

## Georgism and the Mexican Revolution

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SINCE 1910 the United States has been deluged with a flood of news regarding the Mexican revolution. As this "news," which had to do with political, economic and social changes, has usually been colored for partisan purposes, it should be labelled rather "propaganda" and always viewed with distrust unless it can be verified from original sources. In response to a request from your programme committee, I venture to offer a little of this original evidence, which I have been able to garner during a continuous residence, since 1911, in both urban and rural sections of several Mexican states.

### A SERIES OF REVOLTS

The Revolution began in the winter of 1910 and within a few months had toppled over the bronze image, with feet of clay, which had been worshipped for 34 years. The apostle of revolt, Francisco Madero, was eloquent and honest but with poor judgments, as proved by his acceptance of the national presidency when he had no administrative talent. This mistake of his resulted in constant minor revolts, which were terminated in 1913, by his betrayal by the trusted general, Victoriano Huerta who then became president. This counter-revolution resulted in a general renewal of civil war and, when Huerta was finally ousted himself in 1914, the revolutionary leaders Carranza, Villa and Zapata, soon began to disagree and fight each other. However, Carranza was cunning enough to obtain his recognition by the U. S. in 1915 and to adopt a new national constitution at Queretaro in 1917 under which he became President. The next election in 1920 produced the usual revolt, when Obregon succeeded in overthrowing the Carranza government and seating himself as president, after he had first reconciled the Villista and Zapatista factions to his own (Carranzista) and stopped the civil war which had raged destructively for six years. The next election in 1924 caused the revolt of candidate De La Huerta which was unsuccessful, as was also the rebellion—last year—of candidate Valenzuela for the "election" which took place this spring. Meanwhile, the revolt of the Cristeros (Catholics) broke out in the West and was active from 1926 till ended by the truce of last year between Church and State.

### MONOPOLY OF THE NATIONAL DOMAIN

An American from Main Street, accustomed to judge things from his local standpoint, would imagine that some vital principles must have been at stake (as in his own Civil War) to cause all the slaughter just outlined. But he would be quite wrong and might be easily convinced of his mistake by a perusal of H. H. Bancroft's "History

of Mexico," where he would learn that such turbulence was the normal condition of independent Mexico, from 1811 onward, until Porfirio Diaz seized the presidency, as a *Rebel* general, himself, in 1876. The internal tranquility maintained for 34 years during the Diaz regime was the usual thing in modern white Europe but a freak of chance in this medieval Amerindian land, all of whose prevailing conditions favored anarchy, as may be easily shown. At the Conquest in 1521, the Spaniards found here an Amerindian population of Neolithic men living in the middle stage of Barbarism, a cultural stage beyond which the conqueror's ancestors had advanced more than 40 centuries previously; even in 1910 only 10 per cent of the Mexican population was of pure white blood. Thus Diaz had three contemporaneous cultures; the modern civilized of the larger cities, the Medieval civilized of the small towns, and the Barbarian of the Indian villages and *egidos*. Next he had a political organization which, liberal in theory, had been imported from European or United States sources and never been readjusted to suit Mexican society. Finally Diaz found a feudal economic organization, with scarcely any middle class to act as a buffer between a small selfish aristocracy of *hacendados* (great landlords) and an illiterate and poverty-stricken proletariat. Unfortunately, Diaz rested content with the temporary success of his twin policies; the maintenance of internal peace and encouragement to foreign investors, and neglected to provide for a future of political stability when his own senility or death would leave his autocratic centralized administration in less competent hands. This inevitable decline happened indeed during his last decade of power, for the aging dictator fell into the hands of a gang of speculators, derisively nicknamed *Cientificos* (scientists) who proceeded to fill their pockets from rapacious public contracts and from new factories subsidized by a protective tariff; also, they got concessions monopolizing the remaining national domain for a song, in order to sell them to foreign companies. But probably the most profitable of all these political piracies of the Cientifico group was the speculation of *colonias* (building land subdivisions) of the Federal District, whose population was rapidly growing, due to its being the site of many of the new factories and the residence of most of the recipients of a federal budget, whose expenditures were ever more concentrated at the Capital. Besides this increase of population, the Cientifico realtors enjoyed two financial advantages, undreamed of by their American counterparts, due to the prevailing system of urban taxation inherited from medieval Spain. The influential realtor first had his wild land urbanized (with streets, sewers and waterpipes) at the expense of the municipal treasury; whose funds, usually obtained from *local* taxation, were augmented, whenever necessary for this purpose, by the diversion of some of the proceeds from the foreign sale of *national* bonds. Then the law allowed a new colonia to be assessed at its old value, as *wild* land, until sold to some victim and built upon; as the local



tax-rate on this low assessment was only 1 per cent annually, the realtors could hold large areas vacant, indefinitely, at a trifling expense and thus maintain a land monopoly which gave them often a gain on their land, when sold, of many times their original investment.

The final collapse of the Diaz regime was caused by the weakness of the national army, due to padded payrolls, and the discontent of a multitude of rural Indians who, having been impoverished by unbridled landlordism, flocked with alacrity to the rebel standards.

From this summary of the Diaz regime—which, unjust as it was, still maintained effectively the two essentials of civilized government, protection to life and property—I will pass to outline the present situation, so you may judge if the nation has been in any way adequately compensated for the past 20 years of anarchy with its wholesale destruction of people and things—a destruction which has mostly spared the big cities but devastated the small towns, mines and plantations. The Constitution of Queretaro, which embodied the Carranzista ideals, has now been the supreme law since 1917, and, though too long a document to here criticize in detail, a few remarks as to its main political and economic provisions may give as good an idea of the changes due to the Revolution as any other way.

#### ELECTION FRAUDS AND POLITICAL CORRUPTION

In its general political scheme, the constitution is the same as the old one of 1857 which formed a union of sovereign states—each with a legislature of two houses and a governor—all united in a federation with a president, senate, house and supreme Court, as at Washington. The institution of *universal* male suffrage was also reestablished, though the experience of 60 years had shown it to be absolutely unsuited to Mexico. Since 1857, there had seldom occurred a change of presidents without preliminary bloodshed, and for 34 years of that period the presidency was occupied by one man, although the constitution had forbidden reelection after one four-year term. The first essential for genuine elections are *competent* voters, and when 60 per cent of Mexican “voters” are not only illiterate, but too stupid or cowardly to be able even effectively to prevent frauds on the part of the authorities, who handle the ballot boxes, the final result can only be a burlesque of representative government. No matter how repugnant the officials in a town may be to the *intelligent* citizens, it is impossible for the latter to oust them by ballots, for the simple reason that the vast majority of *nominal* voters are illiterate Indians who sometimes vote in herds, when cajoled by cunning demagogues, but usually refrain from voting and supinely allow their names to be used for ballot-box stuffing by the officials.

Until, then, the right of suffrage here be restricted to such citizens as have both literacy to comprehend issues and civic *courage* to defend the purity of elections, there can be no change in the present form of government which is

a bureaucracy, irresponsible to the citizenry, similar to that of imperial Russia, with the difference that its chief is not a hereditary czar but a successful general or one of his civilian satellites. For, as the only way to oust the bureaucracy in power is by bullets, rather than ballots, it is clear that the dominant party needs a soldier to defend it and that the opposition must have another soldier for leader, if it ever expects to capture the existing government.

While it is possible that some of the Queretaro constituents were sincere in their support of *unrestricted* suffrage (being blind adherents of Jacobin equalitarian doctrines which were long ago exploded by modern anthropology and ethnology,) as much cannot be said for Carranza (a former national senator under Diaz) and the other leaders, who desired nothing better than a new military despotism with themselves as chiefs. Subsequent history justified Carranza's plans and he enjoyed three more years of unbridled power, as “constitutional president,” before he met the usual swift death of Mexican autocrats.

#### COMPULSORY ARBITRATION

The revolutionary economic articles of the new constitution are Nos. 27 and 123; the former treats of lands, the latter of labor. I will first dispose briefly of Art. 123 leaving the other, because of its great interest for Georgists, for an ampler criticism.

Art. 123 applies syndicalistic doctrines to all classes of labor, from intellectuals down to domestic servants or muleteers. Its foundation is the principle of compulsory arbitration which is to be effected by *juntas* (courts) in every town, whose members are to be elected equally by employers' and workmen's associations, with an odd member appointed by the government. These juntas are given power not only to enforce the labor-protective clauses of Art. 123, but to fix minimum wage-rates in every employment and to decree how annual profits are to be divided between an employer and his workmen. They can also pronounce on the legality of strikes and, for a legal strike, can prohibit the employer from continuing the employment of non-strikers or hiring new hands until their decision be rendered. If the decision favors the strikers, the junta may condemn the employer to re-employ them all with full pay for the time lost during the controversy. They can also decide if an employee has been dismissed “unjustly” and award him the three months extra pay which this article allows as a compensation for such cases. Such political meddling must be condemned in theory, by all Georgists, as it denies the principle of freedom for both laborer and employer. In practice, it puts every employer at the mercy of the local junta as Art. 123 places no limit, except the caprice of its members, upon its power of dominating his business. In Australia, where officials are fairly intelligent and honest, compulsory arbitration has been a failure, so what can be expected as things are here? The net results of Art. 123, after a trial of 13 years



in some places, are an encouragement of extortion and labor monopolies on the part of unions, and the ruin of many enterprises as a consequence of a junta's decisions.

Instead of preventing strikes, this system tends to multiply them without limit, as is proved by recent statistics which record 88,648 strikes in the five-year period from 1924 to 1929 when Art. 123 was first put into operation everywhere. This is indeed a record for a small population, with few enterprises employing much labor, and goes far to explain why Mexico is now generally shunned for the location of new factories or the extension of old ones. Besides, Art. 123 forbids an employer to quit work without a permit from the junta and, as the permit may involve a long delay to secure, this regulation may mean bankruptcy to an established factory or mine running at a loss. The worst effects for labor of Art. 123 have been much alleviated, till recently, by an immense emigration of the unemployed to the United States. In brief, the radical syndicalism of Art. 123 is an importation, essentially alien to domestic customs; moreover it tends not only to incite the native to class-war, but it aggravates his industrial defects such as laziness, indifference, and carelessness, and to hinder his acquirement of the discipline, responsibility and spirit of cooperation which are essential to efficient factory production.

Art. 27 replaces the old article, containing 3 short paragraphs, with 25 long ones. While the old article simply forbade the public taking of private property without compensation and limited rights of religious and civil corporations to hold real estate, the new article enters extensively into all phases of landed property in both principle and practice. Of its many provisions, I will here only discuss the principal ones dealing with land, water and subsoil rights.

### THE RIGHT TO LAND

There are several of its established principles which will please all Georgists. The State conserves the right to regulate the use of, as well as to tax, private lands and can expropriate them for any public use on paying to the holder the *fiscal* value plus 10 per cent. The last provision prevents the extortion of the government by landlords, as occurs so often in England and the United States, and is a vital safeguard in the extensive purchases being conducted to carry out the socialistic programme of the universal establishment of village *egidos* (commons). However, as this programme has been fully discussed in my colleague Rolland's paper entitled "The Agrarian Problem in Mexico," I will not further mention it here.

This expropriation clause is also exactly suited to the successful application of the Australian system for the correct self-assessment, by its holders, of landed property; as any undervalued property can be acquired by the government at its manifested price plus 10 per cent. With this idea in mind, a bill for the self-assessment of real estate in the Federal District was drawn up by an official

commission (which included the writer), in 1922, but it was never passed into law, being blocked by the "new" Cientificos. In 1917, Carranza was requested by one of his aides, a Georgist, to have inserted in the constitution a clause declaring: "Economic rent belongs to the nation"; but, being an hacendado himself, Carranza refused pointblank on the pretext: "The people don't want it."

The constitution states sound Georgist doctrine when it declares all federal lakes and rivers (including practically all the permanent streams of the country) to be inalienable national property which can only be exploited by the individual, for irrigation or powers under, leasehold titles. This principle is not new, being an inheritance from Spain, but the quoted declaration is the most definite and comprehensive of any hitherto made in Mexican constitutions. A small national annual tax for the use of water which was decreed by Carranza in 1918, at the writer's suggestion, gives the Government a fiscal weapon, along with its strict written contracts with water leasers, to control that unbridled speculation and monopoly in water rights which curses many other countries, including the United States.

### SUBSOIL RIGHTS

When Art. 27 also declares all subsoil minerals to be inalienable national property, it is merely reaffirming the famous mining code of 1785 issued by the Spanish reformer, Charles III. Unfortunately, Diaz's satellite, President Gonzales, had his own private theory of subsoil rights (his hacienda in Coahuila being underlaid by a coal bed) so he told the Congress of 1884 (as usual a mere rubber stamp for the executive) to decree a new mining code, giving, gratis, all *non-metallic* mineral rights to the surface landlords. This gift was restated in the Diaz mining codes of 1892 and 1909, but was never confirmed by a constitutional amendment as legality required. Meanwhile, foreign explorers had struck a rich oil field, for the first time in 1902, on land acquired from Vera Cruz hacendados and, before the adoption of the constitution, had developed a large production. Thus the constitutional abrogation in 1917 of the landlord's control of non-metallic minerals (as decreed by the mining codes of 1884, 1892 and 1909) aroused at once a clamor in Wall Street, where the monopoly of several million hectares of Mexican oil lands had been used as the basis for the issue of floods of watered stock.

This clamor became a terrific din in 1918, when Carranza issued three decrees (at the writer's suggestion) assessing a sizable annual *areal* tax against all oil lands and commanding their holders to apply for federal concessions to their property. This soon resulted in the enlistment of the United States department as *special agent* to protect the oil "rights" of Wall Street, whose alleged wrongs thereafter absorbed at Washington all the attention which had much better been spent in behalf of the many Ameri-



cans who had been *genuine* instead of *speculative*, sufferers from the Revolution. The latter had actually repudiated 2½ billion pesos of Carranzista money, ruined the state banks and rural mortgage companies, and destroyed the plants of countless mines, farms and factories to the vast damage and often ruin of their foreign owners, many of them small investors.

As a concession to the pressure from Washington, Obregon in 1920 suspended the operation of the oil decrees of 1918 but was allowed to assess heavy taxes, on the production and export of oil, without protest. Wall Street seemed not to mind the payment of such taxes but became frantic at the thought of the smaller areal tax, because it established the dangerous precedent (for foreign land speculation) of the public ownership of the oil-bearing subsoil.

### THE PROGRAMME OF JUSTICE DEFEATED

In 1925, the Mexican Bureau of Mines drew up a new code to regulate mining, property on the basis of the public ownership of all minerals (non-metallic as well as metallic) instead of just the metals as prescribed in the three previous codes. This was a harmonious, scientific plan and carefully guarded all *legitimate* vested interests. But Wall Street wasn't looking for justice but privileges, so it hired an ex-minister of finance as attorney, who soon found means to detach the oil section from the mining code and to persuade a complaisant labor minister to make a *special* oil code, for his clients, which was issued in December, 1925. The new code was foolishly liberal except on one point—it refused to give *Fee-simple* titles for the "old" oil lands (leased as such before 1917) and offered only 50-year renewable leaseholds.

In spite of more pressure from Washington, the Government refused to budge until a new ambassador, backed by an aggressive *personal* press bureau, arrived on the scene in October, 1927. Inside of a few weeks, this Mercury of the modern financial Olympus had gained undying newspaper fame by accomplishing the "impossible" and securing an amendment to the new code, granting fee-simple titles to the same old oil lands which plutocratic Washington had been treating as a *casus-belli* since 1917.

After this breach in the *theoretical* Georgist wall of Mexican oil-land legislation, Wall Street began to get busy on the *practical* side by using the new code (of its own composing) which granted 30-year renewable concessions in units of 100,000 hect. (360 square miles) for classified, and 200,000 hect. for unclassified oil lands. A unit could be secured by depositing 55,000 pesos, as a guarantee, and thereafter expending 100,000 pesos annually in development. If any oil were found, it would be exempt from the production and export taxes, provided it were sold in Mexico. As the code did not limit the number of such huge units to be held by one leaser, here evidently was an opportunity which monopolists dream about, but seldom encounter. That no time was lost in materializing

this dream may be judged from the fact that within a year 26,000,000 more hect. (about one-eighth of the national territory) had been plastered with these new oil concessions, besides over 3,000,000 hect. already held in fee-simple.

Having thus forestalled any possible rivals, by monopolizing almost all Mexican subsoil of any petroleum possibilities, and diminished their Vera Cruz production to a plausible minimum, our Jolly Rogers gathered up their surplus well-rigs and set sail for the Spanish Main where, in the swamps about Lake Maracaibo, they had found a new oil paradise, where no reformers dare to legislate nor Georgists break in and tax.

### ALIENATION OF MINING RESOURCES

As for metal mines, the old Spanish Code required each lease to be worked continuously, most of the year, with a specified minimum of hands. At the suggestion of Americans, this labor requirement was unwisely abrogated in the Diaz code of 1892 in favor of a small annual *pertenencia* (areal) tax. In consequence I found, when I arrived here in 1911, that all mineral outcrops of any promise, even in remote districts, were cornered for the purpose of monopoly or speculation by private interests. These paper titles, blocking everywhere the beneficent activity of prospectors, were soon blown away after 1915, when the Carranza Bureau of Mines had raised the trifling Diaz *pertenencia*-tax to a figure sufficiently high to dislodge the forestallers.

The new mining code of 1926, which covers all minerals except petroleum, has retained a small *pertenencia*-tax, but its main defence against forestalling is a return to the ancient requirement, for lease-titles, of a minimum quantity of development or output. As in all previous codes for the leasing of national waters or subsoil, a lease is deemed a public utility enjoying the right of eminent domain. Since some of the new Code's provisions have proved impractical, it will be amended this winter. However, the main revenue from mining here has never been obtained from the *pertenencia*-tax (even the heavy one of 1915) but from a levy on *gross* output. This means that a miner of lean ore pays the same tax on the metal it yields as one who works a bonanza—a complete negation of Georgist principles which prescribe a tax on the *net* value of ore in the ground.

### EXACTIONS OF THE MEXICAN TARIFF

Regarding the protective import-tariff, already mentioned, its result has been similar to the experience of Russia whose artisans, even at lower wages, lack the inherited social discipline and industrial ability to compete with western Europe. There are many new factories, supported by the tariff crutches, but the chief consequence is that the peasants, who compose about 90 per cent of the nation, are paying more for a worse quality of manufactures with little hope for an early improvement. Instead of the peasants, whose blood won the Revolution,



being relieved of the tariff burden, by their victory it is now much heavier than before on most articles of their clothing, food and housing; a surprising example is the duty on shoes which has advanced 200 per cent since 1914. An important aid to this counter-reform has been the ominous Art. 123 which has bred a school of selfish labor leaders which looks abroad for its technique and argues: "If the trade unions in the United States and Australia find it profitable to back their employers politically and share the loot from their schemes, of mulcting the morons through higher tariffs, why shouldn't we do the same here?"

### TAXES FAVORING LAND SPECULATION

Finally, I will glance at the effect of the Revolution on the main source for Cientifico plunder, land speculation in the Federal District. On reviewing the main provisions of the latest (1929) tax law, I find all the old legal aristocratic European devices, for diverting public wealth to private pockets, in full operation. House property when occupied pays a local *predial* (real-estate) and sewer tax of 12.7 per cent on the annual rent; but if unoccupied the tax is reduced 50 per cent, thus encouraging house monopolies for raising rents. The system of taxing rent (rather than selling value) is itself a scheme for encouraging land speculation, by enabling valuable lots to be held cheaply by covering them with shacks leased at low rentals.

In 1922 the old local tax rate of 1 per cent on vacant lots was raised for a while to 2 per cent, but this mistake was soon "corrected" by a new schedule dividing lots into 6 classes, according to value, with a different tax-rate for each class. While the first class (over \$75 a square meter) is taxed at 3 per cent, the fifth class (\$3 to \$8) pays 1 per cent and the sixth class (under \$3) only 0.5 per cent. Since most of the colonia land is included in the last two classes, the value of the "correction" for the Cientifico speculators is evident. Moreover, the assessment being usually only 50 per cent of the true value makes these nominal rates really double the real ones. A further reduction can be secured, of 15 to 40 per cent of these rates, by planting a vacant lot with trees. The above *local* rates in the capital (as everywhere else) are always increased by a *federal* tax which varies from year to year; this increase is now 20 per cent and puts the total rate on house rent at 15.24 per cent.

The writer made a detailed fiscal investigation in 1921 of the Federal District, for the Ministry of Finance, and later published his report entitled: "Catastro Democratico," in the "Memorias de la Sociedad Cientifica Alzate," Vol. 45 for 1926; a copy of which will be found in any of the world's scientific libraries. This report summarized that real estate was paying only 26 per cent of local taxation or (if 50 per cent of this figure be subtracted for the tax on buildings) that land values were only paying 13 per cent of the total. Later, in 1922,

the writer worked on an official commission which drew up a complete plan for the gradual shifting of the taxation of the Federal District from the consuming masses to the land holders; but its report was repudiated and the Diaz system has continued to the present, as the reviewed law of 1929 proves, in spite of two decades of "popular" revolution.

### BLOCKING REFORMS

As novices in Latin intrigue, you could never guess the why of such ridiculous self-contradictions of government, but initiated Mexicans explain the mystery as follows: The Cientifico leaders in 1911, as soon as they surmised the probable fall of Diaz, selected some of their bright young disciples (not known as such to the public) as "The second line of defence." Later, when the leaders had to flee abroad, their disciples remained on guard to "join the Revolution," and soon rose to such political prominence as to have been able ever since (as "new" Cientificos) to block the efforts of any meddling reformers who might try to disturb the vested graft of their exiled friends as publicly-subsidized manufacturers and realtors.

My hasty sketch of the Mexican revolution may perhaps seem incredible to such of you as have long drunk deep at the well of propaganda, but, before voicing your doubts, remember that: "Truth is stranger than fiction," and that there is no locality where that old adage can be better demonstrated than in this queer land of fantastic happenings of which the half cannot now be told.

## Mistakes of Ingersoll

IN that unsettled period after the Civil War, Robert G. Ingersoll, orator and agnostic, did as much as any other to mould and direct the political opinion of the Nation. He met the argument, then often urged, that slave labor would bring down the wages of free labor by saying, "If I belong to a superior race, I will not fear the competition of an inferior race."

Is there any principle or proposition less in need of elaboration—less open to dispute? What, indeed, is the use of being intelligent or superior if you can't compete with the inferior? What is the test or proof of superiority? Without doubt, the swimmer who comes ashore after the race is won, the skipper who is defeated by a coat of paint, the jockey who is beaten by a nose, would urge in vain the claim of superiority.

And if it be true that the superior, the intelligent and the skillful can compete without fear with the inferior, the ignorant and the unskillful, we have completely refuted, have we not, the propaganda of the protectionist? For have they not always claimed that a protective tariff was necessary because intelligent American labor could not compete with the unintelligent pauper labor of Europe?

Yet, strange as it may seem, Ingersoll was always a protectionist. He must, therefore, have believed that there