

# ECONOMIC DEPENDENCE AND LABOR POLICY IN MEXICO 1940 - 1970

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## *Summary*

The labor policy of the Mexican State has been deeply affected by two necessities, one economic and the other political, which are not always compatible.

The policy for import-substituting industrialization of the Mexican State was based on forced savings through inflation before mid-1950's. If economic logic was followed, real wages must be kept low. After the mid-1950's, the industrialization policy turned to one based on voluntary savings. Real wages, therefore, would be allowed to rise. However, since external dependence was deepened as the import-substituting industrialization reached the advanced stage, "appropriate" social environment must be secured for foreign investors.

The economic logic seems to have prevailed during the period of the forced-saving policy. Real wages were kept considerably low and radicals' resistance was forcefully put down. In contrast, in the early years of the voluntary-saving policy, the economic logic could only partially dictate the labor policy of the Mexican government. Although real wages rapidly recovered after the mid-1950's, labor unions strengthened their militant activities and contributed to worsening the investment environment. This is

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largely attributable to the fact that the capacity of the State to control labor organizations was weakened because of various political factors such as intra-elite rivalry, the necessity to reproduce legitimacy of the regime and the presidential change. For these political reasons, the Mexican State could not fully realize the economic necessities stemming from the increasing dependence upon foreign capital, at least for some time in the latter half of the 1950's and in the first half of the 1960's.

## I. Introduction

The purpose of this essay is to examine how economic considerations arising from external dependence influenced the labor policy of the Mexican State during the period between 1940 and 1970.

Many authors agree that the ruling elite in Mexico, as the would-be heir to the Revolution, has held several policy goals which cannot be maximized simultaneously, at least in the short run. The incompatibility among State goals became conspicuous in the 1940's when the ruling elite chose "industrialization" as the principal goal of the Revolution.<sup>1</sup>

F. Brandenburg argues that the immediate objective of the ruling elite, which he calls the "Revolutionary Family", is to industrialize and commercialize the country while defense of labor rights and income redistribution are long-range goals that can be sacrificed in the short run.<sup>2</sup> Anderson and Cockcroft also write that a compromise has been necessary between the goal of industrialization and that of public welfare.<sup>3</sup> The incompatibility of "economic nationalism" and "social justice" is also observed by Alejo López. The former is the objective of making the national economy grow and modernize as quickly as possible while the latter is concerned with a political imperative of maintaining legitimacy of the political regime.<sup>4</sup> According to Richard Miller, there are two conflicting "roles" even within the labor movement. On the one hand, "national-purpose unionism" preaches the necessity of national industrialization, for the sake of which self-restraints

on wage and related economic demands should be accepted and the use of the strike and related economic pressures should be avoided. On the other hand, "job-centered unionism" emphasizes the struggle for better wages and related economic benefits through the use of the strike and other economic pressures.<sup>5</sup>

If these arguments are correct, we can hypothesize that the labor policy of the Mexican State is deeply affected by two necessities which are not always compatible. On the one hand, a rapid industrialization has been perceived by the ruling elite as the necessary strategy for national economic development. Capital formation and other purposes related to industrialization will demand sacrifices on the part of labor. On the other hand, the governing elite must maintain political legitimacy as the heir to the Revolution by allowing redistribution of benefits among workers and by granting greater freedom for union activities.

However, we cannot assume from the beginning that Mexican labor unions behave as they are dictated by the State. In this essay, the behavior of the labor unions during the period between 1940 and 1970 will be elucidated first. Then, the nature of industrialization in Mexico and its relations with the labor behavior will be examined. This examination will reveal that the economic necessities of the State are only partially reflected in the labor behavior. In order to explain their behavior, we need to proceed to a discussion on political necessities of the State and their impact on the labor movement.

## II. Behavior of Labor Unions Between 1940 and 1970

Two types of data, quantitative and descriptive, are used here for the examination of the labor behavior in the post-Cárdenas era. We obtained the quantitative data from two sources. One source, *Anuario Estadístico de los Estados Unidos Mexicanos* published annually by the National Statistics Bureau (Dirección General de Estadísticas), provides data on the activities

of labor unions under both federal and state jurisdictions. Another source, the Ministry-of-Labor's annual *Memoria de Labores* contains the data gathered only by the federal labor authorities.<sup>6</sup>

The table below shows the number of strikes and of resolved conflicts in the form of the annual average for every five-year period after 1940. As an indicator of labor activities, "registered conflicts" would be more appropriate than "resolved conflicts." Unfortunately, complete data on "registered conflicts" are not available. It is, therefore, unavoidable for us to use the data on "resolved conflicts" as a substitute.

**Table 1** Number of Strikes and Resolved Conflicts 1941-1969: Annual Average and Labor Militancy

	Average Number of Strikes*		Average Number of Resolved Conflicts		Labor Militancy
	National Total	Federal Jurisdiction	National Total	Federal Jurisdiction	
1941-45	198	64	14,890	6,257	High
46-50	119	27	10,363	4,113	Low
51-55	130	19	11,604	5,743	Low
56-60	320	20	13,508	5,931	High
61-65	254	37	12,781	4,610	High
66-69	118	50	9,334	3,520	Low

\* We added an adjustment to the raw data in order to avoid overvaluing labor militancy in the years in which a large number of textile firms were closed down by strikes. For example, out of 766 strikes recorded in *Anuario Estadístico* for the year 1943, 559 occurred in the textile industry. Since the six subsectors of the textile industry are governed by the subsector-wide base-contracts (*contrato ley*), almost all firms in each subsector are involved in labor-management negotiation and in the strike if the negotiation fails. Therefore, it is misleading to add all of the 559 strikes to the sum of other strikes. We lack information on the number of individual conflicts in the textile industry and on the number of subsectors of the industry that were involved in strikes. However, we judge that it is more appropriate to treat the 559 strikes as 1 (industry-wide) strike than to use the number 559 without adjustment. The same adjustment was added to the raw data for the following years: 1944, 1958, 1962 and 1963.

Sources : Dirección General de Estadísticas, *Anuario Estadístico de los Estados Unidos Mexicanos* (varios años).

Secretaría de Trabajo y Previsión Social, *Memoria de Labores* (varios años).

Each of the four indicators in Table 1 shows more or less the same trend in the labor behavior between 1941 and 1969. In the first half of the 1940's, labor unions were relatively active in causing a large number of conflicts and strikes. Their behavior became less militant in the following ten years. In the second half of the 1950's, however, three of the four indicators show an increase in militant behavior by labor unions although one indicator (strikes under the federal jurisdiction) implies a low level of labor activity during the same period. This discrepancy seems to be largely attributable to the way of counting the number of strikes in 1958 and 1959. In these years, many wildcat strikes occurred in such industries as telephone services, national railways and petroleum refineries. Wildcat strikes are not legal in Mexico. So, the editors of the *Memoria de Labores* apparently did not count these wildcat strikes in their calculation of the number of strikes.

The militancy of labor unions measured by the number of strikes and conflicts shows a downward trend in the 1960's except for, again, the number of strikes under the federal jurisdiction. This can be explained by the expanded coverage over new industries by the federal labor authorities.<sup>7</sup>

In order to supplement the quantitative information, historical data will be consulted here. Various studies of labor movement in Mexico suggest that there were three peaks of labor militancy during this period.

The first peak reportedly came between 1947 and 1950. In this period, the Miguel Alemán Administration, with the cooperation of the leadership of the CTM (Confederación de Trabajadores de México), tried to oust radical union leaders from large national unions such as the Railroad Workers Union, the Petroleum Workers Union and the Miners and Metallurgical Workers Union and to replace them with more moderate ones. Radicals in these unions strongly resisted this policy but were finally defeated.<sup>8</sup>

The second peak of the labor movement in Mexico came in 1954. Facing the inflation precipitated by the devaluation of the peso in April

1954, the CTM decided to demand a 24 percent across-the-board wage increase instead of 10 percent suggested by President Ruiz Cortines and issued a threat of a general strike. This strike, however, did not materialize since the CTM leadership decided to compromise by scaling down its demand. Only a part of the unions belonging to the textile industry and the movie-making industry went on strike as scheduled.<sup>9</sup>

The third peak of the labor movement came in 1958 and 1959. In these years, radical elements regained control over some large national unions such as the Railroad Workers Union and the Telephone Workers Union and over some important locals of other national unions such as the Petroleum Workers Union and the Teachers Union. In many cases, this shift in labor leadership was accompanied by a series of wildcat strikes. The resurgence of the radical influence among rank-and-file workers was so great that the moderate CTM was forced to demand another across-the-board wage increase of 25 percent for its affiliates with a threat of a general strike in August 1958 although it held back again a few months later. The radicals' hegemony in the labor movement, however, did not last long. The López Mateos Administration, mobilizing troops in some cases, put down the radical movement and returned the leadership of the national unions to moderate leaders.<sup>10</sup>

Since that time until 1972, Mexico saw a low level of union activity in spite of the 1964/1965 doctors' strike and the 1968 student revolt. These movements of young intellectuals failed in getting industrial workers involved for their cause.<sup>11</sup>

It is now clear that the statistical data and their descriptive counterparts do not necessarily coincide with each other with regard to the labor militancy in Mexico. Although the quantitative data indicate that the labor unions were relatively active in the first half of the 1940's, descriptive data do not. In contrast, labor movement was relatively calm between 1945 and 1955 according to the quantitative data while the descriptive ones record

two peaks of labor militancy during this period. However, in the second half of the 1950's, both quantitative and descriptive data indicate highly active labor behavior. Finally, the statistical data for the 1960's show a downward trend in the militancy of labor movement while the descriptive data indicate a low level of labor activity throughout the 1960's.

The reasons why the statistical and descriptive data do not always coincide will be elucidated in the following sections.

### III. Industrialization, Dependence and Labor Behavior

René Villarreal, in analyzing the process of industrialization between 1939 and 1970, divided the process into three different phases. Between 1939 and 1950, the industrialization was based primarily on the import substitution of consumer goods. The period between 1950 and 1958 is the one of transition in which the pace of import substitution sharply dropped although the pace of industrialization itself continued to be high.<sup>12</sup> The period between 1959 and 1970 is called, by René Villarreal, an "advanced stage" of import substitution in which the production of intermediate and capital goods expanded at a higher pace.<sup>13</sup>

The changes in the import structure shown in Table 2 support Villarreal's observation of the import-substitution process in Mexico. According to this table, the relative importance of the consumer-good imports dropped from 23.9 percent to 15.8 percent between 1940 and 1950. The relative share of the import of "metallic and non-metallic materials and products" and "transportation machinery and equipment" also decreased in the 1940's but their share increased again in the following decade. The decline of the share of the consumer-good imports continued in the 1950's although at a slower pace. In this decade, "construction materials" and "agricultural machinery and equipment" started to decrease their share. The relative share of consumer-good imports was constant in the 1960's while "transportation machinery and equipment", "construction materials" and "agricultural

machinery and equipment" lost their shares.

**Table 2** Structure of Import by Items 1940-1969 (Percent)

		1940*	1945*	1950	1955	1960	1965	1969
Non-durable Consumer Goods	(1)**	13.8	11.4	8.3	7.0	6.6	—	—
	(2)***	—	—	9.6	7.0	6.3	5.8	6.3
Durable Consumer Goods	(1)	10.1	10.3	7.5	8.5	5.5	—	—
	(2)	—	—	8.0	8.4	5.1	6.5	6.5
Fuels	(1)	2.6	2.7	4.2	7.9	4.1	—	—
	(2)	—	—	4.4	7.9	4.2	2.3	3.5
Metallic & Non-metallic Materials and Products	(1)	42.0	38.3	39.6	37.3	44.5	—	—
	(2)	—	—	41.7	37.2	40.7	43.7	40.8
Construction Materials	(1)	6.3	5.7	7.8	5.9	4.4	—	—
	(2)	—	—	7.3	5.9	5.0	1.8	1.7
Agricultural Machinery and Equipment	(1)	3.4	3.5	4.7	5.0	3.2	—	—
	(2)	—	—	4.4	5.0	3.8	3.3	2.6
Industrial Machinery and Equipment	(1)	13.8	23.7	23.2	22.7	24.1	—	—
	(2)	—	—	21.0	22.7	24.8	31.3	32.8
Transportation Machinery and Equipment	(1)	7.1	3.9	4.6	5.7	7.5	—	—
	(2)	—	—	2.9	5.7	9.9	5.2	5.8

\* Details for the years 1940 and 1945 do not add exactly to 100 percent, mainly because an "unclassified" category of less than 1 percent is here omitted.

\*\* Based on import values at 1955 prices

\*\*\* Based on import values at current prices

Sources : (1) 1940, 45 Rafael Izquierdo, "Protectionism in Mexico" in *Public Policy and Private Enterprise in Mexico*, ed. Raymond Vernon (Cambridge, Mass.: Harvard University Press, 1964): 246.

1950-1960 UN-ECLA, *Boletín Estadístico de América Latina* Vol. 1, No. 2 (August 1964).

(2) 1950-1969 UN-ECLA, *Boletín Estadístico de América Latina* Vol. 8, No. 1 (March 1971).

In the meanwhile, Ortiz Mena divided the process of industrialization in Mexico into two periods in terms of the mode of capital formation.<sup>14</sup> Before the mid-1950's, the capital formation for the industrialization was made by forced savings through inflation. Since both saving rates and the marginal propensity to save were low in this period,<sup>15</sup> the government had to cover the budget deficit by simply issuing primary money.<sup>16</sup> The



resulting expansion of money supply without a parallel increase of production, coupled with the merchandise shortage during the war time, brought about serious inflation in Mexico. The rise of domestic prices as well as the deferred demand for imports during the war time could not but lead to an increase of imports after the war and cause a serious trade deficit. In order to cope with this problem, the Mexican government took several measures to curtail imports: tariff raises, the adoption of ad valorem rate and the introduction of an import licencing system in 1947, and a 78 percent devaluation of the peso between 1948 and 1949.<sup>17</sup> Although these measures to restrict imports contributed to stimulating the import-substituting industrialization, they brought about an increase in the domestic-price level. Another cycle of inflation-trade gap-import restrictions was repeated, leading to the devaluation in 1954. During this period of inflation, no serious price control was attempted. One of the net results was a transfer of income from labor to capital as shown in the following table.

**Table 3** Labor Wage, Cost of Living and Share of Labor in National Income

	Weekly Wage in Industrial Districts* (pesos)	Workers' Cost of Living** (1940=100)	Real Weekly Wage at 1940 Prices (pesos)	Share of Labor in National Income*** (percent)
1940	27.41	100.0	27.41	52.1
45	46.94	211.7	22.17	42.0
50	81.07	353.5	22.93	42.9
55	126.88	544.6	23.30	44.9
60	197.07	723.9	27.22	49.7
65	277.40	793.9	34.94	51.3
70	359.15	943.7	38.06	n. a.

Sources : \* DGE. *Estadística de Trabajo y Salarios Industriales* (various años).

\*\* NAFINSA, *La economía mexicana en cifras* (México: NAFINSA, 1978): Cuadro 6.3.

\*\*\* NAFINSA, *La política industrial en el desarrollo económico de México* (México: NAFINSA, 1971): 86.

After 1955, the government changed its economic policy to one based on voluntary savings and exchange-rate stability. The development of pri-

vate financial institutions made it possible for the government to cover a large part of its budget deficit with domestic credits. The rest of the necessary funds became available through introduction of foreign public loans.

On the other hand, the inflow of foreign private capital became conspicuous during the second half of the Miguel Alemán Administration (1949–1952) as shown in Table 4 below. Various fiscal incentives, helped by the slowing-down of inflation and the maintenance of the fixed exchange rate, further attracted foreign private investors after 1955.<sup>18</sup> In 1962, 19.6 percent of total manufacturing production in Mexico came from the enterprises with foreign-capital participation. The share of these foreign firms in the production of chemical products, machineries and nonmetallic/metallic products were respectively 60.7, 48.1 and 20.3 percent while they produced only 3.0 percent of textile products and 8.6 percent of food/beverage/tobacco.<sup>19</sup> This indicates that foreign private capital came to play a more important role as the import-substituting industrialization proceeded to the “advanced stage.”

**Table 4** Current Balance Deficit and Foreign Capital Import  
(Millions of US Dollars)

	Current Balance Deficit	Foreign Direct Investment	Foreign Long-Term Loans to Public Sector (Net)
1941–43	(93.2)*	53.0	8.2
1944–46	105.2	70.3	38.8
1947–49	124.1	79.7	46.9
1950–52	176.5	155.8	67.4
1953–55	112.5	211.6	130.9
1956–58	599.5	273.9	264.6
1959–61	626.3	227.0	452.5
1962–64	489.1	283.4	685.6
1965–67	1116.8	350.3	267.7
1968–70	2050.8	513.3	848.8

\* Surplus.

Source : NAFINSA, *La economía mexicana en cifras* (México: NAFINSA, 1978): Cuadro 7.1.

Furthermore, Table 4 shows that foreign resources, both public and private, were also needed to cover current balance deficits which were primarily attributable to the expansion of the import of raw materials, intermediate products and capital goods for import-substituting industrialization.

As discussed above, the Mexican State promoted an import-substituting industrialization based on forced savings before the mid-1950's. For this purpose, workers' income had to be kept low. After the mid-1950's, the industrialization policy of the State changed to one based on voluntary savings but with increasing dependence on foreign capital. Foreign enterprises, with a strong tendency to operate in capital-intensive industries, are ready to offer relatively high wages to their workers. However, no foreign entrepreneurs are willing to bring their capital into the countries where labor unions easily go on strike and frequently interrupt normal productive operations. An "appropriate" political and social environment must be secured.

The following table shows the periodization of the industrialization process discussed above together with the changes in real wages and the labor militancy measured by statistical data. It is easily discerned in the table that the real wages were kept considerably low during the period of the forced-saving policy. They dropped sharply in the first half of the 1940's and barely recovered in the following decade. Workers' discontent with the drastic decrease of their income was reflected in the high level of conflicts and strikes. However, this expression of labor discontent was rather a spontaneous move without systematic leadership to affect the government economic policy. Taking advantage of the crisis feeling caused by the war, President Avila Camacho succeeded in concluding a pact with major labor organizations in June 1942, according to which he was empowered to force arbitration in the case of serious labor disputes.<sup>20</sup>

In the following ten years, the number of conflicts and strikes was small in spite of the fact that workers had to endure a low level of income.

**Table 5** Characteristics of Industrialization, Real Wage and Labor Militancy

	Phase of Industrialization	Mode of Capital Formation	Changes in Real Wages*(%)	Labor Militancy**
1940	Import Substitution of Consumer Goods	Forced Savings through Inflation	-19.1	High
1945			3.4	Low
1950			1.6	Low
1955	Transition	Voluntary Savings and Increasing Dependence on Foreign Capital	16.8	High
1960	Import Substitution of Intermediate and Capital Goods		28.4	High
1965			8.9	Low
1970				

Sources : \* Table 3, Column 3

\*\* Table 1, Column 5

This was partly due to the shift of hegemonic ideology within major labor centers from socialism to nationalism. This latter ideology endorsed, instead of class struggle, a national industrialization under the cooperation with national entrepreneurs.<sup>21</sup> President Miguel Alemán took advantage of this shift and succeeded in securing the cooperation of the CTM leadership for his industrialization policy. As a result, the CTM changed its central slogan in March 1947 from "for a classless society" to "for economic emancipation of Mexico."<sup>22</sup> Moreover, as discussed in the previous section, the Alemán Administration crushed the radicals' resistance against his policy by cooperating closely with the CTM leadership.

As a whole, the economic necessity of the State seems to have prevailed during the period of the forced saving policy.

In the mid-1950's, the government economic policy changed to the one based on voluntary savings and a greater introduction of foreign capital. Accordingly, workers' real wages were allowed to start recovering as shown in Table 5. In spite of the higher income, however, workers showed higher

militancy in the second half of the 1950's and in the first half of the 1960's. This is exactly the period in which Mexico's dependence on foreign capital was deepened. Still, workers were allowed to be more active, which was detrimental to the economic necessity of the State. In order to explain this seeming contradiction, we have to examine political factors behind State behavior.

#### IV. Political Factors and Labor Behavior

Under the Ruiz Cortines Administration, State control over labor organizations was weakened by several political factors: Intra-elite rivalry, erosion of legitimacy and presidential change.

Although presidential reelection is prohibited in Mexico, the leaving president continues to hold influence among government officials for some time. The new president usually has to start his term with a large number of personnel appointed by his predecessor. Under the tutelage of the ex-president, they continue to occupy high positions in the federal and state governments and in the ruling party. The new president can only gradually consolidate his position in the government using the huge legal authorities empowered to him in the political system of Mexico.

When Ruiz Cortines took the presidency in December 1952, he was alarmed by the lowering popularity of the government party as could be observed by the result of the presidential election in 1952. In 1940, the PRI candidate (Avila Camacho) obtained 93.9 percent of total votes while Ruiz Cortines collected only 74.3 percent for himself in 1952.<sup>23</sup> Therefore, Ruiz Cortines tried to recover the popularity of the ruling party which had largely deteriorated during the highly authoritarian and corruption-ridden administration of Miguel Aleman's.

This attempt, however, faced a strong resistance on the part of Aleman's followers who were still in the government. In order to hold this resistance in check, Ruiz Cortines needed to rely upon anti-Aleman forces.

Among labor organizations, he found these forces in the CROC (Confederación Revolucionaria de Obreros y Campesinos), which had been founded in April 1952 by former radical leaders coöpted by the government during the period of the government offensive against the radical labor movement between 1947 and 1950. The Alemán Administration supported the foundation of this new labor center as a means of depriving the UGO-CM (Unión General de Obreros y Campesinos de México), a more radical organization led by Lombardo Toledano, of political influence. Ruiz Cortínes tried to use the CROC not against the already weakened UGO-CM but against the CTM whose leadership held a strong pro-Alemán position.<sup>24</sup>

In this political context, we can understand why the CTM, not the CROC, issued the threat of a general strike in 1954. It was a part of CTM's efforts to demonstrate its power before unsympathetic Ruiz Cortínes. This intra-elite rivalry, precipitated by the erosion of legitimacy of the ruling PRI, contributed to weakening the State's ability of controlling the labor movement as a whole.

The average annual number of strikes and conflicts was recalculated for each presidential term and is presented in Table 6. This table clearly indicates that the annual average of strikes during Ruiz Cortínes' presidency was almost double that of Miguel Alemán's term. The resurgence of labor militancy culminated in the radical labor movement of 1958 and 1959. The fact that 1958 was the year of the presidential change further lowered the control capacity of the State.

There is an influential argument that the Mexican State is relatively vulnerable during periods of presidential change.<sup>25</sup> The leaving president hesitates to use coercive measures for policy implementation in this period. This is because he does not want to lose his personal reputation as a popular politician and also he is obliged to defend the image of the ruling party as an instrument of social revolution and thereby obtain as many votes as possible for the incoming president. In a country such as Mexico where a

**Table 6** Number of Strikes and Resolved Conflicts During Each Presidency:  
Annual Average

Period*	Name of President	Average Number of Strikes(National Total)**	Average Number of Resolved Conflicts (National Total)
1941-46	Avila Camacho	199	14, 263
1947-52	Miguel Aleman	108	10, 257
1953-58	Ruiz Cortines	207	12, 946
1959-64	Lopez Mateos	327	14, 140***
1965-70	Diaz Ordaz	107†	8, 957†

\* The presidential term in Mexico starts, for example, in December 1940 and ends in November 1946.

\*\* We added an adjustment to raw data in compiling this table. On this adjustment, refer to the note to Table 1.

\*\*\* Average for five years 1959-63.

† Average for five years 1965-69.

Sources : The same materials used to compile Table 1.

dominant party system exists, the political elite tends to believe that the official candidate for the presidency must obtain more than a majority of the votes, 80 or 90 percent if possible. Otherwise, the ruling party may face a dangerous situation in which anti-governmental forces are encouraged to strengthen their efforts to replace the dominant party system with a more competitive one. A stable monopoly of State power and bureaucratic positions is also an important factor in maintaining the unity among the political elite. When workers become aware of this vulnerability of the Mexican State, they may become more responsive to mobilization efforts made by radical leaders during the year of presidential change. Such was the case in 1958.

In the 1958 presidential election, the official candidate, Lopez Mateos, obtained 90.4 percent of total votes. However, due to extremely low voter turn-out, the total share of support by the adult population was as low as the one for his predecessor.<sup>26</sup> Therefore, the Lopez Mateos Administration maintained a policy of re-creating legitimacy for the PRI regime. In other

words, he showed a considerable tolerance toward labor activities, which was reflected in the large number of strikes and conflicts during his presidential term.

Even though it is true that López Mateos did not hesitate to use coercive measures to put down excessively radical movements such as railroad workers' strike in 1959, his relaxed attitude toward labor unions, coupled with his appeasement policy toward Cuba,<sup>27</sup> was significant enough to worsen the investment environment, thus leading to a situation whereby the amount of foreign direct investment remained smaller during the first half of his administration than in the previous three years. (Table 4)

Under the following Díaz Ordaz government, economic considerations of the State again predominated. Díaz Ordaz was highly intolerant toward autonomous mass movements as seen in his treatment of doctors' strike in 1965 and the student movement in 1968. In the relatively tranquil social environment, the import-substituting industrialization progressed rapidly, in which foreign capital came to play an increasingly important role. In 1970, 69.0 percent of chemical products and 60.1 percent of machineries were manufactured by foreign firms.<sup>28</sup>

The relative permissiveness of each Administration toward labor movement no doubt strongly influenced labor behavior. This is not to say that the economic conditions of workers did not influence their behavior. The sharp drop in real wages in the first half of the 1940's raised inquietude among workers. This explains the relatively large number of strikes that occurred during this period in spite of the State-labor pact of June 1942 by which major labor centers pledged to avoid strikes so that the State could concentrate its energy on the war efforts. One of the goals of the labor movement of 1958 and 1959 was also to demand better economic remunerations.<sup>29</sup>

Although the economic conditions of Mexican workers started to recover in the 1950's, there was much to hope for since their standard of living



was still low in absolute terms. However, economic conditions themselves did not automatically bring about a militant labor movement. For this to occur, workers needed political space for freer actions. As discussed above, it was provided by intra-elite rivalry, the State's attempt to reproduce legitimacy and presidential change.

## V. Conclusion

The major conclusion of this essay is that the economic necessity stemming from external dependence did not always prevail as a determinant of labor policy for the Mexican State.

When import-substituting industrialization was based on forced savings inside Mexico, labor wages needed to be kept low. Any resistance against such policy on the part of labor unions was not tolerated. After the industrialization policy changed to one based on voluntary savings in the mid-1950's, the restraint on labor wages was largely removed. However, since the advanced stage of import-substituting industrialization needed the cooperation of foreign investors, the Mexican State was required to offer an "appropriate" investment environment for them by keeping labor unions quiet.

During the period of the forced-saving policy, the State's economic considerations were faithfully reflected in its labor policy. However, in the following period of increasing external dependence, the economic necessity of the State did not dictate its labor policy due to various political factors. The necessity to create legitimacy for the PRI regime and the intra-elite rivalry lowered the capacity of the Ruiz Cortines government to control labor behavior. Radical labor groups, helped by this weakened control capacity of the State, increased their influence among workers. Their activities became especially militant in 1958, the year of presidential change in which the control capacity of the government was further curtailed. Only under the Díaz Ordaz Administration were the economic considerations of the

State fully reflected in its labor policy.

This study also revealed that the Achilles' heel of the seemingly stable PRI regime lies in the legitimation of the regime itself. Since the realization of "social justice" is an important source of the legitimacy of the regime, there always exists the possibility that the State's capacity to control mass organizations is eroded by the State itself.

On the other hand, the increase of wages did not reduce Mexican workers' latent tendency to respond to radicals' mobilization efforts to break the yoke of the State. Whenever workers' rebellion comes together with the diminution of the control capacity of the State, the PRI regime must face a dangerous situation in which political stability declines sharply as it occurred in 1958 and 1959. The same combination of the two conditions occurred again during the Echeverría Administration although the examination of this latter case is beyond the scope of this essay.

#### NOTES :

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4. Francisco Javier Alejo López, "La estrategia del desarrollo económico de México en 1920-1970" (Tesis profesional, UNAM-ENE, 1969): 39-40.
5. Richard Ulric Miller, "The Role of Labor Organizations in a Developing Country: The Case of Mexico" (Ph. D. dissertation, Cornell University, 1966): 9.
6. These data are full of insufficiencies as time-series data. Since the reelection of the president is constitutionally prohibited in Mexico, the government staff are almost completely reshuffled every six years. The editorial policy of various government publications also changes, which frequently makes it impossible for us to obtain time-series data on the same variables. For example, although we have data on the number of strikes for the period between 1940 and 1963, both *Anuario Estadístico* and *Memoria de Labores* fail in providing information on the same variable

- for the period after 1964 except for 1967 and 1970/71. Moreover, some data books use the calendar year for compiling data but some others do not. Reliability of the data is another problem. For example, although both *Anuario Estadístico* and *Memoria de Labores* contain the data on the number of strikes, we are not quite sure whether these data include all strikes initiated by workers or only the strikes declared "existente" by the labor authorities. Dirección General de Estadísticas, *Anuario Estadístico de los EE UU Mexicanos* (México, varios años). Secretaría de Trabajo y Previsión Social, *Memoria de Labores* (México, varios años).
7. When the Federal Conciliation and Arbitration Board was established for the first time in 1927, railroads and other transportation services, communication services, mining, petroleum industry, electric-power industry and textile industry were placed under its jurisdiction. The federal jurisdiction was expanded in 1942 to cover the movie-making industry, enterprises operating with concessions or contracts of the federal government and the enterprises controlled directly or in decentralized forms by the federal government. This jurisdiction further expanded in 1962 to cover the petrochemical industry, metallurgical industry, iron and steel industry and cement industry. *Reseña Laboral* (enero de 1975): 8-12. *Ibid.* (febrero de 1975): 12-15.
  8. Miller, *op. cit.*: 102-104 and 141-43. Michael D. Everett, "The Role of the Mexican Trade Unions, 1950-1963" (Ph. D. dissertation, Washington University, 1967): 52-56.
  9. Everett, *ibid.*: 126-27. Olga Pellicer de Brody y José Luis Reynan, *Historia de la Revolución Mexicana 22* (México: El Colegio de México, 1978): 91-102.
  10. Brody y Reyna, *ibid.*: Ch. IV.
  11. Evelyn Stevens, *Protest and Response in Mexico* (Cambridge, Mass.: The MIT Press, 1974): Chs. 5 and 6. Ricardo Pozas Horcasitas, "El movimiento médico en México 1964-1965," *Cuadernos Políticos* 11 (enero-marzo de 1977): 57-70.
  12. The average annual growth of manufacturing production was 6.5 percent between 1941 and 1949. The growth rate increased to 7.5 percent between 1950 and 1958; 9.1 percent between 1959 and 1970. NAFINSA, *La economía mexicana en cifras* (México: NAFINSA, 1978): Cuadro 2.5.
  13. René Villarreal, "External Disequilibrium and Growth Without Development: The Import Substitution Model. The Mexican Experience (1929-1975)" (Ph. D. dissertation, Yale University, 1976): Ch. 2.
  14. Antonio Ortiz Mena, *Desarrollo estabilizador: una década de estrategia económica en México* (México, 1969).

15. The saving rate (the share of savings in total national income) was 10 percent in 1935 and 13.4 percent in 1956. The marginal propensity of saving was 0.10 in 1951/53. NAFINSA, *La política industrial en el desarrollo económico de México* (México: NAFINSA, 1971): 298-99. Ortiz Mena, *ibid.*: 11.
16. The following measures were also used to raise money for industrialization: (1) Raising of income tax imposed on corporations and individuals. (The share of income tax in total revenues almost doubled during the Avila Cámacho Administration); (2) Introduction of a "selective credit control" by the Banco de México in the first half of the 1940's, by which private financial institutions were obliged to use a certain percentage of their resources for productive investment. NAFINSA, *op. cit.*: 303. NAFINSA, *La economía mexicana*: Cuadros 6.28 and 6.29.
17. NAFINSA, *La política industrial*: 130-31 and 136.
18. For example, the Law for Promoting New and Necessary Industries promulgated in 1955 granted varieties of tax exemptions to various manufacturing firms. In 1958, the Ministry of Finance was empowered to grant up to 100 percent exemption of distributable-profit tax whenever the profits were reinvested. Moreover, special decrees or laws gave to some individual industries specific fiscal incentives and import priority in exchange for certain obligations such as the compulsory use of Mexican-made materials and the participation of Mexican capital in the enterprises. In the meanwhile, the government increasingly relied on the licensing system instead of tariffs to control expanding imports. Furthermore, the government used these policy instruments to make industrialists refrain from raising prices. Price stability, labor's recovery of its share of national income, higher pace of industrialization led by domestic and foreign entrepreneurs, growing fiscal sacrifices and public-sector indebtedness were major results of the industrialization policy in this period. NAFINSA, *op. cit.*: 153, 174-75, 198 and 225. Rafael Izquierdo, "Protectionism in Mexico" in *Public Policy and Private Enterprise in Mexico*, ed. Raymond Vernon (Cambridge, Mass.: Harvard University Press, 1964): 283-85. Alexander Bohrisch y Wolfgang König, *La política mexicana sobre inversión extranjera* (México: El Colegio de México, 1968): 35.
19. Bernardo Sepúlveda y Antonio Chumacero, *La inversión extranjera en México* (México: Fondo de Cultura Económica, 1973): Apéndice Estadístico, Cuadro 15.
20. Luis Medina, *Historia de la Revolución Mexicana 18* (México: El Colegio de México, 1978): 305.
21. In April 1945, the CTM, under the government encouragement, concluded a pact of cooperation with the Confederación Nacional de Industrias de Transformación.

*Ibid.*: 327-30.

22. José Luis Reyna y Marcelo Miquet, "Introducción a la historia de las organizaciones obreras en México: 1912-1966" in *Tres estudios sobre el movimiento obrero en México*(México: El Colegio de México, 1976): 56.
23. Peter H. Smith, *Labyrinths of Power: Political Recruitment in Twentieth-Century Mexico*(Princeton, N. J.: Princeton University Press, 1979): 55.
24. Everett, *op. cit.*: 168. Robert Scott, *Mexican Government in Transition*, revised edition(Urbana: University of Illinois Press, 1971): 207-208.
25. Scott, *ibid.*: 201.
26. See Note 23.
27. Arthur K. Smith, "Mexico and the Cuban Revolution: Foreign Policy-Making in Mexico Under President Adolfo López Mateos"(Ph. D. dissertation, Cornell University, 1970): 129-44.
28. See Note 19.
29. Railroad workers' movement started as a movement for demanding higher wages. Brody y Reyna, *op. cit.*: 173.