 of this law, and in general all those not specified in the said article.

"Surface or subterranean excavation works which may be required in the exploitation of some of these substances shall always be subject to the regulations that may be issued for the policing and security of the mines."

The Mining Law of 1909[1] came into force on January 1, 1910, having been passed by the Chamber of Deputies at the spring sessions of Congress in 1909 and by the Senate at the autumn sessions. The law contained the following

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[1]Mexican Year Book, 1909-1910, pp. 508-530.

provisions:

"Art. I. The following properties appertain to the direct domain of the nation, and are subject to the provisions of the law.

"(1). Beds of all inorganic substances which in the form of veins, blanket-veins or masses of any other shape, constitute deposits of which composition is distinct from that of the country rock, such as deposits of gold, platinum, silver, copper, iron, cobalt, nickel, manganese, lead, mercury, tin, chrome, antimony, zinc, and bismuth; deposits of sulphur, arsenic and tellurium; deposits of rock salt and precious stones.

"(2). Placers of gold and platinum.

"Art. II. The following are the exclusive property of the owner of the soil:

"(1). Wells or deposits of mineral fuels in all their forms and varieties.

"(2). Sources or deposits of bituminous substances.

"(3). Sources or deposits of salts flush with the surface of the soil.

"(4). Surface and subterranean springs of water, subject to the provisions of ordinary law and special laws governing water-rights, saving, however, what is laid down in Article 9 of this Act. (Art. 9 deals with water in mines.)

"(5). The country rocks and substances of the soil, such as slate, porphyry, basalt and limestone, as well as earths, sands and clay.

"(6). Bog-iron, loose surface ores of iron, loose surface ores of tin and ochres.

Article 14--Constitution of 1917[1]

No law shall be given retroactive effect to the prejudice of any person whatsoever.

No person shall be deprived of life, liberty, property, possession of rights without due process of law instituted before a duly created court, in which the essential elements of procedure are observed and in accordance with previously existing laws.

In criminal cases no penalty shall be imposed by mere analogy or even by a priori evidence, but the penalty shall be decreed by a law in every respect applicable to the crime in question.

In civil suits the final judgment shall be according to the letter or the juridical interpretation of the law; in the absence of the latter, the general principles shall govern.

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[1]For. Rel. 1917, p. 952.

Article 27--Constitution of 1917[1]

The ownership of lands and waters comprised within the limits of the national territory is vested originally in the Nation, which has had, and has, the right to transmit title thereof to private persons, thereby constituting private property.

Private property shall not be expropriated except for reasons of public utility and by means of indemnification.

The Nation shall have at all times the right to impose upon private property such limitations as the public interest may demand as well as the right to regulate the development of natural resources, which are susceptible of appropriation, in order to conserve them and equitably to distribute the public wealth. For this purpose necessary measures shall be taken to divide large landed estates; to develop small landed holdings; to establish new centers of rural population with such lands and waters as may be indispensable to them; to encourage agriculture and to pre-

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[1]Ibid.

[2]Italics mine.

vent the destruction of natural resources, and to protect property from damage detrimental to society. Settlements, hamlets situated on private property and communes which lack lands or water or do not possess them in sufficient quantities for their needs shall have the right to be provided with them from the adjoining properties, always having due regard for small landed holdings. Wherefore, all grants of lands made up to the present time under the decree of January 6, 1915, are confirmed. Private property acquired for the said purposes shall be considered as taken for public utility.

In the Nation is vested direct ownership of all minerals or substances which in veins, layers, masses, or beds constitute deposits whose nature is different from the components of the land, such as minerals from which metals or metaloids used for industrial purposes are extracted; beds of precious stones, rock salt and salt lakes formed directly by marine waters, products derived from the decomposition of rocks, when their exploitation requires underground work; phosphates which may be used for fertilizers; solid mineral fuels; petroleum and all hydrocarbons--solid, liquid or gaseous.

In the Nation is likewise vested the ownership of the waters of territorial seas to the extent and in the terms fixed by the law of nations; those of lakes and inlets of bays; those of interior lakes of natural formation

which are directly connected with flowing waters; those of principal rivers or tributaries from the points at which there is a permanent current of water in their beds to their mouths, whether they flow to the sea or cross two or more States; those of intermittent streams which traverse two or more States in their main body; the waters of rivers, streams, or ravines, when they bound the national territory or that of the States; waters extracted from mines; and the beds and banks of the lakes and streams hereinbefore mentioned, to the extent fixed by law. Any other stream of water not comprised within the foregoing enumeration shall be considered as an integral part of the private property through which it flows; but the development of the waters when they pass from one landed property to another shall be considered of public utility and shall be subject to the provisions prescribed by the States.

In the cases to which the two foregoing paragraphs refer, the ownership of the Nation is inalienable and may not be lost by prescription; concessions shall be granted by the Federal Government to private parties or civil or commercial corporations organized under the laws of Mexico, only on condition that said resources be regularly developed, and on the further condition that the legal provisions be observed.

Legal capacity to acquire ownership of lands and waters of the nation shall be governed by the following

provisions:

I. Only Mexicans by birth or naturalization and Mexican companies have the right to acquire ownership in lands, waters and their appurtenances, or to obtain concessions to develop mines, waters or mineral fuels in the Republic of Mexico. The Nation may grant the same right to foreigners, provided they agree before the Department of Foreign Affairs to be considered Mexicans in respect to such property, and accordingly not to invoke the protection of their Governments in respect to the same, under penalty, in case of breach, of forfeiture to the Nation of property so acquired. Within a zone of 100 kilometers from the frontiers, and of 50 kilometers from the sea coast, no foreigner shall under any conditions acquire direct ownership of lands and waters.

II. The religious institutions known as churches, irrespective of creed, shall in no case have legal capacity to acquire, hold or administer real property or loans made on such real property; all such real property or loans as may at present be held by the said religious institutions, either on their own behalf or through third parties, shall vest in the Nation, and any one shall have the right to denounce property so held. Presumptive proof shall be sufficient to declare the denunciation well-founded. Places of public worship are the property of the Nation, as represented by the Federal government, which

shall determine which of them may continue to be devoted to their present purposes. Episcopal residences, rectories, seminaries, orphan asylums or collegiate establishment of religious institutions, convents or any other buildings built or designed for the administration, propaganda, or teaching of the tenets of any religious creed shall forthwith vest, as of full right, directly in the Nation, to be used exclusively for the public services of the Federation or of the States, within their respective jurisdictions. All places of public worship which shall later be erected shall be the property of the Nation.

III. Public and private charitable institutions for the sick and needy, for scientific research, or for the diffusion of knowledge, mutual aid societies or organizations formed for any other lawful purpose shall in no case acquire, hold or administer loans made on real property, unless the mortgage terms do not exceed ten years. In no case shall institutions of this character be under the patronage, direction, administration, charge or supervision of religious corporations or institutions, nor of ministers of any religious creed or of their dependents, even though either the former or the latter shall not be in active service.

IV. Commercial stock companies shall not require, hold, or administer rural properties. Companies of this

nature which may be organized to develop any manufacturing, mining, petroleum or other industry, excepting only agricultural industries, may acquire, hold or administer lands only in an area absolutely necessary for their establishments or adequate to serve the purposes indicated, which the Executive of the Union or of the respective State in each case shall determine.

V. Banks duly organized under the laws governing institutions of credit may make mortgage loans on rural and urban property in accordance with the provisions of the said laws, but they may not own nor administer more real property than that absolutely necessary for their direct purposes; and they may furthermore hold temporarily for the brief term fixed by law such real property as may be judicially adjudicated to them in execution proceedings.

VI. Properties held in common by co-owners, hamlets situated on private property, pueblos, tribal congregations and other settlements which, as a matter of fact or law, conserve their communal character, shall have legal capacity to enjoy in common the waters, woods and lands belonging to them, or which may have been or shall be restored to them according to the law of January 6, 1915, until such time as the manner of making the division of the lands shall be determined by law.

VII. Excepting the corporations to which Clauses III, IV, V and VI hereof refer, no other civil corporation

may hold or administer on its own behalf real estate or mortgage loans derived therefrom, with the single exception of buildings designed directly and immediately for the purposes of the institution. The States, the Federal District and the Territories, as well as the municipalities throughout the Republic, shall enjoy full legal capacity to acquire and hold all real estate necessary for public services.

The Federal and State laws shall determine within their respective jurisdictions those cases in which the occupation of private property shall be considered of public utility; and in accordance with the said laws the administrative authorities shall make the corresponding declaration. The amount fixed as compensation for the expropriated property shall be based on the sum at which the said property shall be valued for fiscal purposes in the catastral or revenue offices, whether this value be that manifested by the owner or merely impliedly accepted by reason of the payment of his taxes on such a basis, to which there shall be added ten per cent. The increased value which the property in question may have acquired through improvements made subsequent to the date of the fixing of the fiscal value shall be the only matter subject to expert opinion and to judicial determination. The same procedure shall be observed in respect to objects whose value is not recorded in the revenue offices.

All proceedings, findings, decisions and all operations of demarcation, concession, composition, judgment, compromise, alienation, or auction which may have deprived properties held in common by co-owners, hamlets situated on private property, settlements, congregations, tribes and other settlement organizations still existing since the law of June 25, 1856, of the whole or a part of their lands, woods and waters, are declared null and void; all findings, resolutions and operations which may subsequently take place and produce the same effects shall likewise be null and void. Consequently all lands, forests and waters of which the above-mentioned settlements may have been deprived shall be restored to them according to the decree of January 6, 1915, which shall remain in force as a constitutional law. In case the adjudication of lands, by way of restitution, be not legal in the terms of the said decree, which adjudication has been requested by any of the above entities, those lands shall nevertheless be given to them by way of grant, and they shall in no event fail to receive such as they may need. Only such lands, title to which may have been acquired in the divisions made by virtue of the said law of June 25, 1856, or such as may be held in undisputed ownership for more than ten years are excepted from the provision of nullity, provided their area does not exceed fifty hectares. Any excess over this area shall be returned to the commune and the own-

er shall be indemnified. All laws of restitution enacted by virtue of this provision shall be immediately carried into effect by the administrative authorities. Only members of the commune shall have the right to the lands destined to be divided, and the rights to these lands shall be inalienable so long as they remain undivided; the same provision shall govern the right of ownership after the division has been made. The exercise of the rights pertaining to the Nation by virtue of this article shall follow judicial process; but as a part of this process and by order of the proper tribunals, which order shall be issued within the maximum period of one month, the administrative authorities shall proceed without delay to the occupation, administration, auction, or sale of the lands and waters in question, together with all their appurtenances, and in no case may the acts of the said authorities be set aside until final sentence is handed down.

During the next constitutional term, the Congress and the State Legislatures shall enact laws, within their respective jurisdictions, for the purpose of carrying out the division of large landed estates, subject to the following conditions:

(a) In each State and Territory there shall be fixed the maximum area of land which any one individual or legally organized corporation may own.

(b) The excess of the area thus fixed shall be

subdivided by the owner within the period set by the laws of the respective locality; and these subdivisions shall be offered for sale on such conditions as the respective governments shall approve, in accordance with the said laws.

(c) If the owner shall refuse to make the subdivision, this shall be carried out by the local government, by means of expropriation proceedings.

(d) The value of the subdivisions shall be paid in annual amounts sufficient to amortize the principal and interest within a period of not less than twenty years, during which the person acquiring them may not alienate them. The rate of interest shall not exceed five per cent per annum.

(e) The owner shall be bound to receive bonds of a special issue to guarantee the payment of the property expropriated. With this end in view, the Congress shall issue a law authorizing the States to issue bonds to meet their agrarian obligations.

(f) The local laws shall govern the extent of the family patrimony, and determine what property shall constitute the same on the basis of its inalienability; it shall not be subject to attachment nor to any charge whatever.

All contracts and concessions made by former governments from and after the year 1876 which shall have re-

sulted in the monopoly of lands, waters and natural resources of the Nation by a single individual or corporation, are declared subject to revision, and the Executive is authorized to declare those null and void which seriously prejudice the public interest.

Article 33--Constitution of 1917[1]

Aliens are those who do not possess the qualifications prescribed by Article 30 (Naturalized or native born). They shall be entitled to the guarantees granted by Chapter I, Title I of the present Constitution (rights of Mexicans); but the Executive shall have the exclusive right to expel from the Republic forthwith, and without judicial process, any foreigner whose presence he may deem inexpedient.

No foreigner shall meddle in any way whatsoever in the political affairs of the country.

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[1] Ibid., p. 959.

Article 123--Constitution of 1917[1]

Title VI. Labor and Social Welfare

Art. 123. The Congress and the State Legislatures shall make laws relative to labor with due regard for the needs of each region of the Republic, and in conformity with the following principles, and these principles and laws shall govern the labor of skilled and unskilled workmen, employees, domestic servants and artisans, and in general every contract of labor.

I. Eight hours shall be the maximum limit of a day's work.

II. The maximum limit of night work shall be seven hours. Unhealthy and dangerous occupations are forbidden to all women and to children under sixteen years of age. Night work in factories is likewise forbidden to women and to children under sixteen years of age; nor shall they be employed in commercial establishments after ten o'clock at night.

III. The maximum limit of a day's work of children over twelve and under sixteen years of age shall be six hours. The work of children under twelve years of age shall not be made the subject of a contract.

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[1] Ibid.

IV. Every workman shall enjoy at least one day's rest for every six day's work.

V. Women shall not perform any physical work requiring considerable physical effort during the three months immediately preceding parturition; during the month following parturition they shall necessarily enjoy a period of rest and shall receive their salaries or wages in full and retain their employment and the rights they may have acquired under their contracts. During the period of lactation they shall enjoy two extraordinary daily periods of rest of one-half hour each, in order to nurse their children.

VI. The minimum wage to be received by a workman shall be that considered sufficient, according to the conditions prevailing in the respective region of the country, to satisfy the normal needs of the life of the workman, his education and his lawful pleasures, considering him as the head of a family. In all agricultural, commercial, manufacturing or mining enterprises the workmen shall have the right to participate in the profits in the manner fixed in Clause IX of this article.

VII. The same compensation shall be paid for the same work, without regard to sex or nationality.

VIII. The minimum wage shall be exempt from attach-

ment, setoff or discount.

IX. The determination of the minimum wage and of the rate of profit-sharing described in Clause VI shall be made by special commissions to be appointed in each municipality and to be subordinated to the Central Board of Conciliation to be established in each State.

X. All wages shall be paid in legal currency and shall not be paid in merchandise, orders, counters or any other representative token with which it is sought to substitute money.

XI. When owing to special circumstances it becomes necessary to increase the working hours, there shall be paid as wages for the overtime one hundred per cent more than those fixed for regular time. In no case shall the overtime exceed three hours nor continue for more than three consecutive days; and no women of whatever age nor boys under sixteen years of age may engage in overtime work.

XII. In every agricultural, industrial, mining or other class of work employers are bound to furnish their workmen comfortable and sanitary dwelling-places, for which they may charge rents not exceeding one-half of one per cent per month of the assessed value of the properties. They shall likewise establish schools, dispensaries and other services necessary to the community. If the factor-

ies are located within inhabited places and more than one hundred persons are employed therein, the first of the above-mentioned conditions shall be complied with.

XIII. Furthermore, there shall be set aside in these labor centers, whenever their population exceeds two hundred inhabitants, a space of land not less than five thousand square meters for the establishment of public markets, and the construction of buildings designed for municipal services and places of amusement. No saloons or gambling houses shall be permitted in such labor centers.

XIV. Employers shall be liable for labor accidents and occupational diseases arising from work; therefore, employers shall pay the proper indemnity, according to whether death or merely temporary or permanent disability has ensued, in accordance with the provisions of law. This liability shall remain in force even though the employer contract for the work through an agent.

XV. Employers shall be bound to observe in the installation of their establishments all the provisions of law regarding hygiene and sanitation and to adopt adequate measures to prevent accidents due to the use of machinery, tools and working materials, as well as to organize work in such a manner as to assure the greatest guarantees possible for the health and lives of workmen compatible with

the nature of the work, under penalties which the law shall determine.

XVI. Workmen and employers shall have the right to unite for the defense of their respective interests, by forming syndicates, unions, etc.

XVII. The law shall recognize the right of workmen and employers to strike and to lockout.

XVIII. Strikes shall be lawful when by the employment of peaceful means they shall aim to bring about a balance between the various factors of production, and to harmonize the rights of capital and labor. In the case of public services, the workmen shall be obliged to give notice ten days in advance to the Board of Conciliation and Arbitration of the date set for the suspension of work. Strikes shall only be considered unlawful when the majority of the strikers shall resort to acts of violence against persons or property, or in case of war when the strikers belong to establishments and services dependent on the government. Employees of military manufacturing establishments of the Federal Government shall not be included in the provisions of this clause, inasmuch as they are a dependency of the national army.

XIX. Lockouts shall only be lawful when the excess of production shall render it necessary to shut down in

order to maintain prices reasonably above the cost of production, subject to the approval of the Board of Conciliation and Arbitration.

XX. Differences or disputes between capital and labor shall be submitted for settlement to a board of conciliation and arbitration to consist of an equal number of representatives of the workmen and of the employers and of one representative of the Government.

XXI. If the employer shall refuse to submit his differences to arbitration or to accept the award rendered by the Board, the labor contract shall be considered as terminated, and the employer shall be bound to indemnify the workman by the payment to him of three months' wages, in addition to the liability which he may have incurred by reason of the dispute. If the workman reject the award, the contract will be held to have terminated.

XXII. An employer who discharges a workman without proper cause for having joined a union or syndicate or for having taken part in a lawful strike shall be bound, at the option of the workman, either to perform the contract or to indemnify him by the payment of three months' wages. He shall incur the same liability if the workman shall leave his service on account of the lack of good faith on the part of the employer or of maltreatment either as to

his own person or that of his wife, parents, children or brothers or sisters. The employer cannot evade this liability when the maltreatment is inflicted by subordinates or agents acting with his consent or knowledge.

XXIII. Claims of workmen for salaries or wages accrued during the past year and other indemnity claims shall be preferred over any other claims, in cases of bankruptcy or composition.

XXIV. Debts contracted by workmen in favor of their employers or their employers' associates, subordinates or agents, may only be charged against the workmen themselves and in no case and for no reason collected from the members of his family. Nor shall such debts be paid by the taking of more than the entire wages of the workman for any one month.

XXV. No fee shall be charged for finding work for workmen by municipal offices, employment bureaus or other public or private agencies.

XXVI. Every contract of labor between a Mexican citizen and a foreign principal shall be legalized before the competent municipal authority and viseed by the consul of the nation to which the workman is undertaking to go, on the understanding that, in addition to the usual clauses, special and clear provisions shall be inserted for the pay-

ment by the foreign principal making the contract of the cost to the laborer of repatriation.

XXVII. The following stipulations shall be null and void and shall not bind the contracting parties, even though embodied in the contract:

(a) Stipulations providing for inhuman day's work on account of its notorious excessiveness, in view of the nature of the work.

(b) Stipulations providing for a wage rate which in the judgment of the Board of Conciliation and Arbitration is not remunerative.

(c) Stipulations providing for a term of more than one week before the payment of wages.

(d) Stipulations providing for the assigning of places of amusement, eating places, cafes, taverns, saloons or shops for the payment of wages, when employees of such establishments are not involved.

(e) Stipulations involving a direct or indirect obligation to purchase articles of consumption in specified shops or places.

(f) Stipulations permitting the retention of wages by way of fines.

(g) Stipulations constituting a waiver on the part of the workman of the indemnities to which he may become entitled by reason of labor accidents or occupational diseases,

damages for breach of contract, or for discharge from work.

(h) All other stipulations implying the waiver of any right vested in the workman by labor laws.

XXVIII. The law shall decide what property constitutes the family patrimony. These goods shall be inalienable and shall not be mortgaged, nor attached, and may be bequeathed with simplified formalities in the succession proceedings.

XXIX. Institutions of popular insurance established for old age, sickness, life, unemployment, accident and others of a similar character, are considered of social utility; the Federal and State Governments shall therefore encourage the organization of institutions of this character in order to instill and inculcate popular habits of thrift.

XXX. Co-operative associations for the construction of cheap and sanitary dwelling houses for workmen shall likewise be considered of social utility whenever these properties are designed to be acquired in ownership by the workmen within specified periods.

Production and Export Table[1]

	Mexican Production		Mexican Exports		
Year	Total	Per Cent World	Total	To U.S.A.	Per Cent U.S.A.
1901	10,345	0.0006			
1902	40,200	0.02			
1903	75,375	0.04			
1904	125,625	0.06			
1905	251,250	0.12			
1906	502,500	0.23			
1907	1,005,000	0.38			
1908	3,932,900	1.38			
1909	2,173,900	0.91			
1910	3,634,080	1.11			
1911	12,552,798	3.65	893,709		
1912	16,558,215	4.70	7,627,795	7,383,229	96.9
1913	25,696,291	6.70	20,915,928	17,809,058	85.2
1914	26,235,403	6.50	22,880,530	16,245,975	71.0
1915	32,910,508	7.70	24,279,375	17,478,472	72.0
1916	40,545,712	8.79	26,746,432	20,125,657	75.0
1917	55,292,770	10.91	42,545,843	29,933,516	70.4
1918	63,828,000	12.40	51,768,010	40,819,870	78.9
1919	92,402,055	16.56	77,703,289	57,618,589	74.1
1920	185,000,000	28.00	147,204,000	112,374,000	76.0

[1] A.I.M.M.E. Transactions, Vol. LXV, p. 532.

Production of Oil in Mexico--U. S. Bureau of Mines[1]

Year	Barrels	Year	Barrels
1901	10,000	1921	193,398,000
1902	40,000	1922	182,278,000
1903	75,000	1923	149,585,000
1904	126,000	1924	139,678,000
1905	251,000	1925	115,515,000
1906	502,000	1926	90,421,000
1907	1,005,000	1927	64,200,000
1908	3,933,000	1928	50,150,000
1909	2,714,000	1929	44,688,000
1910	3,634,000	1930	39,530,000
1911	12,553,000	1931	33,039,000
1912	16,558,000	1932	32,805,000
1913	25,696,000	1933	33,905,000
1914	26,235,000	1934	38,172,000
1915	32,911,000	1935	40,241,000
1916	40,546,000	1936	41,028,000
1917	55,293,000	1937	46,907,000
1918	63,828,000	1938	33,794,000
1919	87,073,000	1939	40,776,000
1920	157,069,000	1940	44,064,000

[1]Mineral Industries, 1940, p. 467.

Typed by Jean Cramer