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Mexico: What Everyone Needs to Know

Why did Mexico nationalize the petroleum industry in 1939?

One of the underlying causes of the Revolution of 1910 was the degree of influence foreigners exercised in Mexico. (See question on causes of the Mexican Revolution.) During the Porfiriato from 1884–1911, numerous concessions were provided to foreign investors, ranging from the railroad right of ways to the exploitation of subsoil minerals, including petroleum, a resource with which Mexico was handsomely endowed. The victorious revolutionaries expressed a strong sense of nationalism that grew out of the revolutionary decade between 1910 and 1920 and was codified in the Constitution

of 1917, including assigning all subsoil rights to the Mexican nation and requiring government approval to develop and exploit any mineral reserves. Another issue that emerged during the revolutionary decade and that explains the setting underlying the nationalization in 1939 was the importance of workers' rights, given the fact that they were not allowed to even strike prior to the revolution. The post-revolution presidents, beginning with Álvaro Obregón (1920–24), who relied on the support of organized labor to become president, encouraged labor's growth. By the 1930s, one of the economic sectors where labor-management conflicts became intense was the petroleum industry. Through the government labor arbitration board, Lázaro Cárdenas, who became president in 1934, legalized more strikes by labor during his administration than any of his predecessors.

All of the oil was being extracted by foreign companies from the United States and Europe. A recently formed labor union, whose demands for better pay and benefits were rejected by the oil companies, took its case to the Federal Conciliation and Arbitration Board, which ruled in favor of the union and allowed it to conduct a legal strike. The board issued a ruling against the companies, requiring them to pay millions in back wages. The companies refused to comply with the decision, taking their grievances to the Mexican Supreme Court, which ruled against their appeal. President Cárdenas, responding to the intractability of the firms, most of which refused to abide by the court's decision, decided he had no alternative but to expropriate most of the companies' holdings in Mexico, creating the foundation for *Petróleos Mexicanos* (PEMEX), Mexico's state-owned company. The government assessed the value of those holdings, which the firms also contested. The U.S. State Department did its own independent valuation of their worth and found the Mexican government's price to be generous and above their own appraisal. Before Cárdenas announced his decision on March 18, 1938, he was viewed by many groups in Mexico, including

the Catholic hierarchy, the business community, religious Mexicans, and the political right, in a negative and controversial light. The day after his announcement, most Mexicans responded instantly, enthusiastically, and patriotically in support of the president's decision. Even the Catholic Church actively took up collections to help pay for the companies. As was the case elsewhere in Latin America and the Third World, the decision also increased feelings of nationalism. President José López Portillo (1976–82), a college student at that time, was influenced years later in his own decision to nationalize Mexico's banks by what happened in 1939. Cárdenas' political legacy following this decision made him Mexico's most popular president for the remainder of the twentieth century.