

Mexico is no longer a beggar sitting on a hill of gold

MEXICO'S BONANZA

by Carleton Beals

MEXICO's bonanza is growing faster than ever. Since World War I, Mexico City has mushroomed from less than a million to nearly four million people, the most rapid urban growth in history. New avenues sweep into the heart of the city. Skyscrapers, office buildings, de luxe hotels and apartment houses overshadow colonial churches and carved palaces. A magnificent new water-supply, complete with underwater murals by Diego Rivera, has been provided.

Towns have been swallowed up for ten miles in every direction, and autos and buses whirl past new homes, schoolhouses and police stations, through what yesterday were corn and maguey fields, where only the lazy burro provided transportation.

Nearby Guadalupe Hidalgo, the quaint religious capital, has been swamped by modern housing developments. Even the famous curative well has been provided with modern sanitary safeguards.

From there, a new boulevard passes south through Mexico City

to connect with the new speedway to Cuernavaca, past the never-completed Congress building (started by Porfirio Diaz 50 years ago, still a bare steel dome labeled "Monument to the Revolution") through the new Colonia Roma shopping district where glass-fronted stores rival those of Paris and Fifth Avenue, and on through the Pedregal lava flow, where palaces of the parvenus make a fetish of glass, plastics and functionalism, where the new University City, with its original architecture and art, spreads out for acres. The avenue skirts the vast movie studios of Churubusco and goes on to Tlapam—Place of Water—yesterday a cobble-streeted village near the most ancient Indian ruins in the land.

Springtime Cuernavaca, now within half an hour by motor, instead of three hours, to the capital, has also blossomed out with apartment houses, hotels, and fashionable estates lining garden boulevards that wind among flower-draped hills. The sleepy past is recorded in beautiful colonial churches, the Borda gardens where Maximilian

and Carlotta lived, the delightful retreat for United States Embassy personnel. The newer Cuernavaca centers in the fashionable clubs, tourist shops and casinos.

A few years ago the far-south bathing resort of Acapulco was a forgotten village of thatched Indian huts. Now it is one of the showplaces of the Americas.

Since the long-forgotten days of the China trade and the buccancers, the Spanish Camino Real has been reclaimed by the jungle, but Acapulco is now serviced by a good highway and hourly air flights.

Cities and small towns have been struck by the modernization fever. New avenues slice through old adobe quarters. Airports have been constructed. Peasants from remote villages, who a few years ago had never seen a railroad, auto or even a wheel, now bring pigs, chickens and weaving to market by airplane. New railroad stations, decorated by leading artists, have been built. Luxurious movie palaces are a purple rash across the land, for Mexico now has one of the world's leading movie industries, catering to a Spanish-speaking market in a continent and a half—far more important to the national economy than mining or petroleum!

Since 1940 the rate of increase in manufacturing production has been greater than in the United States. From 1940 to 1953 there was

a nine-fold increase in profits which meant that production had been more than doubled. The increase was even more rapid for 1955 and 1956. It is now about three times as rapid as the population growth. According to the president's annual report, the previous year the production of cement and fertilizers increased by 20 per cent. Iron and steel showed a 14 per cent increase and, with the discovery of rich anthracite coal fields and the new plant expansion now being carried on, the output should be doubled within a few years. The growth in electric power, manufacturing and building is well above the expansion in other lines. Many new metals, never before exploited, are being mined. In 1956, Mexico's best farm year to that time, an increase was shown in every product except cotton. The wheat crop was the biggest in history; rice and sugar were exported and, for the first time in 50 years, there were almost no food imports. In 1955, exports were up 27 per cent, and the reserve dollar balance of over four hundred million dollars was the largest in history.

WHERE has the new capital come from? From 1940 to 1950 ten per cent of it came from abroad, from private enterprise or United States government hand-outs, particularly for the steel industry, railroad rehabilitation and construction, road-building equip-

ment and cattle-buying. United States government price-pegging of copper, silver and other new products, quota arrangements and strategic purchases have put hundreds of millions into Mexico's pocket. Many dollars have been spent by tourists who discovered Mexico when it was impossible for North Americans to go to Europe or the Orient. The rush south was quickened by the saber-rattling and oil shortages in the Old World. Tourism is a nest egg of new capital, for the tourist dollar buys mostly sunshine and services rather than exportable goods.

Ninety per cent of new capital is resident capital, derived from the large profits from industrial expansion, zooming property values and government promotion. The increase in capital investment in 1955 was 23 per cent. About even per cent of the national product is going back into new industry.

The impetus for the industrial upsurge in Mexico has been the result of more orderly conditions, increasing population, war in Europe and Asia, augmented purchases of materials in Europe and the United States, excessive taxation in the United States and Europe, the threat of Communism and disorders elsewhere.

With orderly conditions in Mexico, much capital which escaped from Mexico during the long revolution returned. The Spanish civil

war drove money and fine skills to Mexico. One businessman got his millions out of China just before the debacle. One textile man is a Russian, and the odyssey of his migrations is epic. He had large factories in Poland, which he liquidated just before the Soviet forces came in. He set up plants in Belgium. These were wiped out. With a little capital and his technical knowledge he got a new start in the United States. Foreseeing war and heavy taxation, he turned to Mexico as a field of operations. One big night club operator allegedly is an income-tax fugitive from the United States.

THE INDUSTRIALIZATION of Mexico has torn great holes in the older feudal fabric, already badly rent by the long revolution. In such a drastic alteration of the economy, many profit, many suffer. What Mexicans have benefited? Who has been injured?

A large industrial and managerial group now has growing influence. Professional, technical and engineering elements have a larger theater and enjoy unheard-of prestige. Many large American corporations have done a great service by training native personnel in their factories below the border or in the United States.

For the first time, the middle-class has taken on respectable proportions. Though many white-collar workers and others have been

badly hurt by the five-fold inflation, Mexico is no longer made up of only the rich and the poor. The extremes are as great as ever, but there are now many intervening categories.

Government enterprises, public services for the expanding cities, new highways, railroads, airports, dams, hydroelectric projects, and harbor improvements have provided opportunities in the way of graft, speculation and honest enterprise for generals and important politicians. Beginning with Presidents Calles and Rodríguez, the generals have increasingly used their control of the state to become big industrialists. A well-known general, utilizing new lands in connection with new government dams, became the sugar king of the land. Other generals now own gasoline stations, hotels, tire factories, electrical goods plants, and chemical and drug establishments.

But whatever ethics have guided the generals, the country has been the gainer. The generals now have a big stake in stability. No longer is the one road to wealth and power the assaulting of the state. Lower echelons may be restless because of the curtailed opportunity for graft and spectacular advancement. But it is far better to have a general interested in a new cement plant than in exploiting the peasants or plotting against the government. Patriotism has taken on new dimensions.

HOW ABOUT the Mexican worker? The introduction of the factory system into England and France more than a century ago was featured by frightful working conditions, the 16-hour day, unsanitary conditions, starvation wages, child labor. Hordes of peasants, driven off the land, glutted the labor market, driving standards down.

But in Mexico the village system, in contrast to Europe, was re-established by the revolution, the feudal estates broken up, and new access to the land made possible. Also, an enlightened labor code was written into the 1917 constitution. Thus the Mexican worker has not been greatly undercut by peasants driven off the land, and he has enjoyed steady employment for two decades. There have been very few strikes. Though he is grievously underpaid and inflation has kept real wages at a low level, his lot in general has improved and, in certain directions—in the building trades—wages have been fantastic though far below those in more advanced countries.

Other Mexicans, and they comprise a vast share of the population, have suffered grievously. Some of the older feudal element made the transition to the new commercial system gracefully, but others were utterly ruined, and many live on reduced rents; shabby gentility, grumbling at every change and stonily holding traditional ideas.

The small rancher, and this is a sad loss, has been largely squeezed out by the village communal system on the one hand and the efficient corporation plantation on the other. The old feudalism did provide security for individuals and families, and many of these, cast forth, have not been able to readjust. Also, much of the rural world was based on old-style barter and handicrafts. Now almost everyone is dependent on a cash income and, for the majority of Mexicans not yet absorbed into new-style production, there is little or no cash income. Unable to pay present inflated prices for corn and beans, millions of people, in the midst of the country's new-found opulence, find themselves in greater poverty than they have ever known.

Local expressions of this discontent have occurred. Food riots protesting high prices have driven out the governors of Tabasco and Quintana Roo. The wild student rioting all over the country was a protest against deeper grievances than jacked-up bus fares.

Two other glaring symptoms of personal maladjustment have occurred. The new slums of Mexico City have expanded as fast as the building of new homes and buildings. For miles, in a quarter of the city rarely looked at by tourists, is a frightful conglomeration of adobe, tin-can and thatched hovels, without running water, proper sewage or schools.

More significant is the mass migration to the United States. Probably more than three million Mexicans have come in permanently. Wetbacks and others drift. At one time deportations from the United States reached nearly a million a year. Most of these migrants are from rural communities. They are naturally drawn by the higher wages in the United States rather than by substandard wages in Mexican cities. When before in history has such a vast exodus occurred from a country with a labor shortage, an ever-expanding industry and the earmarks of prosperity?

THE GOVERNMENT, perhaps not too seriously, has tried to remove injustices. Particularly has it made an effort to curb runaway inflation. The considerable surpluses from the annual budget have been put back into a stabilization fund, to be used to withdraw currency from circulation at the first sign of new price increases, and the amount of money put into circulation has been held well below the percentage of increase of production.

A dramatic jailing of 400 merchants was staged for price-control violations. Such arrests continue. Unfortunately this has also opened up a new chance for shakedowns by inspectors and police—the notorious *mordida* or “bite.” To date, no arrests of high officials engaging in general black-market operations have been made.

How sound is the new industrial development? Some speculative enterprises, taking advantage of building material shortages, tariff changes, and high prices, have been started with the idea of quick profit and little more. Sometime back, there was a rash of new drug, chemical and cosmetic companies started for a fast cleanup before the inferiority of their products could be discovered. In these fields, at least, fly-by-night speculation has been curbed by proper legislation and inspection.

At present there are two basic weaknesses in Mexico's industrial growth. One is too great dependence upon the outside market, chiefly in the United States. That such a large proportion of Mexican production goes into foreign trade is unhealthy and dangerous. It makes Mexico's prosperity wholly dependent upon American prosperity. Even a mild depression here would bring catastrophe.

On the other hand, the greater diversification of farming, mining and manufacturing constitutes a sounder economy than in the days when 70 per cent of Mexico's exports and 70 per cent of the government revenues depended upon

one product, petroleum. That situation doomed the country.

The other weakness is tied in with the overemphasis upon exports: the lack of general purchasing power inside the country. Even with augmented production, the percentage going for wages and salaries (though these are larger) has declined. Mexican wages are still too low to permit an appreciable purchasing of civilized manufactured goods, even though the market is greater than formerly because of the expanded middle class. But the plight of many millions broken off from the old stem of life, not grafted on to the new, means that in case of any sharp curtailment of exports, little of the slack could be taken up inside the country.

THIS EFFORT to gain national economic independence is not easy. Much of what has been accomplished in Mexico will endure, but the balance between permanent progress and disaster is still precarious. It is a tightrope that, for better or worse, must be walked for a long time to come. In any case, Mexico is no longer a beggar sitting on a hill of gold.

The United States today has its able and very popular Ambassador, Robert C. Hill. The Mexicans love him! Millionaire Zionist Toledano, as head of South American Labor Confederation, dominates over six million workmen.

The Communists are extremely active in Mexico. Red Russia is said to have recently sent over 20 million dollars for Communistic work among workers and students in Mexico and nearby countries. The Russian Embassy in Mexico City has a staggering number of spies as its employees.

SPECIAL LAW PASSED FOR ZIONIST

Swope fortune went tax free to Israeli school

by Dorothy Thompson, New York

I HAVE in the past spoken of special interests which have shaped American policy. Here is an example bearing on Zionist influence on congress and the White House.

The *Jerusalem Post* (Israel) on May 29 carried an article by Moshe Levin, interviewing Abraham Tulin, an American citizen who is (to quote Levin) a brilliant attorney and "a veteran Zionist." After interviewing Tulin Levin wrote: "The story is too fresh to be told in its entirety. Many highly placed persons in the United States who were involved are still active in public life, but the drama behind the eight million dollar Gerard Swope bequest to the Technion can now be revealed." (The Technion is a technological institute in Haifa, Israel.)

Tulin was the leader in organizing the American Technion society, whose chief business was to raise funds for the institute in Israel. He succeeded in interesting the late Gerard Swope, president of General Electric and a multimillionaire.

"Mr. Swope was a Jew although few people realized it." He was enormously influential. "He was called on by several presidents to head commissions and stood for

years as chairman of many boards of directors."

Swope was over 80 when Tulin met him in 1953. He had shown no interest in Zionism. Tulin approached him through his interest in technology, and between 1953 and 1955 Swope contributed \$350,000 to Israel's Technion.

But Tulin thought Swope's fortune ought to go to Technion: "In 1955, Swope's wife died. He had turned over most of his fortune to her, thinking she would outlive him . . . and she willed him about eight million dollars in trust, the income to go to him for life and the principal to go upon his death to such persons or organizations as he should direct in his will."

Tulin subsequently "made out his (Swope's) will," which made Technion the sole beneficiary of this trust.

But since Swope had inherited this fortune from his wife there would be a federal tax of \$4,500,000 on it. Levin continues to quote Tulin:

"There was nothing in the internal revenue code that could help us . . . Then a thought struck me. *Why couldn't we amend the code?*