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## THE FALSE MIRACLE

## I

Many of the reforms of the Cardenistas, under heavy fire since the expropriation of the foreign oil giants, fell by the wayside after 1940, dismantled before they could bear fruit. From this time on, conservatives, more and more, called the tune. Just the same, euphoric Mexicans, mainly the rich and the middle class, had a fiesta. For the first time, bureaucrats, university professors, storekeepers, and the like could buy automobiles, acquire homes of their own, and take vacations in Acapulco, the mecca of the affluent. The architects of this prosperity, the magnates of industry and their allies in politics, labeled it a "miracle."

## II

For this drama, World War II set the stage. With the United States off fighting, Mexicans were left to themselves. Since Hollywood, for example, was turning out war movies, Mexican cinema enjoyed a golden age, becoming, in the space of a brief interval, one of the salient industries of the Republic. Mexicans went to see their own films, with their own movie stars: Jorge Negrete, dashing and romantic; Pedro Armendáriz, who sported a big mustache; the brothers Soler; Sara García, the *madre sufrida*, symbol of motherhood and *patria*; Gloria Marín, always beautiful; and Dolores del Río, back from a sojourn in Hollywood. In their films, women were either saints or sinners, the archetypes of the men who ran the industry. During the war years, popular music, too, enjoyed a heyday, with Mexicans dancing to Afro-Cuban rhumbas and danzones and traditional pasos dobles. But, above all, it was the bolero, a seductive rhythm and darling of the *burgués*. The melodies of Agustín Lara, the "musical poet," Gonzalo Curiel, Pepe Guízar, Manuel Esperón, and fellow composers filled the airwaves and played to packed

houses in nightclubs from Mexico City to Tijuana. Even today, Mexicans still recall nostalgically the melodies of "Hilos de Plata," "Mala Noche," and "Perfidia," which Toña la Negra, a sultry chanteuse from Veracruz, sang to the delight of rich and poor alike. The golden age of film and popular music, for the enjoyment mainly of urbanites, testified to a shift away from populist reforms of benefit to the countryside and toward blueprints favoring industry, commerce, and big agriculture. How did it occur?

## III

The whys and wherefores are complex. Mexicans hostile to the Cardenista formula had triumphed, their ranks swollen by the inhabitants of booming cities and a thriving middle class. World War II, furthermore, conferred a bonanza on Mexico, which joined the fray after German U-boats sank two of its oil tankers on the high seas. For its contribution to the war effort, Mexico dispatched a squadron of fighter planes to fight the Japanese in the Philippines and braceros to labor in the United States. More important, Mexico sold tons of copper, lead, graphite, cadmium, and mercury to American war industries, as well as cotton and coffee.

The war cut off Mexico from manufactures formerly imported. Unable to spend on consumer goods, Mexicans had money to invest. So was born a blueprint for industrialization based on import substitution, resting, logically, on the industrial edifice erected by the Porfiristas. Without it, no manufacturing revolution would have been possible, because the necessary capital goods were unattainable. Industrial growth was largely, says one expert, "the running of the nation's already installed plant night and day." As the years went by, this policy brought to center stage a manufacturing sector of big, capital-intensive, monopolistic firms relying on cheap labor to produce goods for captive, mostly middle-class consumers.

The end of World War II did not alter policy. On the contrary, efforts were redoubled to spur industrialization. To get wealthy Mexicans to invest in factories, government dangled inducements before their eyes, which included import licenses, protective tariffs, tax breaks, and loans at low interest rates through the Nacional Financiera. Foreign investors were invited to the banquet table to further whet the palate of Mexican capitalists. The door to Mexico, for all that, was not entirely unlocked, since foreigners, according to national legislation, were barred from the film industry, radio broadcasting, land and air transportation, commercial fishing, and publishing.

Additionally, the network of highways was expanded and plants were built to provide electricity, cement, steel, and sundry items at low cost to industry, baptized *paraestatales* and subsidized, at public expense, for the benefit of private capitalists. A commercial agriculture for export, designed to

earn dollars to pay for the erection of the industrial edifice, received similar blessings. Encouraged by the incentives and the absence of competing imports, Mexican factories multiplied, especially in the Federal District, Guadalajara, and Monterrey. By the 1950s, the GNP was averaging 6 percent or better. All the same, the end of the war left Mexico more than ever at the mercy of markets north of the border; by 1944, over 90 percent of its foreign trade was with the United States.

With industrialization, the dream of a bucolic, agrarian, and self-sufficient Mexico flew out the window. Instead of a "socialist paradise," Mexico would be capitalistic, offering freedom for private enterprise and the laws of supply and demand. The "trickle-down" theory held sway. Inevitably, businessmen were part and parcel of the government entourage. As early as 1942, COPARMEX joined the parade, when industrialists from Monterrey, headed by the Garza-Sada clan, made their pilgrimage to Mexico City, where the nation's authorities no longer adhered to the labor policies of the Cardenistas.

Thus began an era of government largess for the private sector, when Mexican leaders proclaimed, tongue-in-cheek, allegiance to the adage "The less government, the better." Bankers and business tycoons applauded the annual reports of sympathetic governors. For their part, the industrialists born of import substitution banded together in the Confederación Nacional de la Industria de Transformación, or CONACINTRA, to defend their interests and stand apart from the older COPARMEX. Businessmen won entrance into the presidential cabinet, their influence enhanced through COPARMEX and CONACINTRA, by personal ties to public officials, by their importance in the economy, and because they came to own the press, radio, and television. It was a rosy era for the *burguesía*, when domestic and foreign admirers saw Mexican capitalism "at the cutting edge of the battle against hunger."

All the same, the road was often rocky. World War II unleashed an inflationary spiral when foreign money poured into Mexico to compete for scarce goods; hoarding and speculation were rife. The price of food, clothing, and housing shot up. Price gouging on rents was so rampant in Mexico City that rent controls had to be installed. Shortages of *masa* for the tortilla led women in the barrios of the capital to take it forcibly from stores; others marched in the streets to protest against speculation in food prices. To cool the fires of inflation and keep pesos at home, officials devalued the national currency in 1948, to 6 pesos to the dollar and, when that failed to achieve results, to 8.65 pesos two years afterward. Consumerism by the rich and the middle class, nonetheless, became the vogue, and hungry campesinos started again to trek into the cities. Protected by tariffs, Mexican businessmen grew "accustomed to quick profits and low taxes." Yet the domestic market expanded ever so slowly, partly because industrialists targeted production to the buying habits of the middle class, kept wages of workers down, and seldom looked for

customers among campesinos. For urbanites, the middle class and the rich, times were good, as new industries sprang up and old ones expanded, textiles particularly, while plants producing chemicals, cement, and beer and processing foods had banner years. The production of both pig iron and steel rose, and electrical output soared.

Corruption, too, took on fresh vigor, with one president acquiring real estate in Acapulco and erecting a business empire that included *Novedades*, a national newspaper, and Televisa, the country's television network. Businessmen gained fortunes overnight while governors, cabinet officers, and military lords used their posts for personal gain. Even teachers exacted bribes from parents waiting to enter their children in overcrowded urban schools. Ill-gotten gains were as Mexican as the tortilla, but they had been condemned in the past; now efforts were made to justify them on the grounds that tribute had to be paid to the almsgivers. "We laid the basis for Mexican capitalism," Carlos Fuentes had the banker Federico Robles say in *La región más transparente*. "What if we did get our percentage from . . . every contract?" Would you, he asked, "prefer that in order to avoid these evils we had done nothing at all? I repeat, because of what we went through we are entitled to everything. Because we were born in dirt-floor shacks, we have the right now to live in mansions with high ceilings and stone walls, with a Rolls-Royce at the door." A man had to take advantage of his opportunities. "And if I hadn't," Robles continued, "someone else would have seized what I have seized, stand where I stand, do what I do."

In 1950, just when Robles's boast started to sound hollow, the Korean War, which saw American troops in battle again, revived the economy, faltering from the effects of Europe's recovery from World War II. Along with that, a horde of Yankee tourists brought welcome dollars, especially to Tijuana and sister towns; their visits to buy curios, drink, eat, and be merry started to transform the dusty border. Affluent politicians and their allies in business sank millions of pesos into Acapulco, the first of the international resorts, which paved the way for Cancún, Ixtapa-Zihuatanejo, Puerto Vallarta, and Mazatlán. Until 1964, braceros, their ranks swollen by "wetbacks," sent their checks home and added more dollars.

When the Korean War ended and a recession struck the United States, the boom sputtered, as the price of lead, zinc, and cotton plummeted. Restrictions by the Congress of the United States on lead and zinc imports sent Mexico's mining industry into a tailspin. Most alarming, Europe no longer needed Mexican raw materials, because of the development of synthetic fibers and the availability of manufacturers from the United States. In addition, Washington's protectionist policies, which curtailed Mexican exports, damaged the economy; 75 percent of them were sold north of the border. The competition of Americans in the international market added another burden. During the

1940s, Mexican officials had encouraged the production of cotton, investing millions in irrigation projects, mostly in northern Mexico. By 1956, cotton exports represented 33 percent of all sales abroad. When the United States dumped surplus cotton on the world market for a pittance, Mexican planters lost their shirts. The decline of agricultural exports compelled Mexicans to cut back on their investments, thus deepening the economic doldrums. As the national budget tumbled, federal spending on public projects, designed to stimulate growth, slackened. Worried *burgueses*, likewise, started to deposit their money in foreign banks. To top off the list of misfortunes, droughts disrupted the harvests in the farm belts and Mexico had to import corn and beans.

By 1952, the growth of the GNP had started to lag, and Mexico had a crisis on its hands. Victimized by the previous spending spree, the treasury was empty, while nothing had been done to balance the Republic's budget. Policy-makers had to shift gears. Henceforth, the platform would be austerity, required to clean up the financial mess and curtail inflation. But austerity, which reduced government spending, as well as the recession north of the border, led to economic stagnation. Among those unhappy with this turn of events were influential Mexicans in business, commerce, and industry who had gotten rich off government largess. Policy planners had to dump austerity and return to previous practice. The battle to balance the budget and curb inflation was put on the shelf. Trying to hold down the spiraling cost of food, federal officials established the *Compañía Exportadora e Importadora (CEIMSA)* to sell it at low prices to consumers, bureaucrats on fixed salaries hurt by inflation primarily. However, merchants, egged on by *CONCANACO*, the Republic's chamber of commerce, started to complain that *CEIMSA* endangered private enterprise. Then the government devalued the peso once more in 1954, which encouraged more capital flight.

Eventually, the recession in the United States ended, which restored a semblance of prosperity to Mexico. But the upturn was fleeting. Exports of cotton climbed, but soon their value, as well as that of coffee and mineral ores, dropped. Between 1956 and 1966, as the volume of exports declined, government revenues felt the pinch. Mexico, manifestly, could not count on foreign buyers to sustain economic growth. Devaluation, moreover, had fueled the inflationary fires. While exporters benefited from the devaluation of the peso, the poor had suffered the brunt of its blows.

Until the early 1950s, wages had been kept in check; for all intents and purposes, labor had been asked to subsidize the cost of industrialization. But labor could not be kept at bay indefinitely. So wage increases were granted; not to have done so would have torn apart the Republic's social fabric, a dilemma complicated by the need to keep inflation under control and main-

tain the pace of industrialization. The old policy of import substitution, furthermore, was reaching the end of its usefulness. To produce intermediate and capital goods, it was necessary to go beyond the manufacture of articles once imported. This required bigger plants, more machines, and costly technology, which exceeded the ability of Mexican private enterprise to finance. If Mexico was to industrialize fully, government had to shoulder a larger share of the burden.

Although turning their backs on austerity, Mexican officials, nevertheless, had no wish to revive inflationary spending. Another freeze on industrial wages was out of the question. To raise income taxes or to undertake fiscal reforms, likewise, would antagonize the *burguesía*. Strangely, no thought was given to the increasing of consumer demand, specifically by raising incomes of rural Mexicans. Business and government, more and more brothers in arms, believed that they could erect an industrial edifice by expanding the urban markets.

The solution adopted opened wider Mexico's doors to foreign capital. Outside money, it was thought, would finance the industrialization effort. Between 1955 and 1958, direct foreign investment rose by over \$400 million, most of it going into industry. Industries did not all profit equally; targeted for special favors were those which produced machinery, heavy equipment, and vehicles required for the industrial and agricultural needs of the Republic. As before, government offered diverse incentives. Industries in the categories thought vital enjoyed virtual monopolies, thriving on captive buyers but unable to compete on the international scene. The industries most favored were the new ones, employing, by and large, the latest technology and nearly always branches of foreign corporations. As a consequence, foreigners widened their beachhead in manufacturing. These highly capitalized industries were a paradox in a country full of cheap labor. Giant industry gobbled up small plants which, earlier, had destroyed the livelihood of artisans.

The men who set policy in the 1950s also began to borrow from foreigners. These funds, they said, were "indispensable," a view which ignored the advise of Lázaro Cárdenas, who, more than once, warned of the pitfalls that awaited Mexico were it to incur a foreign debt. Until 1950, Mexicans had been unable to obtain loans from international lending agencies, which, under the tutelage of Washington, urged one and all to seek private capital. Between 1940 and 1950, capital for "economic development," as it was dubbed, was raised internally, by means of inflationary policies, duties on exports and imports, hidden taxes, and profits from the state-owned industries, the *paraestatales*. However, in the 1950s, the International Bank for Reconstruction and Development, as well as the Export-Import Bank, reflecting Washington's fear of Communist infiltration in Latin America, started to lend money. By 1952, Mexico had

borrowed \$206 million; with the arrival of this money in the form of loans or investment capital began the era of "stabilized development," the "miracle" long anticipated.

Stability accompanied by economic growth, which required Mexico's willingness to plunge into debt, had specific goals. One was to rely on outside capital to keep the lid on prices; it was no longer fashionable to finance economic "development" by asking the Banco de México to print pesos. Outside funds, too, were needed to keep the prices of the *paraestatales* low; much of the money borrowed was employed to make up the losses of the *paraestatales*, which frequently ran a deficit in order to aid private enterprise. Duties on exports and imports were either reduced or eliminated, at the expense of national revenue; foreign loans made up the loss. More and more of the cost of industrialization was being borne by foreign capital. Since its credit standing received rave ratings from Washington, Mexico borrowed freely, approximately \$626 million by 1958, three times its foreign debt of 1950.

Washington's shift in its lending politics, for which the Cuban revolution's threat to its hegemony in Latin America was also responsible, helped stoke the fires of Mexican borrowing. When international lending agencies cooled their ardor, private banks in the United States took up the slack. In 1960, to illustrate, the Prudential Insurance Company lent Mexico \$100 million, not once asking how it would be spent. Direct investment in Mexico, at the same time, jumped from just over \$900 million in 1959 to nearly \$1.3 billion by 1964. On behalf of economic growth, Mexico was becoming increasingly dependent on the United States.

By 1955, priming the pump with foreign capital, like the earlier deficit spending, had produced bountiful days, aided by the rebirth of Yankee prosperity. The Mexican economy sparkled as private capitalists, foreigners and natives alike, invested more money. With the exception of ores, exports did well, coffee and cotton above all. Also, by 1955, a lid had been placed on inflation, most likely because of an increase in industrial productivity. For the first time, urban Mexicans had a plentiful supply of goods. But that turnabout rested on pump priming, which meant a continued reliance on foreign bankers. Despite that, 1955 was a banner year, mainly thanks to rising exports, a development encouraged by the devaluation of the peso in 1954.

"God's plenty" lasted only briefly. By 1958, exports of coffee, cattle, lead, and petroleum had started to decline. Economic troubles had surfaced across the border; Americans were not buying. No less ominous, the cost of imports had exceeded the value of exports, because industrialization required costly machinery, equipment, tools, and technology. To complicate the picture, more and more speculative capital had entered Mexico, attracted by the promise of easy profits and ready to flee at a moment's notice. The flight of capital

became, if not a daily occurrence, a constant menace. In 1958, when the GNP tottered, droves of foreign speculators fled the country, taking their money with them and worsening the financial picture.

For the first time, Mexican economists began to wonder if reliance on exports could get the job done. With another worldwide recession under way, Mexico, in order to export, had to keep prices down; but at that juncture the benefits of the 1954 peso devaluation had evaporated and prices gone up again. At the same time, the devaluation of 1954, as well as the rise in prices, which reduced the buying power of workers, had once more planted the seeds of unrest in their ranks. Not unreasonably, their unions began to ask for wage adjustments. National policy had brought this on itself; since little was done to stimulate the production of food crops, their price had moved upward. Because of the wish to bring money into Mexico, efforts had gone into cash crops for export; commercial agriculture, carried on by the big farmers, had received the lion's share of benefits, at the expense of *rancheros* and others who harvested much of the food Mexicans ate. For a while, few in official circles worried, since, as the population multiplied, big farmers, the "new hacendados," had huge pools of cheap labor, which made it easier for them to sell their harvests on foreign markets. But, starting in 1956, exports of agricultural products entered a long period of decline.

As farm exports took a nosedive, jobs vanished and wages dropped in the countryside, further deflating the puny buying power of rural Mexicans, hampering the development of a dynamic internal market, which the relaxation of controls over the wages of industrial workers failed to offset. Mexican-owned industries of consumer goods suffered the most. The rate of growth of manufacturing, though remaining at acceptable levels, dropped below that of the forties. Imports of corn and wheat multiplied rapidly after 1957, placing another burden on the national exchequer. As this occurred, more *campesinos* abandoned the countryside for the cities, further depleting the harvests of corn and beans, just as the rush to build capital-intensive industries inflated the jobless rolls.

Economic planning, likewise, was too often done from one day to the next. Government had intervened in the economy to shore it up, maintain industrialization on track, and preserve political stability. Long-range requirements, the need to upgrade the life of *campesinos*, a must if domestic markets were to expand, or to control both native and foreign capitalists for the sake of the national priorities, were ignored. The process of industrialization lacked blueprints, developing haphazardly, without reference to the social needs of a majority of the population. Foreign borrowing had been employed to avoid fiscal reform. No one, furthermore, saw to it that the *paraestatales* operated efficiently. The success of pump priming, too, invariably coincided with cy-

cles of prosperity in the United States. What had saved the day was an accident—specifically, the wars of the United States, the last one in Vietnam a tonic for the Mexican economy from 1965 to 1972.

#### IV

The results of this era of “stabilized development,” as the miracle was defined, were markedly uneven. On the positive side, economic growth was sustained, and prices, though exorbitant at times, were more or less stable during the 1960s, and, after the devaluation of 1954, so was the value of the peso. With subsidized equipment, technology, and cheap raw materials, Mexican industry continued to prosper. Even a semblance of long-range planning made its bow; more attention was lavished on the *paraestatales*, primarily in steel and petrochemicals. When the foreign conglomerate which produced electricity for the nation started to lose money and offered to sell, Mexico “nationalized” it, paying a seller’s price.

Private entrepreneurs, regardless of nationality, reaped big rewards. So lucrative was the sale of consumer articles that Mexicans had no incentive to invest in the manufacture of capital goods. Workers and the poor, on the other hand, fared badly; by the end of the 1960s, the inequality in the distribution of income and wealth was alarming, ranking among the worst in Latin America. For the pacification of the urban restless, social services, lagging since 1940, were given some additional money, which was spent on urban schools, health care, and social security, a system which dated from 1943.

Mexicans, in retrospect, had forged an industrial plant integrated into the capitalist economies by offering guarantees to foreign investors. Whatever else it might be, it was dependent on the United States. Scores of industries were offshoots of transnational parents established in Mexico to circumvent trade restrictions. Industrialization, ironically, had reinforced Mexico’s legendary dependency on its northern neighbor. By welcoming American capital, too, policy planners had aggravated the disequilibrium in the domestic structure.

Reliance on imported technology, a characteristic of the era after 1960, had tied more Mexican industry to the developed capitalist economies and, simultaneously, magnified the national financial burden. Technology, to underline, cost money. Yet the degree of technology and not market demand determined rates of profit; the better the technology, the more competitive the industry and the bigger the profits. Labor costs played a marginal role. Likewise, ties to American industry had nullified attempts to integrate the domestic economy.

Mexican industrialization, nevertheless, had taken off by 1970. Economic and political stability was a fact of life. In the eyes of foreign observers, as well as in those of native sympathizers, a “miracle” had occurred, which they

attributed mistakenly to Mexico’s political institutions. These offspring of the Revolution, they claimed, “harmonized” the interests of diverse sectors in society. In reality, the “miracle,” a version of the old “trickle-down” theory, had come at the expense of social justice. It had taken place despite unplanned economic growth, often shoddy goods, and high prices. Official rhetoric notwithstanding, foreigners, mainly Americans, had controlled this drama. Closing their eyes to legislation restricting foreign investment to 49 percent of the capital, Mexicans had allowed transnational corporations to establish wholly owned subsidiaries. Much of Mexican industry, perhaps its most impressive sector, was not Mexican.

Nevertheless, “modernization,” the offspring of industrialization had, theoretically, altered the character of Mexico. Infant mortality was reduced, life spans were extended, and, consequently, a population explosion was engendered. With a population of under twenty million in 1940, Mexico had only five million more inhabitants than in 1910, when the curtain dropped on the drama of the Porfiriato. By 1970, with the population multiplying rapidly, Mexico had nearly seventy million people, over half of them living in cities and towns. Urban growth, a child of the forties, had mushroomed after 1950; by then, half of the migrants from the countryside, victims of rural neglect, were heading for the Republic’s metropolis.

More significant, perhaps 20 percent of the Republic’s inhabitants were middle class. Mexico had one of the biggest middle classes in Latin America. Like the industrial edifice, it was no stranger to American ways, preferring clothes, automobiles, and electrical gadgets of American manufacture. The Colonia Pitic, on the edge of Hermosillo, and the Colonia del Valle, in Monterrey, the “Pittsburgh of Mexico,” testified that American-style homes had captured the hearts of the affluent. More and more of them traveled to the United States to admire its efficiency, cleanliness, and wealth, rarely wondering why Mexico should be so poor. To its Mexican critics, the middle class, by and large, had succumbed to *malinchismo*, the colonial mentality so harshly condemned by Samuel Ramos in *Perfil del hombre y de la cultura en México*.

#### V

With a conservative *burguesía* in the saddle, relations with Washington improved. The more Mexicans discarded Cardenista formulas, the closer the ties. World War II, moreover, had driven the United States, which coveted raw materials for its fighting men and a Western Hemisphere safe from Axis sabotage, to come to terms with Mexico. Oil ranked at the top of the differences. To start the ball rolling, Mexico told Washington that it stood ready to negotiate. As a result, talks began almost immediately, leading to the appointment of a joint committee to “fix the value of the expropriated property” and

suggest "terms of payment." Its report of 1941 put a value of \$24 million on the oil property and added \$5 million for interest. The oil barons, who wanted millions more, rejected it. At this juncture, Washington, with a war on two fronts, broke ranks with the oil companies and accepted the verdict of the joint committee. Left to fight their own battles, the oil magnates decided to negotiate, accepting a settlement of \$30 million.

Mexico City and Washington, on top of that, labored to settle the debt issue. Since 1930, the Mexicans had defaulted on their payments to American bankers; now both parties desired to end this dispute. In 1942, Mexico agreed to pay nearly \$50 million, approximately 10 percent of the original debt; four years later, it started to pay another \$50 million to retire the debt from the nationalization of the railroads. By 1946, Mexico had wiped clean the slate of its reputation for malingering on its debt obligations, and, henceforth, its international credit rating improved dramatically.

During World War II, Mexicans had trekked north to work on the farms, on the railroads, and in the industries of the United States. The military draft in the United States had depleted its work force, and so Mexicans were imported to take up the slack. This was the *bracero* program, signed by Mexico City and Washington in 1942 and, despite modifications, not ended until 1964. By its terms, the United States Department of Agriculture recruited Mexicans to work for private employers and agreed to shield them from discriminatory practices, help them during times of unemployment, and pay their transportation. Over 300,000 *braceros*, usually for paltry wages, labored north of the border during World War II. The money they sent home nourished the national economy.

For all that, not everything smelled of roses. After the defeat of the Axis powers, few American businessmen had applauded Mexico's drive to industrialize, labeling the goal "artificial" and "utopian" and at odds with the "international division of labor" dictated by the "law of comparative advantage." Mexico would be wiser to produce raw materials to exchange for American manufactured goods. Not until Mexico unlocked its gates to American investors did this attitude wane.

This was also the era of the cold war, when Washington demanded complete obedience to its drive against the Soviet Union and anything hinting of communism, socialism, or radical change. The Truman Doctrine, of 1947, the trumpet call of the cold warriors, had immediate repercussions in Mexico. At the behest of Washington, and obeying their own inclinations, the lords of Mexican politics and business repudiated, to cite one of their proclamations, "communism and all other forms of totalitarianism." All it took to rid oneself of a rival in public office was to "accuse him of being Communist," wrote Angeles Mastretta in *Arráncame la vida*, a best-selling novel about the Mexico of that day. After all, "we didn't fight a Revolution," she had one of her

characters say, "just so that the Russians could take it away." Amid that climate of official opinion, the witch-hunt thrived. In 1954, for example, a distinguished intellectual was fired from his job as head of the Instituto Nacional de Bellas Artes for allowing the audience to sing the Internationale at the wake of Frida Kahlo in the Palace of Fine Arts.

No matter; Mexico and the United States, by mutual consent, were drawing closer together. For Mexicans, it was a "kind of geographic fatalism": with the United States, the richest and mightiest nation in the world, on the opposite side of a border two thousand miles long, it was unrealistic for Mexicans to think they could escape its embrace. That view of destiny was not entirely defeatist; Mexicans of this school were not just "building castles in the air." On the contrary, they believed that Mexico could profit from its proximity, winning, in the process, preferential treatment for its exports, a haven for its unemployed, and capital for its development.

That view embodied a skewed sense of psychological dependency. Without Washington's embrace, its advocates declared, progress was impossible. The courtship of American politicians, diplomats, and businessmen, therefore, became the rule of the game. During World War II, for instance, Ezequiel Padilla, the foreign secretary and a man of presidential ambitions, worked incessantly to build close ties with Washington, so much so that Mexicans came to see him as its lackey. For his part, Miguel Alemán, Padilla's rival, made known his presidential ambitions to the American embassy in Mexico City, trying to woo its approval. After taking office, he assured the embassy that Communists would not serve in his government, nor would allies of Vicente Lombardo Toledano, the labor leader out of favor in Washington. Mexico would turn for advice and consent to businessmen and bankers north of the border. Given this political climate, there was no place for the anti-imperialist thinking of yesteryear which, dating from the Texas imbroglio of 1836, cautioned Mexicans to keep Americans at arm's length.

Even so, nationalist rhetoric, an intergral part of politics, endured, the more so when the Mexican establishment clamped down on reform. An "independent foreign policy," by which Mexico departed from Washington's embrace, would document that "revolutionary" Mexico was alive and well, refuting, its architects were wont to say, the widely held view of a conservative tilt to politics. Mexicans could rest assured that their country remained faithful to the ideals of the "revolutionary" fathers. One of them, of course, was the Estrada Doctrine of 1929, which raised aloft the ideal of national self-determination and rejected the right of intervention by outside powers in the internal affairs of sovereign nations. That, plainly, meant the United States, the only country ready and able to intervene in Mexico and sister Latin American republics.

Rhetoric and reality were horses of a different color. In time, the wide gap

between them became readily apparent, as the tragedy of Guatemala in 1954 made clear. When nationalists in that country launched a mild program of agrarian reform, at the expense of the United Fruit Company, an American corporation, Washington labeled them Communists and, at the Inter-American conference at Caracas, called for their condemnation. Along with Argentina, Mexico balked but said nary a word when Washington overthrew the reformers. Again in 1961, Mexico remained silent when Washington, at the Bay of Pigs, attempted to oust Fidel Castro's regime in Cuba.

Mexican diplomatic slogans, not illogically, failed to alarm American investors. Quite the opposite: after 1950, dollars entered Mexico in larger and larger amounts, and an increase in the Mexican tariff, ostensibly designed to protect national industry, led to an influx of transnational corporations, which, by building branches in Mexico, circumvented it. Mexico had transformed itself into a citadel for foreign capitalists, the best in Latin America. So profitable was it that many Americans recovered their initial investment in one or two years and earned money besides. Sears, Roebuck, one of those ventures, established its initial store in 1947 and in ten years had seventeen branches, nine of them inaugurated in 1955 alone. With their credit cards, a novel phenomenon in Mexico, the Sears stores introduced middle-class customers to a veritable marketing metamorphosis; for the first time, they could buy to their heart's content, like their neighbors across the border going into debt buying stoves, refrigerators, washers, and clothes.

Whatever their benefits, the transnationals undercut their Mexican competitors. With improved technology and far-flung marketing networks, they set the pace, controlling the character of industrialization and creating a new laboring segment, better off usually than workers in native industries. CONCANACO and CONCAMIN, organizations with strong ties to foreign capital, cheered, but CONACINTRA, Mexican industrialists in competition with outsiders, had doubts. And well they might. By 1960, nearly 55 percent of the foreign investment had gone into manufacturing and had begun to dominate the consumer-goods industry, the most profitable. Ford, General Motors, Chrysler, Kellogg, Campbell Soup, H. J. Heinz, Proctor & Gamble, Colgate-Palmolive, Bristol-Meyer, and similar giants controlled the market for autos, rubber tires, electrical appliances, chemicals, pharmaceuticals, and packaged foods. The American Chamber of Commerce in Mexico was the biggest of its kind in the world, a spokesman for transnationals and smaller fry. By 1970, Americans had invested \$2.8 billion in Mexico. European and Japanese rivals did not start to challenge their supremacy until the 1960s. The value of foreign capital invested in manufacturing, regardless of its nationality, climbed from \$147 million in 1950 to more than \$2 billion by 1970. With profits high, remittances on investments reached \$2.99 billion during the 1960s, leaving Mexico

with a net loss of \$931 million. Of the profits taken out, \$838 million went to Americans.

## VI

Early in 1946, the politicians discarded the PRM, substituting for it the Partido Revolucionario Institucional (PRI). The PRI mirrored the ascendancy of politicians sympathetic to the magnates of industry and big agriculture, the architects of the economic transformation shaping up. From the start, conservatives chartered its course. Paying lip service to the Revolution, the PRI eulogized economic growth and gave token homage to agrarian reform. While still a "corporate" body, it no longer sheltered the military and, far more important, included the Confederación Nacional de Organizaciones Populares (CNOP), the old popular sector, reorganized in 1943 to blunt the power of labor and campesinos. Increasingly, both the CTM and the CNC took a backseat to the CNOP within the PRI.

Nothing, however, was done to tamper with the political pyramid. The heads of the CTM, the pragmatic Fidel Velázquez by 1946, and of the CNC, both Samsons shorn of their locks, marched in cadence with the lords of politics, industry, and agriculture. For all intents and purposes, they did the bidding of the PRI bosses. The democratic slogans of the PRI were of dubious validity, given its highly centralized structure and, ominously, greater role in its affairs for the Secretaría de Gobernación. The PRI, in actuality, was fast becoming the voice of the *burguesía*, the political organ by which the president, the national guru, transmitted its wishes to the people and, simultaneously, manipulated them.

In ascendancy was the CNOP, the voice, it was claimed, of the budding middle class; mostly urban, it included merchants, artisans, professionals, intellectuals, bureaucrats, women's groups, university students, and small private farmers. Its political clout matured "rapidly, controlling eventually a larger bloc of deputies to Congress than either the CTM or the CNC. Soon it had a loud voice in the PRI. The CNOP enjoyed a remarkable measure of autonomy under the PRI, its membership, literate and affluent, electing its spokesmen. PRI politicians had to court them. Well-informed and ably guided, the CNOP enjoyed the lion's share of the spoils, including jobs in the PRI and Congress and, in so doing, a pipeline to the presidents, whose decisions it influenced.

All of this marched in step with the growth of the private sector. Merely the tail in the days of the Cardenistas, it now began to wag the dog, manipulating the PRI, largely because it accounted for 90 percent of the Republic's GNP. CONCANACO (chambers of commerce), CONCAMIN (chambers

of industry), and CONACINTRA helped mold legislation, even modifying presidential decisions. Their members owned the Republic's newspapers, nearly all of its journals, the radio networks, and the television channels. The *burguesía*, linked invariably to American capital and markets, had come to have the most influence in government.

The "revolutionary family," the inner circle, had experienced a transformation. The *burguesía*, the "reactionaries" against whom the rebels of 1910 fought, had crashed the gates of the official family, where it joined hands with the governors of the richest states, the mayor of Mexico City, the chiefs of the army, the directors of the Banco de México, the principal cabinet ministers, and, to quote cynics, the ambassador from the United States to run Mexico. Every six years, they also selected its president.

Over this apparatus presided the president, according to political folklore virtually sovereign. This interpretation, in the light of the foregoing, strains one's credulity. How can a president elected for six years dictate when the powerful and wealthy have the upper hand? The answer is that he cannot. With the exception of Manuel Avila Camacho, more than likely picked by Cárdenas, presidential candidates rose from the ranks of the PRI. Until 1970, they were politicians who had filled a variety of jobs, from deputies and senators to governors and cabinet officers. Above everything else, they had accepted the rules of the game. Unorthodox players dropped by the roadside. The politicians who became presidents were trained to keep the ship of state on course. A president "picked" his successor, but only after consulting with the "official family."

Once in office, the president undoubtedly wielded impressive authority. His powers, nonetheless, were political mainly; he could remove governors, discipline labor bosses, appoint the "spokesmen" for campesinos, and, always, appear to speak for the nation. All of this, nonetheless, within reason, so as not to endanger the status quo. Presidents had to live with their underlings, even governors elevated to office by rivals. In the universe of economics and high finance, the president's power was limited; he could prod the moguls of industry and big agriculture but had to consult his "official family" first. If the winds blew cold, he dropped the subject. Loyal politicians had not been promoted to the presidential office to become mavericks, advocating, for instance, taxes on the rich.

To hide reality from public scrutiny, rule by the wealthy and powerful required that presidents appear omnipotent and, at the same time, govern for everyone. Never identified with any one sector and, according to political legend, above class interests, the president, who swore allegiance to the "Revolution," had the welfare of all Mexicans in mind. Similarly, it was necessary that he be seen as formulating policy so that if it were to prove unpopular he would be blamed, and not the affluent who, more and more, managed Mexico.

When labor was disciplined or campesinos were punished, he was responsible, not the economic structure, which weathered every presidential term. Every six years, with the advent of a new president, there was hope for change. Never mind that presidents were the offspring of the same ideological family, reared to respect vested interests. Basic policies never changed. There were fresh faces in office but all of like opinion. The sin of the old Porfiristas was not that they had stayed in office too long but that their *carro completo* had shut the door to outsiders. More sophisticated, the PRI let more people in, but on the condition that they not tinker with the national formula.

Urban women were especially welcome. Acceptance, just the same, came slowly. In 1947, Congress, an integral cog of the PRI machine, granted women the right to vote and hold public office in the municipalities. Then, seeking to further consolidate the political system, the PRI started to recruit women into its ranks, claiming 1.2 million of them by the early fifties. In 1953, women got the right to vote in national elections.

Opening the gates to women signaled no rush toward democracy. Quite the opposite: the evidence shows that the political system became less flexible, more tightly in the hands of PRI bosses. As earlier, municipal officials, the most loyal of the Priístas, managed voting booths, named election judges, and printed the voting lists. Having done this, they controlled the vote. The PRI oligarchy, in the meantime, chose the candidates. In Congress, deputies and senators voted the government line, taking orders from their leaders and seldom voicing personal opinions. The Senate was practically useless, lacking political influence. To speak ill of one's party or of one's political companions meant the end of a political career. Priístas, said the wags, "spoke no evil, saw none, and heard none" of fellow Priístas. Being *servil*—toadying, that is—had a fieldday. Martín Luis Guzmán, an aging senator in 1969, said the Republic owed to President Gustavo Díaz Ordaz its "liberty, tranquillity, peace, order, and progress." So well oiled was the political machinery of the PRI that it faced only token opposition. Many Mexicans, having lost faith in the system, had simply stopped voting.

That proved embarrassing. Having crushed the opposition, the power brokers had to create one, or else be accused of dictatorial behavior. Authoritarianism, the legacy of the PRI, ironically, demanded the appearance of democracy. Above all, the give and take of a "democratic" Congress, what PRI rhetoric talked about, required discordant voices. To deal with the embarrassment of an all-PRI Chamber of Deputies, the Priístas in 1963, introduced elections based on proportional representation. A political party winning 2.5 percent of the vote received one deputy for 0.5 percent of its vote, up to a maximum of twenty seats. The reform, hailed as unlocking the doors to democracy, conferred benefits on the Partido de Acción Nacional (PAN), the Partido Popular Socialista, friendly to the PRI, and the Partido Auténtico de



la Revolución Mexicana, conservative old-timers who but for the reform would have vanished from the political stage. Nothing changed; the overwhelming majority of the PRI carried every vote in Congress.

Of the three ostensible opposition parties, only the PAN enjoyed a measure of legitimacy. Dating from 1939, it had initially spoken for enemies of the Cardenistas. Conservative and pro-Catholic, its leadership proclaimed the virtues of private property and individual rights. The Priístas, ideologues of similar stripe, later co-opted key Panistas, giving bankers, industrialists, and big farmers, who held the PAN together, a role in government. Given this, the well-off and powerful joined the PRI, leaving the PAN to grow slowly. Not until 1952 did it nominate a candidate for the presidency. The reforms of 1963 resurrected the PAN, and gave the PRI the opportunity to pose as the "revolutionary" ally of campesinos and workers against the "reactionary" PAN. A whipping boy for the PRI, the PAN garnered the protest votes, especially those of the middle class.

Reformers only once challenged the reign of the PRI. During the elections of 1952, Miguel Henríquez Guzmán, a wealthy general and friend of Cárdenas, made a run for the presidency, winning campesino and labor support. His platform, mainly that of the Cardenistas, lamented rural neglect, promised labor reform, castigated malfeasance in public office, and urged a return to the ideals of the Revolution. Cárdenas, however, stayed out of the fray. Henríquez Guzmán never had a chance against the monopoly of the PRI.

With business and industry in the saddle, the presidents of Mexico were neither radicals nor reformers. They were conservatives, believers in the capitalist ethic. Only one, Manuel Avila Camacho, had ties with the Revolution. A polo-playing general, Avila Camacho had seen almost no combat but spent his time as a staff officer, rising through the ranks as a plodding subordinate. His father was a landowner, "not very rich, not very poor," a political bigwig in Puebla, and a spokesman for its Catholic *burguesía*. Not very bright, Avila Camacho was a bureaucrat's bureaucrat, who entrusted policy-making to his cabinet, where his brother, Maximino, once a salesman for Singer sewing machines but now the cacique of Puebla and a millionaire, reigned supreme. Upon taking office, Avila Camacho confessed he believed in God, thus leaving the way clear for the revival of church schools. He was buried in consecrated ground.

Miguel Alemán, the next in line, was the harbinger of the industrial age. Smooth, alert, and a party fixer, he had been governor of Veracruz and head of the Secretaría de Gobernación under Avila Camacho. Once a disciple of the Cardenistas, he proclaimed that "what was good for business was good for Mexico." The first truly civilian president, he was a lawyer by profession. By 1952, he was also a multimillionaire, the owner of much real estate and an

intimate of the international jet set. During his sojourn, public and private corruption had sundry opportunities; cabinet officers, in cahoots with businessmen, made millions. While speaking reverently of the "Revolution," Alemán purged public office of reformers, radicals, and Communists. Nor did he have time for campesinos. To govern, he relied on technocrats, bureaucrats with a university degree, primarily in economics. So popular was Alemán with políticos and the rich that he dreamed of reelection. Others, either more prudent or equally ambitious, thought poorly of the idea. So Alemán retired from political office, enjoying, nonetheless, enormous political influence until his death.

Aldofo Ruiz Cortines, who followed Alemán into the National Palace, also hailed from Veracruz. Chief of Gobernación and a former governor of Veracruz, he was old for a Mexican president. Modest and austere in habits and behavior, he was a pencil pusher rather than a glamorous personality; his pastime was playing dominoes. Honest and conservative, he kept his hands out of the public till, dying without having accumulated a fortune. For his rectitude, as well as for his politics, he earned the plaudits of stand-pat intellectuals, among them Samuel Ramos and the novelist Agustín Yáñez.

A native of Mexico State, Adolfo López Mateos, next to occupy the National Palace, had served as a senator and then as minister of labor under Ruiz Cortines. Known for his tough stance on labor matters, he counted among his backers Emilio Azcárraga and Manuel Espinosa Yglesias, wealthy and powerful business tycoons. He did not disappoint them, gaining notoriety for his law of *disolución social*, by which he jailed labor leaders and the painter David Siqueiros. Petty and mediocre, he toured the world, as he said, looking for markets for Mexican exports. The victim of severe migraine headaches, he left the management of government to his subordinates during the last two years in office.

Gustavo Díaz Ordaz, the last of these políticos, almost brought down the house upon himself and his sponsors. The occasion was the student protest of 1968. To quell it, Díaz Ordaz, with the consent of his cabinet, dispatched police and soldiers to kill students. The massacre of the night of October 2, 1968, which occurred in the Plaza de Tlatelolco in Mexico City, closed the curtain on the drama of the "miracle," laying bare its ugly side. A keen scholar of Mexican politics, Díaz Ordaz was a native of Puebla, a disciple of Maximino Avila Camacho. Like other successful Priístas, he had risen through the ranks, from a deputy to Congress to *secretario de gobernación* under López Mateos. Taciturn and a puritan by habits, he neither drank nor smoked, watched carefully what he ate but, for all that, was a bundle of nerves. Of brownish, yellowish skin, he was, as he admitted, not a handsome man. A fan of boxing matches, soccer, and baseball, he played golf and swam and wore monographed silk shirts imported from London. Tough and outspoken, he never

hesitated to employ profanity. *Cbingar* and *cbingada*, expletives made famous by the pelado, were two of his favorites. A firm believer in private enterprise, which he saw as the key to Mexico's salvation, he was the most anti-Communist of the Mexican presidents since the days of Abelardo Rodríguez. Yet he had no love for the United States, once remarking that "every Mexican worth his salt dreamed of gaining revenge for the wrongs done to Mexico."

Student protests antedated Díaz Ordaz. As early as 1934, the governor of Jalisco had employed soldiers to squelch a strike of students at the University of Guadalajara, and his colleague in the state house of Durango relied on soldiers to douse the ire of students at the normal school. During the days of the Alemanistas, student disruptions had ousted a governor of Michoacán who dared raise university fees. Alemán himself had known the ire of students when, on more than one occasion, they toppled a statue of him on the campus of the National University. In 1958, students had taken to the streets of Mexico City to protest an increase in bus fares, and soldiers had occupied the campus of the National Polytechnic Institute.

Middle-class students instigated the troubles of 1968. At the National University, one site of the uproar, less than 3 percent of its students were of campesino origins and no more than 15 percent from workers' families. Before ending, the protest of 1968 had involved students from the National University, the Polytechnic Institute, the Agricultural College of Chapingo, normal schools, the *preparatorias*, and secondary schools, as well as professors, intellectuals, and parents. On one march in late August, 500,000 students and sympathizers gathered in the Zócalo in Mexico City.

The student conflagration which, as Elena Poniatowska wrote in *La noche de Tlatelolco*, shook the fabric of Priísta society, had multiple causes. They included student resentment of official hypocrisy and of corruption and co-optation, a tool employed by Priístas to keep people in line. The economy, while healthy on the surface, had stopped opening doors to university graduates. Few jobs beckoned in the fields for which students had trained. Young economists, for instance, could be found in low-paying bureaucratic jobs.

The demands of the students were hardly radical. What they wanted was the release of political prisoners, students and railroad leaders to name two; the repeal of the law of *disolución social*; an end to the *granaderos* (riot police); the departure of the police from school and university campuses; and compensation for harm done by government thugs to students and their families. The students were asking Díaz Ordaz and his cronies to abide by constitutional guarantees. Their demands, just the same, called attention to skewed national priorities, pervasive poverty, the gap between rich and poor, and the myth of the "miracle." By publicly giving vent to their discontent, they had ridiculed the rhetoric of the "institutionalized" Revolution. "We want a revolution, not Olympic Games," they shouted.

That, precisely, was the problem. Earlier, Díaz Ordaz and his business friends had pledged to sponsor the Olympic Games in Mexico City, the site of the uproar. Student protests endangered not merely the peace of the PRI but the prestige of its leaders. Repression was swift and harsh. Countless students died, according to one estimate as many as five hundred of them. Some fifteen hundred were locked up in jails, beaten, and tortured by the police. Notwithstanding that, Priístas, among them Fidel Velázquez, applauded, while television and newspaper luminaries called Díaz Ordaz a "patriot"; the students, they claimed, had brought it upon themselves.