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Sarah Sprauer

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The Economic Success of Porfirio Diaz's Presidency
Sarah Sprauer

Dr. Rector
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From 1846-1876, Mexico endured a series of political and economic disturbances that threatened the stability of the nation. Internally, the liberal and conservative parties were constantly fighting over the future of Mexico. Externally, other nations were continually invading or occupying Mexico, in order to exploit its natural resources. Only with the inauguration of Porfirio Diaz was Mexico able to stop foreign invasions and take its place in the industrialized world. However, historians have viewed Diaz's reign as a dark age in Mexico's history, because of the administrations social policies. Yet, economic historians view the economic success of Diaz's reign as a result of his ability to stabilize the nation. Diaz was able to jump start the economy of Mexico through strict policies, and by keeping powerful fractions of the population content. Hence, Diaz's reign positively effected the economy of Mexico.

The phenomenon of Anti-Porfirismo has been the result of generations of historians viewing the reign through the eyes of the revolution and only focusing on the regimes shortcomings in the last years.¹ In the 1990's, economic historians have reevaluated Diaz's presidency and recognized the economic brilliance of the reign. Not only new generations, but contemporaries of Diaz's recognized the profound impact of his reign. Francisco Madero said "I admire General Diaz, and can only reflect with respect on a man who has been one of the most staunch defenders of the nation's territory, and who, after wielding for more than 30 years the most absolute power, has

¹ Paul Garner. Porfirio Diaz. (London: Pearson Education, 2001) 12.

exercised with such moderation.”² With in Diaz’s administration, the Finance Minister, Jose Yves Limantour explained that “General Diaz was indeed the creator of modern Mexico. After the sixty years of turmoil which preceded his administration the country was brought by him to a state of progress unsurpassed by any of the Latin American countries. Under his guidance order was brought out of chaos, prosperity was consistently developed among all classes and a new country was made.”³ Diaz’s ability to lead the Mexican economy successfully into the 20th century can not be disputed.

A brief history of Mexico is needed to show the political and economic instability prior to Diaz’s reign. In 1846, the Mexican American War began and by 1848 the war ended, leaving Mexico with less infrastructure than before the war.⁴ With the signing of the Treaty of Guadalupe Hidalgo, Mexico gained \$15 million, but lost Texas, California, New Mexico and suffered the U.S. occupation of Mexico City.⁵ After the war, Mexico was the battlefield for the liberal and conservative parties; each wanting a different path for Mexico.⁶ Benito Juarez, a liberal, became the president after the decline of Santa Ana and implemented his liberal policies into law. For example, the Lerdo Laws banned the catholic church from holding land not used for religious purposes.⁷ A liberal constitution and the Lerdo laws were meant to decrease the power of the elite by transferring their land to peasants. However, the land for sale under the Lerdo Law could

² Garner 10.

³ Garner 9.

⁴ Keith Haynes, Benjamin Keen. A History of Latin America 7th edition. (Boston: Houghton Mifflin Company, 2004) 187.

⁵ Ibid

⁶ James A. Robinson “From Current Day Russia to Porfirio’s Mexico.” Studies of Comparative International Development 38.3 (2003): 86.

⁷ Ibid

only be bought by the wealthy, the peasants had no money or knowledge of land transaction.⁸ Besides land, other aspects of the economy under Juarez were suffering. Prior to 1860, foreign intervention, the decline of the mining industry, tariffs and lack of a market, caused all foreign economic investments in Mexico to fail.⁹ From 1800-1860, Mexico experienced a decline in per capita gross domestic product of 37%.¹⁰ Another problem of Juarez's Presidency was his suspension of Mexico's debt, estimated to be at 82 million pesos in 1861.¹¹ The conservative governments of France, Spain and the United Kingdom, wanted payment and the chance to oust Juarez's liberal government.¹² In 1862, Napoleon III invaded Veracruz and from 1864 until 1867, Emperor Maximilian ruled Mexico.¹³ After the execution of Maximilian, Juarez continued as Mexico's president and the economy continued to decline. Traditionally a large exporter of raw materials, the value of Mexican exports in 1873 were below the levels in 1810.¹⁴ To combat the lack of money in the treasury, Juarez dismissed two-thirds of the army, but this only handicapped the military.¹⁵ By the time Diaz ousted Juarez, only half of Mexico's 8,700 kilometers of highway were suitable for wheel traffic and there was only 5,600 miles of telephone cable.¹⁶ When Porfirio Diaz took over Mexico, the country was a political and economic disaster.

A key factor in Porfirio Diaz's ability to create a stable and prosperous economy,

⁸ Ibid

⁹ Garner 164.

¹⁰ Garner 163.

¹¹ Garner 20.

¹² Ibid.

¹³ Robinson 86.

¹⁴ Haynes 191.

¹⁵ Haynes 191.

¹⁶ Garner 176.

was his ability to keep all controversial aspects of the society happy. Diaz was a student of history and he “To rid Mexico of political turbulence, he adopted the politics of conciliation. In return for backing he granted key segments of society access to the national pork barrel. Unlike Benito Juarez and Liberals whose implacable distrust of clergy and Conservatives invited retaliation, Diaz made his peace with both groups, in the mean time placating the military.”¹⁷ Prior to Diaz’s reign, the local militia and National Guard units were loyal to the liberals and overpowered the regular army.¹⁸ In 1876, the National Guard numbered 70, 000 strong, the regular army had only a third of those numbers.¹⁹ To ensure his undisputed success as dictator, Diaz had to gain the militaries support and power over the local militia. A demobilization of the National Guard, professionalization of the army, a reduction in the number of officers and less troops on active duty, was the key to Diaz’s plan.²⁰ Also, Diaz promoted his officers on a schedule, gradually allowing them access to monetary benefits, and consequently gaining their loyalty.²¹ A similar approach was taken when dealing with the influence of the Catholic Church. Diaz writes in a letter to Archbishop Gillow that “with peace assured in the republic, and independence established between church and state, there is no longer any motive for precautions or hostility against the Catholic Church, as long as it limits itself to legitimate objects of its ministry, without trying to meddle in political matters.”²² Basically, the church was told to stick to religion and their needs would be meet.

¹⁷ Ramon Eduardo Ruiz. The Great Rebellion: Mexico 1905-1924. (New York: Norton and Company, 1980) 26.

¹⁸ Garner 111.

¹⁹ Ibid

²⁰ Ibid

²¹ Ruiz 41.

²² Garner 116.

Besides the military, Diaz gained the support of elites and foreign investors. To improve the public image of Mexico, in order to gain investors, Diaz spent \$700,000 on its representation at the World Columbian Exhibition in 1892 and in 1889, the government spent \$400,000 on the Paris World Fair.²³ Diaz learned from Juarez's mistakes, that the support of foreign powers was necessary if Mexico wanted to maintain its independence. Diaz offered foreign investors the chance to make money, form monopolies, and all in a country supportive of their efforts. Diaz's general policy for rule was Positivism. The Cientificos were the central aspect of positivism and social Darwinism, which "emphasized doing everything in politics and economics according to the rules of science rather than to the rules of metaphysics or religion."²⁴ They viewed science as a way to strengthen national sovereignty and create social harmony.²⁵ Diaz's government was an interlocking system controlled by elites and intellectual, peasants were blocked from advancing. By stabilizing the major aggravators in Mexico, Diaz was able to control the country successfully.

The major key to economic industrialization was the creation of railroads. Under Diaz, 15,000 miles of rail road tracks were added to the 400 miles completed by Juarez.²⁶ The increase in rails would allow for efficient extraction and marketing of the minerals, while supplying companies with access to cheap labor areas.²⁷ Initially, Diaz planned on using domestic capital or wealth Mexican's money to finance the project. For example,

²³ Garner 170.

²⁴ Cockcroft 36.

²⁵ Richard Weiner. "Trinidad Sanchez Santos: Voice of the Catholic Opposition in Porfirian Mexico." Mexican Studies 17.2 (2001): 325.

²⁶ Cockcroft 14.

²⁷ Cockcroft 14.

federal subsidies, state bonds and concessions to prominent local businessmen financed laying of the first tracks on the Tampico line in 1879.²⁸ However, their lack of capital, combined with renewed U.S.-Mexico relations in 1978, caused Diaz to turn to foreign investors for the completion of the railroads.²⁹ Foreign investment increased from 110 million pesos in 1884, to 3, 400 million in 1910, a third of that went to constructing rails.³⁰ 1895-1901 was the period of fastest industrial growth because of the completion of rails along with the nation wide elimination of state and municipal import and marketing taxes, in order to permit free interstate commerce.³¹ Rails were completed linking silver, lead or copper mines to smelters or factories along the Gulf of Mexico.³² Also, U.S. companies linked Mexico City with Laredo, Texas, in order to export the cattle herds of Northern Mexico.³³ The increase in railroads allowed Diaz to access and market the natural resources of Mexico.

The opposing argument says that the foreign investors were the only people to benefit from the rail road construction. However, the rails allowed middle class merchants, miners, artisans, professionals and rancheros in the north, to attain wealth.³⁴ Diaz was aware of the power the United States rail companies had over the Mexican economy, so he passed legislation to give the Mexican government the controlling interest of 2/3 over the rail network..³⁵ The Limantour's Railway Law restricted federal

²⁸ Garner 177.

²⁹ Garner 177.

³⁰ Hector Acquilar Camin, Lorenzo Meyer. In the Shadow of the Mexican Revolution. (Austin: University of Texas Press, 1993) 2.

³¹ Cockroft 17.

³² Ibid

³³ Garner 177

³⁴ Ruiz 13.

³⁵ Garner 179.

subsidies only to new lines which would link up with the disparate parts, there by reducing the high level of governmental subsidies (6,000-8,000 pesos per km).³⁶ Hence, the Mexican government was taking action to regulate foreign investors, without stopping them from investing.

With the expansion of the rail system, mining and oil production became the main components of Diaz's economy. In April 1904, oil reserves were discovered in Mexico and daily production began at 1,500 barrels.³⁷ In order to facilitate the investment of foreigners, in 1909 the Colonial Laws concerning oil land rights were changed. Oil deposits became the property of the owner of the land, and oil entrepreneurs were granted special tax benefits.³⁸ For example, oil companies only had to pay a stamp fee which amounted to less than 1% of production.³⁹ This change in policy allowed Mexico to become the third largest producer of oil in 1911, with 14 million barrels.⁴⁰ These figures are staggering in comparison to the total production of 1910, 3,300,000 barrels.⁴¹ The oil industry under Diaz's reign was extremely successful in part to legislation and the international competition over Mexico's natural resources.

From 1893-1906, Mexico's leading industry was mined minerals.⁴² The market had jumped from 40 million pesos to 170 million pesos in 13 years, at a growth rate of 7%.⁴³ For example, Chilouahua's mining production in 1898 was valued at 6.8 million

³⁶ Ibid

³⁷ Cockcroft 24.

³⁸ Camin 15.

³⁹ Camin 15.

⁴⁰ Camin 14

⁴¹ Ibid.

⁴² Ibid

⁴³ Garner 165.

pesos and 10 years later it was worth 23 million pesos.⁴⁴ The rail industry and foreign investment had made access to less popular minerals, lead and zinc, profitable. For example, San Luis Potosi was connected with Aguascalientes, the site of the Guggenheim's giant copper smelt.⁴⁵ Also, iron smelter in Monterrey produce 60,000 ton of steel iron in 1904.⁴⁶ The increase in foreign investment is due to the legislation which Diaz activated in order to jump start the economy. In 1880's legislation allowed foreign investors ownership of mining properties.⁴⁷ Then in 1883 there is no mention to the retention of ownership of subsoil deposits by state.⁴⁸ Finally, in 1892, the government removed the requirement that mines had to be worked for concession to be maintained, and eliminated state owned subsoil.⁴⁹ The increase in mining activity is due to Diaz's efforts to attract foreign investors.

Agriculturally, the productivity of Mexico increased, especially in cotton or sugar which doubled in less than 40 years.⁵⁰ Agriculture became a capitalist enterprise as land started to be bought and sold on an open market.⁵¹ Also, rails allowed for the feudal countryside to be introduced into mainstream industrialization efforts.⁵² For example, rail lines connecting northern Mexico with Texas gave cattlemen access to the American market.⁵³ Also, legislation increased the pace of industrialization or monopolization of agriculture. The Baldio Laws of 1883-1894, removed the restrictions on land sales and

⁴⁴ Ruiz 17

⁴⁵ Cockcroft 14.

⁴⁶ Ruiz 10.

⁴⁷ Garner 181.

⁴⁸ Ibid

⁴⁹ Ibid

⁵⁰ Cockcroft 30

⁵¹ Cockcroft 33

⁵² Ibid

⁵³ Ibid

gave land survey companies, who were contracted by the government to locate and measure baldios, 1/3 of all the land they surveyed as payment.⁵⁴ Under Diaz, the agriculture economy of Mexico was opened to large scale markets and became a profitable industry.

According to Andrew Carneige “In every corner of the Republic reigned prosperity and an enviable peace.”⁵⁵ With the increase in mining, oil and agriculture economies, due to the rail road expansion, stability had taken hold of Mexico. In the 70 years prior to Diaz’s reign the average growth of the economy was negative or stagnant, but during his presidency it grew annually by 2.7%.⁵⁶ From 1893- 1907, exports increased by six fold and imports grew by 3.5 times.⁵⁷ The national budget (1878-1910) grew from 7,679,066 pesos to 23,883,920 pesos.⁵⁸ The terms of the English debt were renegotiated in 1886, reducing the total of the London debt of 23 million pounds to 15 million pounds.⁵⁹ The restoration of relations with France in 1880, gave Mexico its second charter bank, the Banco Nacional Mexicano.⁶⁰ By the end of Diaz’s reign there were thirty charter banks with there assets totally 1,116 million pesos.# The economic success of Diaz’s reign allowed Mexico to decrease its debt, threat of foreign hostilities and financial infrastructure.

Not just nationally, but individual states saw an increase in prosperity. From 1878-1910, Chihuahua’s budget jumped from 119, 666 to 1,243,481 pesos, Coahuila

⁵⁴ Cockcroft 29

⁵⁵ Ruiz 9.

⁵⁶ Camin 2

⁵⁷ Camin 3

⁵⁸ Ruiz 11.

⁵⁹ Garner 169.

⁶⁰ Ibid

77,532 to 436,666 pesos, Nuevo Leon's budget tripled and the Yucatan's budget multiplied by eight fold.⁶¹ In 1908, the tax rolls of Chihuahua, which are notorious for low assessments, estimated the public and private property was worth 20 million pesos, compared to 7 million pesos in 1877.⁶² Individual states and their citizens were able to benefit from the economic success under Diaz's reign.

The opposing argument states that Porfirian was an age marked "emergence of trusts and monopoly capitalism, increased foreign economic penetration, intensified conflict between capital and labor, the persistence of poverty despite significant material progress, and the privatization of communal lands."⁶³ Foreign investments in 1884 totaled 110 million pesos compared to 3,400 million pesos in 1910.⁶⁴ By 1900 foreigners owned outright 172 of the 212 commercial establishments in the Federal District of Mexico City.⁶⁵ The United States controlled 75% of Mexican mines, 58% of petroleum industry and foreigners controlled 80% of Mexican industry.⁶⁶ In general, by 1910 foreigners owned one-seventh of Mexico's land surface.⁶⁷ Porfirian land policies favored the creation of haciendas(1,000 haciendas controlled most of the land in Mexico) at the expense of the small land owner or community property.⁶⁸ In 1910, a census of rural families indicated that 96.6% held no land.⁶⁹ The facts imply that the foreign investments only benefited a select few and peasants were left in poverty.

⁶¹ Ruiz 10.

⁶² Ruiz 17.

⁶³ Weiner 324.

⁶⁴ Camin 2

⁶⁵ Cockcroft 17.

⁶⁶ Ruiz 103.

⁶⁷ Cockcroft 20.

⁶⁸ Yolanda Chavez-Layva . "I go to Fight for Social Justice: Children as Revolutionaries in The Mexican Revolution 1910-1920." Peace and Change 23.4 (1998): 425.

⁶⁹ Cockcroft 29.

Though the argument against Diaz's policies is compelling, the economic infrastructure and stability he brought to Mexico can not be ignored or underplayed. The man started out with a country that lacked the ability to effectively access its natural resources, due to internal conflict and old infrastructure. By the end of his presidency, Mexico was a major exporter of oil and minerals. Without the initiative of Porfirio Diaz, Mexico would never have developed into an economic power. His policies and laws were strict, but total authority over the country was the only way to stop the internal fighting between liberals, conservatives and the catholic church. Porfirio Diaz's ability to stabilize Mexican society allowed him to develop a successful economy.

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