

In the 19th and 20th centuries, Mexico proved that debt can be repudiated

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Mexico is the only former colony which, in the 19th and the first half of the 20th century, won decisive victories over its creditors through its own determination. In 1861 Mexico repudiated a portion of the external and internal debt being demanded of the country and in 1867 overcame a large French expeditionary force. Under the pressure of an authentic popular revolution, starting in 1914 and for more than thirty years, Mexico once again suspended repayment of its debt. During that period, with popular mobilization and social progress reaching high and low points, profound economic and social reforms were put in place, and after the Second World War Mexico's economy gained in strength.

This little-known history deserves to be put into the spotlight because it should serve as inspiration for today. It shows that determined struggle by a country under the domination of the major powers and international finance can make major social advances.

It also proves that no victory is definitive and irreversible, *a fortiori* if those who govern fail to defend it.

This study devoted to Mexico during the period from the early 19th century to the Second World War demonstrates how a peripheral State can successfully repudiate a debt even if its collectors are backed by the imperial powers and their gunboat diplomacy.

The local dominant classes lent to the colonial Spanish State

Spain conquered Mexico with fire and sword beginning in 1519. [1] Madrid called its colony "New Spain." The war of independence began in 1810 and ended in victory for independence in 1821. At the end of the 18th century, the local dominant classes, including the clergy, were lending to the colonial State and also to the home country at a rate of 5%. Mine owners, big landowners, rich Spanish merchants established in Mexico, and the Mexican clergy lent large sums to Madrid at an interest rate that varied between 5% and 6%. These loans, which financed Spain's European wars, were raised by selling Spanish bonds to Mexico's ruling classes to contribute to Spain's war against England in 1782 and against revolutionary France in 1793-94. When Mexico's war of independence began in 1810-11, the ruling classes cut off credit to the Spanish government in Mexico City and Madrid. The risks were too high. [2] Only the Spanish merchants residing in Mexico were still lending money to the colonial government in Mexico City in 1813, at a rate of 5%, [3] since they had every interest in seeing the independence movement defeated and because they were convinced that should the Spanish camp be defeated, they would be compensated by Madrid.

Repudiate the debt, confiscate the Church's property or pay off old debts

The struggle for independence was conducted, with a few exceptions, by well-off sectors of the population who were of European origin and who, following the example of the rest of Latin

America, wanted to rid themselves of the colonial yoke. [4] As throughout the continent at that period, the movement was led by “creoles” – sons and daughters of parents of European origin born in the Spanish colonies. The leaders of the independence movement had little regard for the indigenous populations, who accounted for some 80% of Mexico’s six million inhabitants. [5] Following independence in 1821, Agustín de Iturbide, the new head of State, questioned whether or not the debt of the former colonial regime should be repaid. He envisaged three options: *primo*, repudiate the debt, since it was accumulated in the interests of the colonial power that had exploited the country; *secundo*, confiscate the Church’s property and sell it to repay the debt; *tertio*, issue bonds in London in order to pay off old debts. [6] In order to avoid conflict with the local ruling classes, who were the holders of a large portion of colonial debt, the President decided against repudiation. Similarly, to reassure the powerful clergy, he decided not to nationalize Church property.

So, against the interests of the people, Iturbide opted to borrow in London and devote a significant part of the proceeds from the bond issue to repaying colonial debt. Mexico’s ruling classes, or a large part thereof, had an interest in their country taking on foreign debt. The article “How Debt and Free Trade Subordinated Independent Latin America”, [7], gives a brief analysis of Mexico’s bond issues in London in 1824-25. They set off a chain of events that were to unfold over the entire 19th century and strongly affect the country’s history in its relations with foreign powers. The terms of the loans were clearly abusive, as was their management.

Mexico borrows 1 and agrees to repay 7

In February 1824, Mexico issued bonds in London through the intermediary of the bank Goldsmith and Company. The conditions were harsh in that they gave Goldsmith abusive advantages. Whereas Mexico issued debt worth the equivalent of 16 million Mexican pesos (3.2 million pounds sterling – NB: hereinafter, pounds sterling = £), the country actually received only 5.7 million pesos or approximately, £1.14 million), or a mere 35% of the amount borrowed. Taking into account the interest to be paid whereas it actually received 5.7 million pesos, Mexico committed to repaying 40 million pesos (16 million pesos in capital and another 24 million pesos in interest, since the rate was fixed at 5%) over a period of 30 years. To express it simply, Mexico received 1 and had to pay back 7. Even at the time of the bond issue, Goldsmith made enormous profits.

In 1825, Mexico borrowed the same amount (16 million pesos or £3.2 million) from another financial firm, *Barclay and Company*, [8] and actually received 6.5 million pesos (£1.3 million). Again, over 30 years, Mexico committed to repaying 44.8 million pesos (16 million pesos in capital plus 28.8 million pesos in interest, since the rate was set at 6%).

Despite what the official narrative claims, the suspension of debt repayment by Mexico and other Latin America countries (and also Greece) beginning in 1827 was not the cause of the London financial-market crisis. It was the consequence. Neither was it caused by the upheavals which have continued to affect Latin America and other countries, such as Greece, until this day.

The crisis broke out suddenly in London in December 1825 as a result of the bursting of the speculative financial bubble that had swelled over the preceding years and mainly affected domestic British activities. In addition, egged on by the speculative fever, London bankers massively granted credits to countries waging independence struggles (the decisive battles fought by Simón Bolívar took place in Latin America in 1824, the Greek separatists were in a fragile position in their conflict with the Ottoman Empire, etc.) When the crisis started in London, the Latin American countries and Greece were repaying their external debts as normal.

In Mexico's case, the two financial firms Goldsmith and Barclay that had issued Mexican bonds in 1824-25 had made considerable profits at the country's expense. It should also be pointed out that Goldsmith had skimmed off the interest and the repayment of the capital corresponding to the years 1824-25 from the 1824 issue. But in addition, a quarter of the amount of the 1825 issue, made through Barclay, was used to repay Goldsmith for the year 1826! Goldsmith speculated on the Mexican bonds: whereas the bank had purchased them from Mexico at 50 % of their nominal value, it sold a great number to third parties at 58 % of their value. Later, in early 1825 when the market euphoria was at its height, the firm was selling them at 83% of their face value. [9] However, the firm of Goldsmith went bankrupt in London in February 1826, and Barclay and co. failed in August 1826. [10] Clearly, Mexico was not responsible for the failures; rather it was one of the victims. Due to Barclay's failure, Mexico lost £304,000 that had been skimmed off by the firm to prepay the interest and the beginning of repayment of capital for the entire year 1826 and part of 1827.

The borrowing conditions of 1824-1825 created a spiral of indebtedness

The payment default of Mexico and many other countries that occurred on 1 October 1827 was caused by the sudden shut-off of credit that happened in December 1825. Up to then, through 1824-25, access to credit in London had been largely unimpeded. Mexico however, like the other debtor countries, had been counting on further credits from London in order to repay the preceding ones. The conditions the countries had agreed to on the loans made it impossible for them to continue repayment without new loans. In other words, the credit conditions of 1824-25 were so unfavourable to the newly independent debtor countries that they were unable to repay without further borrowing.

In the early 1830s, Lorenzo de Zavala, Mexico's Minister of Finance, [11] stated that Mexico should have refrained from seeking credit in London because Mexico's economic resources were sufficient. [12] Zavala, it should be noted, was president of the Constitutional Congress at the time of the bond issues of 1824-25. Lucas Alaman, who was minister in 1824, also recognized *a posteriori*, in 1852, that the London issue had been disastrous. [13] José Mariano Michelena, who replaced Borja Migoni, who had negotiated the 1824 and 1825 loans, in London in 1825 condemned the usurious rates. [14] And yet an author such as Jan Bazant, in a work published in 1968 and considered authoritative in academic circles, wrongly states that Mexico's borrowing on the London market was a good choice and that, all things considered, the credit conditions were not so disastrous after all. [15] Bazant's main argument consists of pointing out that other countries accepted conditions that were just as unfavourable. It is not a convincing argument. Objective criteria such as the issuance price, the actual interest rate, and the commissions paid must be considered. Mexico agreed to conditions it should have refused to accept. But in any event the 1824 Goldsmith loan was by far the most abusive of all those granted to Latin American countries during the 1820s. [16] That other governments accepted loans on conditions that were against the interests of their countries does not make those entered into by Mexico any more legitimate. Moreover countries like Paraguay and Egypt refused to resort to foreign borrowing during this same period, and managed very well without. It was when Egypt eventually did agree to massive foreign loans, in the 1850s, that its situation became disastrous. [17]

The close link between domestic and foreign debt

In contrast with the loans they granted to the Spanish colonial State at rates of 5 to 6%, the local ruling classes extracted usurious rates (12% to 30%, and even more [18]) from the new Mexican State, with foreign loans serving in part to repay the domestic debt. The rich Mexicans (big landowners - *latifundistas* -, powerful merchants, or owners of mines) who lent to the State had every interest in seeing the Mexican authorities continue to seek foreign loans. These loans were

then used in large part to repay internal debt; and they had other advantages: they were a source of profit for Mexico's ruling classes, who themselves purchased the Mexican bonds abroad. They were a source of the foreign hard currency needed by Mexican capitalists for importing foreign products (capital goods, consumer goods, armaments, etc.)

By financing a whole range of the State's activities through borrowing, the Mexico authorities avoided increasing the taxes paid by those same wealthy citizens.

The use to which the two bond issues of 1824-1825 were put is a good illustration of this: 25% of the total amount went to repay internal debt; 15% was used for arms purchases in London; 8% went to purchase tobacco from major Mexican producers (the tobacco was then re-sold by the State); and 52% was used to pay the State's current expenditures (payment of back wages, pensions, administrative expenditure). [19] This means that 0% was used for investments in development or for social expenditure.

The example of Mexico is very interesting from the following point of view: Mexican capitalists took on English or French citizenship to avail themselves of the protection of the London or Paris governments. The pretext used by France, Britain and Spain to justify invading Mexico in late 1861 was precisely the necessity of securing repayment of the debts owed by Mexico to French, British or Spanish citizens. Yet in fact some of those citizens were in reality rich Mexicans residing in Mexico but who had adopted a European nationality to obtain the support of the European powers in their conflict against their own State. In the literal sense, they were what is called in Spanish "*vende patria*" ("those who sell out their country").

The debt restructurings of 1830 and 1840

As pointed out above, Mexico suspended repayment of its foreign debt (the Goldsmith and Barclay loans in October 1827) and its government attempted to make use of internal debt by agreeing, in 1828, to extremely high interest rates - the local ruling classes were very demanding: on 1 June 1828, the Mexican capitalist Manuel Lizardi granted a loan at an annual rate of 536%; on 23 July 1828, Angel González lent at 232%. [20] We should add that nine years later, in London, Lizardi's financial firm served as intermediary between the Mexican government and the holders of Goldsmith and Barclay securities, pocketing substantial commissions (see below). [21]

The country entered into negotiations with London creditors who in 1829 had created a Mexican bondholders committee. In 1831, the Mexican authorities made enormous concessions to creditors. Whereas the arrears of interest for the period between October 1827 and April 1831 amounted to £1.1 million, they agreed to that interest being turned into a debt of £1.6 million (this is called capitalization of interest or transformation of unpaid interest into outstanding capital).

How did things stand after the 1831 agreement between Mexico and the creditors? In 1824-25 Mexico received approximately £2.44 million, and repaid £2 million in the form of interest and capital repayment between 1824 and 1827, receiving no further funds until 1831, and found itself with a debt that had increased from £6.4 million to £6.85 million. In the case of the Goldsmith loan of 1824, between February 1824 and July 1827 Mexico paid back £1.57 million whereas it had received only £1.13 million in all. [22] Mexico should have repudiated the loan due to the unconscionable nature of the contract, especially since the Goldsmith firm went bankrupt in 1826. Yet in 1831 Mexico recognized an outstanding debt of £2.76 million on the Goldsmith loan. [23]

In 1831, Mexico resumed foreign-debt repayments for a period of one year. In 1837, whereas it had received no further external loans, Mexico struck a new agreement with the creditors in London.

The debt grew yet again - from £6.85 million to £9.3 million. Mexico made interest and capital repayments from 1842 to 1844. New negotiations took place in 1846, during which Manuel Lizardi reaped considerable - and fraudulent - profits from his country for the benefit of the bondholders' committee. Despite the payments made in 1842-44, Mexico's debt increased from £9.3 million to a little over £10 million, without the slightest additional credit being granted. This was purely an accounting trick that increased the outstanding debt for the creditors' benefit while giving Mexico some semblance of relief. The additional commission that went to Manuel Lizardi totalled £876,000. After pocketing that sum, Lizardi dissolved his financial firm in order to escape future litigation.

In 1847, the USA made war on Mexico in order to annexe an enormous portion of its territory. The USA took half of Mexico, annexing what are today the States of Nevada, Utah, Colorado, New Mexico, Arizona and California. Troops occupied the capital, Mexico City, for a time.



Territories lost by Mexico in favor of the United States in 1848

After the war, Washington paid compensation for the annexed territories (15 million Mexican pesos, or approximately £3 million). A large part of that amount then went to repay the internal debt to the local ruling classes and to resume repayment of foreign debt between 1851 and 1853 (still in repayment of the 1824-25 loans). [24]

The disastrous international conventions signed by Mexico between 1851 and 1853 with Britain, France and Spain

A convention imposed by Great Britain by blackmail

In December 1851, Mexico agreed to sign an international convention with Britain under which it recognized a debt and declared that it was ready to indemnify British subjects and firms who had suffered losses in the past when the Mexican authorities had suspended repayments on internal debt that had been bought up by British firms. This convention was imposed by coercion: if Mexico wanted to issue new bonds in London, it had to sign this international treaty. If it refused, Mexico faced British military intervention on the pretext of obtaining justice for its subjects. Apart from the fact that this convention was weighted in favour of British subjects and companies, granting them excessively high repayments, it contained a measure that was even more harmful and scandalous and which deserves a brief explanation: a firm owned by a Mexican capitalist had obtained, using this convention, the guarantee of a large compensatory payment on the grounds that its owner, Martinez del Rio, had acquired British citizenship in 1843. The Mexican firm that had purchased Mexican internal-debt bonds succeeded in internationalizing that debt through the naturalization of its owner. [25]

The same year, Mexico signed a similar convention with Spain. Two others were to follow during 1852-53 [26] ; and between 1851 and 1853, Mexico entered into three such conventions with France. [27] According to Jan Bazant, half of the debt recognized by Mexico by virtue of these international conventions was in reality held by Mexican capitalists who had acquired British or Spanish nationality.

Britain, France and Spain, in forcing these conventions on Mexico, created an international instrument of coercion. By signing, Mexico relinquished part of its sovereignty and gave the foreign powers an argument for declaring war over unpaid debts. Until then the Mexican courts had refused claims by British, Spanish or French subjects concerning internal debt. And foreign courts did not deal with claims from their own citizens and firms if they involved the internal debt of a sovereign nation like Mexico. In agreeing to sign these conventions, Mexico was agreeing that its internal debt be turned into external debt, and that foreign States represent private citizens. As explained above, Mexico also agreed to allow Mexican subjects (capitalists, as it happens) who had acquired foreign nationality to have their interests defended by foreign powers.

Concretely, the domestic debts were replaced by Mexican government bonds that had international value and were repaid using customs revenues. The new external debt inherited from these conventions amounted to 14.2 million pesos (or a little less than £3 million). It's important to make it clear that that amount does not correspond to any payment of funds to Mexico from foreign sources. Once again, it was simply a piece of accounting sleight of hand that transformed an internal debt into external debt. External debt, which before the conventions stood at 52.7 million pesos (a little more than £10 million) [28] corresponding to the unconscionable Goldsmith and Barclay loan of 1824-1825, increased by 14.2 million pesos to 66.9 million pesos. [29]

Clearly, in signing these conventions the Mexican authorities –comprised of representatives of the local ruling classes – acted against the interests of their country and of Mexico's people.

We will see what advantages the foreign powers sought to gain from these conventions in the 1860s. Ten years later, the threat dramatically took concrete form when Mexican capitalists, beginning in 1861-1862, supported the French, British and Spanish invasion and backed France's imposing of an Austrian prince as Emperor of Mexico. To permanently avoid the trap of international debt recognition conventions and the accompanying abandonment of sovereignty, the Mexican Congress adopted a decree prohibiting them in 1883 (see below).

The Revolution of Ayutla and the struggle between Liberals and Conservatives

In 1855, the dictatorship of the conservative Santa Anna was overthrown by the Revolution of Ayutla and the Liberal Party came to power.

In order to promote the development of a capitalist bourgeoisie in Mexico, the Liberals wanted to expropriate land belonging to the clergy and the indigenous communities. [30] The laws passed to this effect are referred to as the Reform, and were reaffirmed in the Constitution of 1857. In reaction, the Conservative Party, representing the interests of the clergy and large landowners, launched the War of the Reform against the Liberals in power, with the support of Pope Pius IX. The Liberal Benito Juárez, who had become president in 1858, was overthrown by Conservative generals. General Zuloaga, commander of the military garrison in the capital, usurped the presidency. Benito Juárez was forced to leave Mexico City and organized armed resistance against the usurpers from the North, while enjoying support from all over the country. Between 1858 and 1 January 1861, two governments coexisted – the Conservative government, which remained in Mexico City, and the Liberal one, whose seat moved about according to the needs of the war.

The scandal of the Jecker bonds issued by General Zuloaga, the usurper president

In 1858, the Finance Minister of the Conservative president of the period attempted to conduct a major operation to restructure/convert the internal debt for a total of 57 million pesos. The new

bonds began to sell at 5% of their nominal value, after which the price fell to 0.5%! Mexico indebted itself to the tune of 57 million pesos and in return received only 443,000 pesos (less than 1% of the nominal value of the issue!) and some older bonds. It was a total fiasco for the treasury, but a gold mine for the bond purchasers. And in particular for the Swiss banker Jean-Baptiste Jecker, [31] established in Mexico City since 1835. A large shareholder in silver mines (the Taxco and Mineral Catorze mines), he had purchased a large number of bonds at between 0.5% and 5% of their value. One year later, Mexico issued more bonds internally using Jecker's services. Jecker acquired bonds for a total value of 15 million pesos, and in exchange paid Mexico's public treasury 618,927 pesos (approximately 4% of the value of the bonds) and bonds issued the previous year with a nominal value of 14.4 million pesos but which he had bought for next to nothing. The total cost of the operation for Jecker was 1.5 million pesos (that is, the purchase of a large part of the bonds issued in 1858 and the new 15-million-peso issue of Jecker bonds).

On 3 November 1858 Benito Juárez issued a decree from the city of Veracruz, revealed to the citizens of Mexico City by the clandestine press, which said:

*"Benito Juárez, Constitutional interim President of the United States of Mexico, hereby informs all inhabitants of the Republic that: By virtue of the powers vested in me, I deem it appropriate to decree the following: Any person who, directly or indirectly, shall give aid to the individuals who have refused obedience to the supreme Constitutional government **by supplying money, food, ammunition or horses, shall through that act alone forfeit the full value of the amounts or the goods that shall have been delivered to them, and will in addition be liable to pay the Treasury a fine amounting to twice the amount of money, or twice the value of the goods that shall have been supplied.***

Issued at the Palace of the General Government at Veracruz, 3 November, 1858." [32]

Jecker and the local capitalists who were financing the illegal government had been warned.

Repudiation of the internal debt and suspension of payment of the external debt in 1861

Benito Juárez repudiated the internal borrowings carried out between 1858 and the end of 1860 by the usurpers

Having defeated the Conservatives' army, Benito Juarez triumphantly entered the capital on New Year's Day 1861. Juárez and his government repudiated the internal loans contracted by the usurpers between 1858 and the end of 1860.

Nevertheless, he offered to compensate Jecker for the amount he had actually spent, or 1.5 million pesos. Jecker refused and sought the support of France in order to guarantee maximum profit. Emperor Napoleon III was looking for a pretext for launching new colonial conquests: he wanted to take possession of Mexico (whose territory was three times bigger than France) and its silver mines. The French government demanded that Mexico repay the bonds held by Jecker (who, remember, was a Swiss national) and Mexican bonds held by French citizens at face value. The fallacious nature of the argument they used becomes even more obvious when we learn that France granted French citizenship to Jecker in March 1862, whereas the invasion had already begun three months earlier, in early January of 1862 (see below).

France had already attacked Mexico in 1839

France had already used the pretext of damages caused to its citizens in Mexico to obtain trade advantages. In the chaotic post-independence period, French merchants in Mexico suffered losses, and some had even been killed during the disturbances.

In September 1838, the pastry shop of a Frenchman, Remontel, was looted in Tacubaya. Louis-Philippe's France demanded 600,000 pesos (3 million francs) for damages and in compensation for "forced loans." When the Mexican authorities refused, France sent in a squadron which took possession of San Juan de Ulúa and destroyed the port of Veracruz. The Mexicans referred to this intervention as the *Guerra de los pasteles* (Pastry War) to show the disproportion between the pretext and the effects.

Indeed the war did have consequences for Mexico, who had to rebuild the port of Veracruz and lost customs revenue while the port was out of service. It was forced to sign the Treaty of Veracruz, in March 1839, under which it agreed to pay the 600,000 pesos being demanded, but above all granted trade advantages to France, in particular for importation of fabrics and luxury products.

Jecker went bankrupt in May 1860, and among his assets the liquidators found Mexican bonds from 1858 and 1859 for an amount of 68 million pesos, which means that Jecker had only sold a small number of them, despite what he claimed. [33] This brings to mind what the French banker Erlanger did regarding the Tunisian bonds issued in Paris in 1863, (see <http://www.cadtm.org/Debt-how-France-appropriated>). It should also be pointed out that the Duke of Morny, Napoleon III's half-brother and President of the National Assembly, later acquired 30% of the Jecker bonds. [34]

As indicated earlier, Benito Juárez, after emerging victorious from the power struggle between Liberals and Conservatives in late 1860, attempted to restore order to the country's finances. Britain recognized him as President in February 1861 with the hope that his government would resume repayment of the debt stemming from the Goldsmith (1824) and Barclay (1825) loans, honour the convention of 1851, and take on the debts contracted since then by the successors. [35] But in May 1861, Benito Juárez decided to suspend repayment of the debt outstanding from the Goldsmith and Barclay loans for one year. In July 1861, he extended the suspension of payment to two years. No payments were made to Britain, France or Spain, who had backed the usurping Conservative presidents between 1858 and 1860.

The French invasion and occupation of Mexico (1862-1867)

On 31 October 1861, Britain, France and Spain entered into an international convention under which the three colonial powers agreed to use force against Mexico to obtain payment of its debts. [36] The conventions signed by Mexico between 1851 and 1853 were cited as justification for the aggression. The US executive attempted mediation: Washington offered to lend Mexico the money it needed to resume payments to Britain, France and Spain. But the US Senate finally rejected that proposal [37] and preparations for invasion continued. The Spanish landed in December 1861, the British on 4 January 1862, and the French four days later. The French expeditionary corps was by far the largest. In the end, only France pursued the invasion. Britain and Spain were opposed to France's plan to conquer Mexico, abolish the Republic, and install a monarchy. The British and Spanish officially objected to France's totally disproportionate demands and declared the convention of October 1861 null and void.

The British and Spanish withdrew from Mexico in April 1862. The French troops took a year to reach the Capital and occupy it to install – with the support of part of the local ruling classes – a Catholic monarchy. Prince Maximilian of Austria was proclaimed Emperor. During his reign, which lasted until 1867, he unsuccessfully sought popular support by launching certain social reforms.

Maximilian of Austria was clearly a puppet emperor serving France's interests. Recognition of the Jecker debts contracted by the Conservative presidents in 1858-1860 was among his first acts. Another consisted in issuing a new international loan in Paris and London for 200 million French francs (40 million pesos, or £8 million). [38]

The new loan was successful only in Paris, where it was managed by two banks, the Crédit Mobilier and Fould-Oppenheim & Cie. The Crédit Mobilier had been founded in 1852 and benefited from the protection of Bonaparte. [39] The Fould-Oppenheim & Cie bank was directly tied to Napoleon III's Finance Minister Achille Fould, who was the brother of the bank's owner. The conditions of issuance were similar to those of the Goldsmith loan of 1824. Whereas Mexico indebted itself for 200 million francs, the sale of the bonds brought in only 100 million francs, a large part of which remained in France. Maximilian of Austria issued a second loan in Paris in April 1864 for 110 million francs (22 million pesos). The entirety of that amount remained in France. [40] Maximilian sought a final loan in early 1865 for 250 million francs (50 million pesos). [41] Of the total debt of 560 million francs contracted by Mexico, only 34 million francs actually arrived in Mexico. [42] More than half of the amount borrowed went directly to the French ministry of Finance. As for Jecker, he received 12.6 million francs.

During his short reign, Maximilian multiplied by three the external debt of Mexico

The international military expedition sent by Napoleon III ended in bitter defeat; the French troops withdrew in February 1867. [43] During his brief reign, Maximilian, acting entirely as France's surrogate, tripled Mexico's foreign debt. Once Benito Juárez returned to the presidential palace in Mexico City and permanently ended the occupation, he repudiated all debts contracted by Maximilian of Austria and had him executed in June 1867. He also reaffirmed the repudiation of the interior debt contracted between late 1857 and late 1860 by the Conservative presidents Zuloaga and Miramon.

During the struggle against French occupation, in 1865 the government of Benito Juárez had contracted a debt with the United States amounting to 3 million pesos. That debt was honoured. Clearly the regime of Benito Juárez needed Washington's support against the other colonial powers. It is also clear that Washington again adopted an imperialistic policy toward Mexico once the War of Secession was ended. As we shall see further on, the strategy used took the form of a policy of investments, in particular in railways. Later, Washington again resorted to military intervention after the Mexican Revolution broke out in 1910.

After Benito Juárez returned to power, Britain pressured him to resume repayment of the former foreign debt stemming from the convention of 1851. Mexico answered that this convention was no longer valid, since in the interim Britain had participated in a military expedition against Mexico in 1862 and then recognized the occupying regime of Maximilian of Austria. [44]

As for the outstanding debts corresponding to the Goldsmith (1824) and Barclay (1825) loans, Mexico did not repudiate them but made no payments until 1886.

And regarding the convention of 1852-53 with France, Mexico held that it was no longer valid in light of the invasion. Note that France eventually accepted Mexico's position, and that diplomatic relations were fully restored between the two countries in 1880 without France demanding that

former debts be recognized. This constitutes an important victory for Mexico. France did not want to lose the possibility of investing in Mexico and understood that to persist in making unacceptable demands on Mexico would get it nowhere.

We shall see that the government of Porfirio Díaz later adopted a policy toward France and other powers that was against the country's interests where external debt was concerned.

The Porfirio Díaz regime (1876-1910) and the return to massive indebtedness

A new period in Mexico's history began in 1876 when General Porfirio Díaz (a Liberal who had served under Benito Juárez) violently overthrew the Liberal government of Sebastián Lerdo de Tejada, who had succeeded Benito Juárez in 1872. This was the beginning of the *Porfiriato*, an authoritarian Liberal regime that would "modernize" the country by opening it much more to foreign capital, encouraging the accumulation of capital by a national bourgeoisie through expropriation and the accelerated development of capitalist relations of production, without completely ending pre-capitalist forms of exploitation.

The Porfiriato extended the Liberal reforms begun by Benito Juárez using even more authoritarian methods. [45] From that point of view, there was continuity. [46] On the other hand, whereas Juárez and Mexico had defied creditors' demands for repayment of internal and external public debt, Porfirio Díaz adopted a policy that favoured the creditors. His government recognized old debts, including some that had been repudiated by Congress and by the Juárez government.

Between 1880 and 1884, Díaz handed power to General Manuel González, a faithful collaborator. During this period major debt restructuring was conducted, leading to a new cycle of massive indebtedness. The Porfiriato lasted until the Revolution of 1910. Between 1888 (the date of the first international bond issue during the Porfiriato) and 1910, Mexico's external debt was multiplied by a factor of 8.5, increasing from 52.5 million to 441.4 million pesos, and internal public debt doubled.

A most edifying calculation

In 1883, when Mexico's Congress adopted the law establishing the limits of the debt to be renegotiated with the creditors, it came to approximately 100 million pesos. Between 1888 and 1911, Mexico paid approximately 200 million pesos in interest and capital repayment and its total public debt (external and internal) reached 578 million pesos. [47] In other words, Mexico paid back twice what it owed and ended up six times more indebted. The amount actually received by Mexico was extremely small, because the increase in the debt was essentially the result of juggling accounts during successive restructurings. In addition, the funds actually received were very badly spent, generally in the form of subsidies to capitalist railway owners (see below).

Despite this catastrophic bottom line, several authors considered to be authorities on debt have praised the Porfiriato. William Wynne writes: "*The advent of President Díaz to power in 1877 marked the commencement of an era of peace and strong government, and in 1885-86, a definitive and workable settlement of the early loans was embodied in a comprehensive scheme of financial readjustment. With this accomplished, a new chapter began to be written in the country's foreign debt history, indeed, in the whole social and economic life of the nation. A succession of new loans was contracted and applied in a fair measure to the building of railways and public works, while foreign capital in considerable amounts was employed privately in the exploitation of the rich natural resources.*" (p. 3-4) [48]

Jan Bazant, in the conclusion of his book on debt in Mexico, writes: *“During the Porfiriato, material progress could not be attained by other methods than those employed – methods which consisted in considerable growth of foreign debt and foreign investments, as in other countries.”* (p. 240) [49]

These two citations clearly demonstrate their authors’ bias. They do not hesitate to embellish the Porfiriato and the regime’s policies of indebtedness, which in reality were catastrophic for the country and its population.

Caught again in the machinery of debt

Mexico ceased repayments of foreign debt in 1861 from Benito Juárez’s arrival in Mexico City and through 1888. [50] Note that the Juárez government, in the late 1860s, had the good sense to buy back a large quantity of the bonds affected by the conventions entered into with Britain in the early 1850s [51] at 10% of their value. For one thing, the cost of repurchase was low, and also, since the operation removed the bonds from circulation, the country saved money on interest payments and avoided future claims.

After he took power, General Porfirio Díaz sought to restructure the old debts in order to enrich the Mexican capitalists who held a large share of them and to improve relations with the major foreign powers. This he managed to do in 1888.

Since the Mexican Constitution did not allow him to be re-elected indefinitely, he passed on the presidency to General Manuel González between 1880 and 1884. González furthered negotiations with the creditors. In 1883, he succeeded in persuading the Mexican Congress to allow the government to negotiate new loans while acknowledging part of the old foreign debt – in particular that part related to the outstanding amounts of the Goldsmith (1824) and Barclay (1825) loans. The decree adopted by the Congress on 14 June 1883 [52] clearly repudiated the following debts: all debts contracted by the illegitimate (usurper) governments, those contracted by General Zuloaga and his successor, Miramon, between 17 December 1857 and 24 December 1860, and those contracted or renegotiated by Maximilian of Austria. [53]

One very important provision of the decree was that regardless of the origin of the credit and the nationality of the creditors, the debt must remain within Mexican jurisdiction, without the possibility of being granted any international dimension nor any revenue of the State being furnished to repay it. In including this provision, Congress wanted to deny the foreign powers the possibility of attacking Mexico under the pretext of forcing compliance with an international convention on external debt. Declaring that the debt must remain Mexican meant that in case of litigation with creditors, foreign or domestic, the only competent jurisdiction was Mexico’s. Declaring that no particular revenue of the State could be seized in repayment of debt protected Mexico’s right to make repayments only if it considered that it had the resources to do so. The limitations set by the law clearly show that for the majority of Congress members and Mexican public opinion, it was inconceivable to resume repayment of certain debts that were deemed “illegitimate” or “impure,” in the terms used in public debate by the main protagonists of the period.

The Decree of 14 June 1883, then, has twofold significance: on the one hand, it authorized the government of Manuel González to renegotiate old foreign debt; on the other, the legislature established constraints, limiting the concessions the government could make in meeting creditors’ demands.

On 1 June 1884, the government of Manuel González violated the Decree of 14 June 1883 by entering into an agreement with the international creditors in order to repay debts stemming from

the conventions signed with Britain in the early 1850s. [54] The agreement with the creditors was finally submitted to Congress for ratification in November 1884. This caused major disturbances among parliamentarians and in the streets. [55] The members of Congress who opposed the agreement demanded a prior audit of the debts in order to determine their validity and legitimacy and decide what should be repudiated. The government attempted to force the agreement through Congress, causing major protests. Students led the demonstrations, and the repression resulted in one death. The debate in Congress was suspended, but that did not stop the González government, and then that of Porfirio Díaz, from entering into an agreement with the London Convention creditors, compensating them at a highly favourable rate and within a very short time. [56] As we have seen, at least half of the so-called "London" debt was held by Mexican capitalists. It is highly probable that 30 to 50% of the London bonds were held by Manuel González himself and by his brother-in-law, Ramon Fernandez, Mexico's ambassador to France. [57]

The difficulties González encountered in Congress at the end of his term of office and the street demonstrations, all echoed by the press of the period, clearly show that debt was a central element in the national debate and that the orientation adopted by the government was rejected by a large part of the population.

Following these major incidents, Porfirio Díaz began his second term on 1 December 1884 and further reinforced the budgetary policy aimed at repaying the debt and seeking new loans.

In 1888, the restructuring of debt inherited from the Goldsmith and Barclay loans

Finally, Mexico issued new foreign debt in 1888, two thirds of the proceeds of which went to repay the balance of the Goldsmith and Barclay debt, by then more than 60 years old.

Let us bear in mind that in 1824 and 1825, Mexico had received £2.7 million (approximately 13.5 million pesos) from the Goldsmith and Barclay loans. Subsequently, it repaid £5.1 million (more than twice the amount actually received), including £4 million in payment of interest and £1.1 million in repayment of capital.

It went against the interests of the nation and served the narrow interests of the Mexican capitalists who held part of the old bonds

In 1888, Mexico used £5.4 million (27 million pesos) to repay the balance of the Goldsmith and Barclay debt. This was an out-and-out swindle. It went against the interests of the nation and served the narrow interests of the Mexican capitalists who held part of the old bonds. [58] Of course, foreign bondholders also benefited. And it was all at the expense of the Mexican Exchequer.

The 1888 bond issue, according to many major authors such as Jan Bazant, put an end to the 1824-25 debts, whereas in reality that old debt was replaced by a new debt of 34 million pesos [59] which Mexico was forced to repay until 1910, and whose balance was included in the debt renegotiations that took place between 1922 and 1942.

We can in no way agree with Bazant's assessment, to wit: "*With the 1888 loan the chapter of the 1824 and 1825 loans is closed. [...] We can conclude that despite the many complications these loans had brought about for the country, in the final analysis they were a beneficial operation.*" [60]

The 1824-1825 loans, restructured for the last time in 1888 (bearing in mind that they had already been restructured four times between 1830 and 1850 [61]) were a terrible yoke borne by the Mexican people.

Consequences of the Porfiriato debt policies

During the Porfiriato, the government imposed budgetary measures in order to produce sufficient financial leeway to cover debt repayments. Austerity measures included lowering public sector wages, increasing taxes and refusing any social spending.

Seven bond issues were made. The first one, in 1888, was essentially, as we have seen, to cover the reimbursement of previous bond issues. Those of 1899 and 1910 were again for similar repayments. That of 1893 was for general government costs. The 1889, 1890 and 1904 borrowing went straight to funding Mexican and foreign investors building railways.

By observing the nationalities, the localities and the names of the foreign banks providing the Porfiriato loans, we can trace the rise of big capital and the newly developing international financial centres. While the 1824-1825 issues were made in London by English bankers, or in Paris by French bankers the 1888, 1893, 1899 agreements were made in Berlin with German bankers (Bleichroeder, Deutsche Bank, Dresdner Bank). As of 1899 American banks make their presence felt, notably JP Morgan (now the biggest bank in the US) and in 1910 the French came back in force, under the banner of the Banque de Paris et des Pays-Bas (today the biggest bank in France: BNP Paribas). [62]

What is also striking is that the return of Mexico to the European Financial markets in 1888 as a borrower coincides with a general rise in European bank lending to Latin American countries. Since 1873, and into the 1880s, European financial markets had been through a crisis that cut the flows of credit and were only just finding a renewed interest in lending to peripheral countries. They were particularly drawn to feverish Latin American railway investments, whether in Argentina, Brazil, Uruguay or Mexico.

Mexican indebtedness furnished regular, juicy incomes to Mexican and foreign capitalists holding Mexican debt which, as we shall see, was used to lavish gifts on big private railway companies. These companies, after having furnished their owners with quick profits, were at their own request, nationalized at great cost to the State. To cover these costs the State resorted to more borrowing.

Contrary to affirmations that the State's foreign borrowing was beneficial, enabling the economy to open up and assuring the construction of infrastructures, there are convincing arguments that it would have been possible to financially stimulate real development useful to the population without resorting to borrowings rife with extortion, fraud and embezzlement. Old illegitimate debts should have been cancelled. (In this case the first two loans would have been unnecessary and so would the second two - taken on to service the first two). The private railway companies that built the infrastructure should not have been subsidized. Rather, it should have been built as a public service project with other priorities than the exportation of commodities and the importation of finished products from Europe or the US. Taxes could have been levied on the incomes and fortunes of the richest and on the profits of the mining companies in order to avoid, as far as possible, recourse to borrowing. What should have been done is organize agrarian reform, stimulate domestic industrial production, promote the domestic market and develop the educational system.

The Porfiriato agricultural policy

Under the Porfiriato, grabbing the land of the *Campesinos*, villages and indigenous peoples was institutionalized by surveying companies charged with establishing the boundaries of unclaimed lands. The government sold the lands to the bourgeoisie and paid the surveying companies for their work with stretches of the land that they had themselves delineated. But these lands were rarely unused; they were usually common property. The bourgeoisie, with the help of the vast repressive

means of the State and private militias, waged a fierce war against the poorly armed peasantry, who possessing only their land and access to water, fought desperately. Peasant rebellions were put down and the haciendas of the big landowners spread over ever greater territories in spoliation of the villages. The process permitted, at the same time, to dispossess the population of its common property and to create a class of peasantry possessing only their labour which they were soon forced to sell to Capitalists to gain their livelihoods. [63]

Adolfo Gilly said of these violent spoliations: *“This accelerated process of accumulation dependent on precapitalist economic structures coincided with a worldwide phase of capitalist expansion, which distinguished it from the classic primitive accumulation process. From this aspect the phenomenon showed certain resemblances with the extermination of the Indians in the US, and other resemblances with imperialist countries’ colonial wars; it was in fact a colonial war waged by a bourgeois government against its own people.”* [64]

In a society that was still largely agricultural, Mexican capitalism developed primarily around the haciendas, vast agricultural properties formed around a walled-in central structure containing the owner’s villa, employees’ quarters and other buildings necessary for the functioning of the domain (administration block, church, granaries etc.). While the hacienda was brought to Mexico by the Spanish colonists, it considerably spread under the Porfiriato. According to Adolfo Gilly, because of its capacity to use and occupy neighbouring lands, the hacienda *“is remarkably adaptable to produce or labour market changes, able to contract into a certain self-sufficiency or expand to exterior markets depending on the economic conjuncture.”* [65] It employs workers of different kinds such as peones, indentured peasants bound to the hacienda by debts, and day labourers taken on as needed. As well as this combination of different social relations of production, the political power in the hacienda is held by the ruling class, which completes the strong central power of the Porfiriato at a local level.

As a good demonstration of the catastrophic nature of the Porfiriato agricultural policy, from the point of view of the general population: corn is the Mexican staple diet and local growers know very well how to produce it, but in 1891-92, Mexico had to import vast quantities of corn from the US to avoid famine. [66] The problem was that the big land owners preferred to use the land intensively for other uses such as cattle, sugar, coffee, tobacco and sisal.

A 19th century Mexican historian, Francisco Bulnes, denounced the government’s 28 favourites to whom they sold 50 million hectares (235 million acres) of land that were then sold on to foreign companies. Bulnes claims that half of the State of Lower California was sold to an American capitalist of German origin for next to nothing. Three million hectares (7.4 million acres) of excellent land in the state of Chihuahua were made over to a certain Hearst. The Rockefellers and the Aldriches are said to have obtained enormous amounts of land in the State of Coahuila. [67]

In 1910 land ownership was highly concentrated. Mexico had a population of a little over 15 million inhabitants in a territory of 197 million hectares (486 million acres). 834 land owners between them possessed nearly 168 million hectares (415 million acres) of that. [68]

The railways

General Ulysses S. Grant, former President of the United States and holder of a concession to build a railroad line from Mexico City to Oaxaca, declared in 1880:

“The Mexicans have a country of vast resources, and these [rail-] roads will develop them to the mutual benefit of both republics. We are now buying [...] sugar, coffee, tobacco and numerous other articles from countries [...] where they are largely produced by slave labor. We are constantly paying

into their treasuries a large amount annually for duties, and we give them back nothing but sterling exchange. [...] Mexico is not only our neighbor, but she is a Republic. If fostered, she can produce nearly all of those articles, and will take in exchange what our manufacturers produce. They will take from us cotton goods, locomotives, cars, railroad iron, rolling-stock, all the machinery necessary to the running of a railroad, agricultural implements, wagons, carriages, musical instruments, jewellery, clocks, watches, and a thousand and one other things too numerous to mention.” [69]

Between the strong and the weak, let's leave the desert

Before the liberal Porfirio Díaz replaced his predecessor, the equally liberal Sebastián Lerdo de Tejada had been less willing to allow Washington to spread its railway infrastructure deep into Mexico. Referring to the semi-arid regions that separated Mexico from the US he declared, *“Between the strong and the weak, let's leave the desert”*. [70] But Porfirio Díaz threw the doors wide open to the interests of Mexico's northern neighbour.

The first railway line was inaugurated in 1873 and serious extensions went on from 1880, when the infrastructure counted 1,086 km, to the end of the Porfiriato in 1910. The infrastructure grew to 9,558 km in 1890, 14,000 km in 1900 and 19,025 km in 1910. [71] Construction and exploitation was trusted to US and British companies who enjoyed many advantages: abundant State subsidies, free transfer of land, requisitioned and badly paid work force, exonerations from taxes and duties, even the organization of their own private police forces.

A quarter of the federal State revenue was allocated to subsidising private railway companies. [72] By 1890 half of the domestic debt was allocated to subventions for capitalist owners of the railways (37 million pesos out of a debt of 74 million pesos). [73] Public subsidies covered between half and two-thirds of real construction costs. Grants were paid by the kilometre.

Karl Marx writing about railways in 1879

According to Karl Marx, *“There is no doubt that in the colonies and in semi-colonial States the introduction of railways has accelerated the social and political disintegration, as in the more advanced States, the final development and thus the final change in capitalist production was faster. In each State, except in England, the governments enriched and supported the railway companies at the cost of the Exchequer. In the United States they were freely granted the ownership of vast tracts of public land, not only the land necessary for railway construction, but also several kilometres along either side (...). They became the biggest of the landowners, just at the time when immigrant farmers were seeking to create their farms along the railways to ensure the convenient transport of their produce [...] Railways initiated a dynamic for the development of foreign trade, but trade in the countries that produced mainly raw materials for export came at the cost of increasing hardship for the labouring masses. [...] The new indebtedness taken on by governments for the railways has increased their tax burden.”* (Letter from Karl Marx to Danielson, 1879, cited by A. Gilly, p. 281, CADTM translation.)

The railways' first goal was to favour external trade routes, so that the lines could be connected to the US network. All the regions they crossed were integrated into the budding capitalist economy, pushing up land prices and intensifying the spoliation of the peoples, as previously mentioned, while destroying their pre-capitalist life styles. Politically, railways also permitted the central authorities to affirm their power as they could quickly intervene in a rebellious region. [74]

At the beginning of the 1900s the two main rail networks were owned by private US companies. [75] In 1904 Mexico purchased one of them from the Speyer bank for \$9 million. Previously, the Mexican government had borrowed to subsidize this network and now borrowed a further \$40 million, of

which, only \$16 million ever appeared in the Mexican Exchequer. This \$40 million loan was to be repaid at 5% interest over a period of fifty years, the final repayment scheduled for 1954. [76] In 1909 Mexico financed the purchase of the other network from its US owners by borrowing from US banks associated with the railway's owners.

Purchasing rail networks brought 13,744 km under the management of the Mexican State or two-thirds of the total Mexican infrastructure. In fact the Mexican and US owners wanted to sell off their interests because the systems were no longer as profitable as when the State was massively subsidising them. [77] The State purchased them at high prices and to do so borrowed from the banks that owned much of the network.

Gilly also wrote *“Considered together, the development of a domestic market, the integration of the economy into the New World economy and the development of capitalist production under the Porfiriato are one and the same phenomenon, the remarkable dynamism of which is borne out by several observations. Along with the railways the whole communications system progressed: the telegraph, which ran along the rails; roads, ports, postal services. Cities inaugurated drinking water and electric street lighting networks.”* [78]

Foreign investment

Foreign capital investment is essential to industrialize the country:

“Around 1884, foreign investment in the country amounted to 110 million pesos. In 1911, it reached 3,400 million pesos [...]. These investments were in the following sectors: railways 33.2% ; mining 24%; oil 3.1%; public debt 14.6%; commercial 4.9%; banking 3.6%; electricity and public services 7% ; agriculture, stock-breeding and forestry 5.7% ; industry and transformation 3.9%. 62% of total foreign investment came from Europe (90% of which was British or French) and 38 % from North America. However, Mexico represented only 5.5% of European foreign investment whereas it took 45.5% of US foreign investments.” [79]

Towards the end of the Porfiriato, when drilling started for the oil that had been discovered in 1901, the investments came from Britain and the US.

The end of the Porfiriato and the beginning of the 1910 Revolution

“For a generation Porfirio Díaz ruled Mexico with an iron hand. During that period he transformed a turbulent and bandit-ridden land into a peaceful and law-abiding country in which life and property were secure.” [80] For William Wynne, jurist and author of this opinion, the rights to be defended are those of capitalists seeking to grab the country's and people's resources. A dictatorship such as that of Porfirio Díaz helps this along and by doing so gains this kind of approval. In Wynne's opinion it is fundamental that the country get into debt and the creditors be repaid without the legitimacy or legality of the loans being contested. Wynne saw the Porfiriato measures as positive.

In fact, there was such a widespread process of dispossession, spoliation and exploitation that revolution was brewing and ready to burst. It started by a rejection of Porfirio Díaz's authoritarianism but from the beginning it included social and identity issues. The communities of despoiled indigenous peasants wanted justice. They wanted the return of lands that had been stolen from them, so as to regain their livelihoods. The workers wanted better labour laws and political rights. Other social sectors, victims of capitalist development under the Porfiriato, made demands and eventually joined the revolution that set its mark on the Mexico of the 1910s

Revolution broke out in response to calls to resistance when in 1910 the by now very unpopular General Porfirio Díaz, at the age of 80 and in power since 1876, was again re-elected. The calls were notably made by Francisco I. Madero, son of a wealthy capitalist family, [81] who had founded the National Anti-re-election Party in 1909.

After a difficult start, the uprising, which had met its first successes in the north of the country, spread to other regions, notably to Morelos (south of the capital) where the indigenous leader Emiliano Zapata and his companions fought for the restitution of common lands plundered by big landowners. The successes of the revolution forced Porfirio Díaz to resign in May 1911 and go into exile in Europe. [82]

Once elected president in October 1911, Madero tried to channel the ongoing revolution. He refused the agrarian reforms demanded by Emiliano Zapata [83] and his partisans but he also annoyed US conservatives. He was assassinated in February 1913 after a *coup d'état* set-up by the US Embassy and led by General Victoriano Huerta, who Madero had put at the head of the Strategic Military Command. William H. Taft was president of the USA [84] and had direct interests in several US conglomerates active in Mexico. [85]

In 1911-12 Mexico borrowed \$20 million from the Speyer bank in New York who, as we have seen, had previously granted loans to the Porfirio Díaz regime in 1904 and 1909. The 1912 loan was partly used to pay the interest on the first loan and was to be repaid in record time in 1913. After Madero's assassination, the usurper, Huerta, managed to raise the equivalent of 58 million pesos in Paris in June 1913. The US banks were clearly becoming aware of the extent of the revolution and the dangers it represented for them; whereas European banks jumped at the chance to lend to the dictator during the euphoric period that preceded the First World War. French banks (mainly the Banque de Paris et des Pays Bas and Société Générale) subscribed 45 % of the total amount, German banks (including Deutsche Bank) 19% and an English bank also subscribed for 19%. The New York banks JP Morgan and Kuhn Loeb only subscribed 12%. Speyer did not take part in the loan but supported it as the funds would be used to pay the loans it had granted in 1911-12. By January 1914 Huerta was in a financial stranglehold and suspended debt repayments. [86] Mexico did not resume payments until 30 years later after having won an enormous victory against its creditors (see further on). Mexico did not resort to foreign banks again until the second half of the 1950s (US banks became Mexico's principal lenders).

The Mexican revolution 1910-20

The Mexican revolution had deep-seated implications. The principal protagonists were the indigenous peasantry (who made up the majority of the population), while the workers' role, although important, was only secondary. [87] Nevertheless, the repression of the miners in 1906 in Cananea, in the east of the State of Sonora, and of the workers of Río Blanco, at Veracruz, had exacerbated popular discontent and contributed to creating the conditions that led to the revolution.

The movement led by Zapata was the most advanced among the population. It was very widespread in the State of Morelos and became the "*Commune of Morelos*". Zapata and his movement promoted, as of November 1911, the Ayala Plan which went much further than President Madero's, known as the Saint Luis de Potosi Plan.

While Madero went no further than to revise decisions through which the Porfiriato plundered vast stretches of land at the expense of indigenous communities and *Campesinos*, the Ayala Plan called for arms to put an end to private ownership of the vast stretches of land. Zapata and his Plan called for the redistribution of the land to the smallholders who worked it, and for the land seized by

aggressively applied laws going back to 1856, to be returned to the communities who had been dispossessed. The war-cry was “Reform, Liberty, Justice and Law”.

Madero organized the repression of the Zapatista movement that he wanted to destroy as well as against socialist and anarchist movements in the north. The elimination of Madero by Huerta was welcomed by the ex-Porfirists, the Catholic Church and the armed forces. The repression against the popular movements intensified.

Venustiano Carranza, a liberal leader and admirer of Benito Juárez, called for the overthrow of General Huerta and so made a momentary alliance with the Southern Liberation Army and with Pancho Villa, [88] who had created the Northern Division near the US border. Carranza repudiated the debt Huerta had signed in 1913. Meanwhile, the democrat Woodrow Wilson succeeded William Taft as US President. Taft’s policy concerning Huerta was not the same; he considered him a usurper and preferred to await the outcome before granting US recognition. To sway the balance, Wilson sent 44 US navy ships to block the port of Veracruz on the pretence of preventing German arms supplies from reaching Huerta.

Although the social ideas and objectives of Pancho Villa [89] were less progressive than those of the Zapatistas, the two groups came to an agreement in order to influence the process. Their armies met in Mexico City at the end of November 1914. The two leaders came together at the presidential palace on 6 December 1914, in opposition to Carranza.

Finally, after much difficulty and several battles against Huerta’s and Pancho Villa’s troops, who represented opposite sides, Carranza gained the advantage and Huerta was forced into exile in July 1914, after which, Washington recognized Carranza as *de facto* President. From then on the US intervened directly to end the threats from Zapata and Villa, **whose** intentions were a threat to the interests of its big businesses (plantations, mining, oil, etc.).

To help Carranza destroy Zapata’s social basis and organize his assassination Washington sent him 53,000 rifles in 1915. Carranza launched an offensive against Zapatista resistants: mass executions and deportations took place, villages were destroyed, a 100km long trench was dug around the capital city to protect it against Zapatist attacks and chemical weapons supplied by Washington were also used. [90] Yet despite the magnitude of the atrocities committed the objective completely failed. The Zapatista army was again operational within a year.

Furthermore, on 15 March 1915, the US sent an expeditionary force of 12,000 troops (5,000 according to some authors), under General Pershing, to the State of Chihuahua to eliminate Pancho Villa. Among the other officers were two future generals, Patton, who made their names at the battle of the Ardennes in the winter of 1944, and Eisenhower, who was to become 34th President of the United States of America after the Second World War. The operation was a fiasco; Pancho Villa’s resistance won through.

The failure to quell Pancho Villa’s forces and the Zapatista movement was clearly due to the enormous popular support the two movements enjoyed. Fierce repression could not end it for as long as the revolutionary momentum lasted, which it did until 1918-1919.

In order to consolidate his power, Carranza passed social measures applicable to rural as well as to urban sectors. He was well aware that to take the sting out of the Zapatista movement it was necessary to meet some of the popular demands.

When the capital was retaken without hostilities after the Zapatista and Villista troops’ voluntary withdrawal (neither had ever had the intention of taking power or of occupying the capital),

Carranza applied his new measures to the rural and urban sectors and made agreements with the trade unions which included the distribution of humanitarian aid. He supported the electricians' union against their bosses and arrested tradesmen and 180 priests. The leaders of the "Worldwide Workers" Anarchist unions signed an agreement with Carranza and the influential General Obregon to join the war against Pancho Villa in exchange for concessions. [91] On 6 January 1915, Carranza passed a law of agrarian reform of limited application with the intention of alienating Zapata's and Villa's rural base.

A year after the pact with the Anarchists Carranza ended the concessions. He no longer had any use for them; Villa's Northern Division had been destroyed. Repression started against the workers and the unions. Repression quashed a great general strike that began in Mexico City on 31 July 1916. [92] At the same time, during July and August 1916, there was a massive offensive against the Zapatistas in the State of Morelos.

In spite of all these tragic and unpopular acts, in January 1917 Carranza managed to consolidate his power and give it a cloak of legitimacy by adopting what was, for its day, one of the world's most socially advanced constitutions. This constitution included some elements of the Ayala Plan. It stated that the Nation should keep control of its natural resources, and that the Peasantry should have access to the land. It announced an agrarian reform and social rights (an eight hour day, union rights, the right to strike, a minimum wage, limitations on the work of women and children).

Letter from Emiliano Zapata to the Russian Revolution dated 14 February 1918.

It would be wrong to imagine that Emiliano Zapata limited his visions to Mexico and the *Campeños*. The following extracts of his letter to the Russian revolutionaries clearly show the importance he gave to solidarity between the two great revolutions of the time and the necessity of cooperation between workers and peasants:

"We would win much, Humanity and Justice would win much, if all the peoples of the Americas and the older European Nations understood that the cause of the Mexican Revolution and the cause of Russia incarnate and represent the cause of Humanity, the supreme interest of all the oppressed peoples [...]"

Here as there, there are inhuman masters, who, greedy and cruel from father to son, brutally exploit the great masses of the peasantry. Here as there, enslaved men, men of broken spirit, are starting to awaken, to cry out, to act, to revolt.

It is not surprising that the proletariat of the World applauds and admires the Russian Revolution, in the same way that they will join, sympathize and support our Mexican Revolution as soon as they realize what its goals are [...].

This is why the diffusion and propaganda effort that you have undertaken in the name of truth is so interesting; this is why you should go to all the associations and workers' centres in the World to have them realize the importance of taking on the double task of raising the awareness of the worker's struggle and forming the peasantry's class consciousness. It must not be forgotten that because of their interdependence, the emancipation of the workers cannot succeed unless it goes hand in hand with the liberation of the peasantry. Otherwise, the bourgeoisie will always be able to get the upper hand by setting one against the other, for example, using the ignorance of the peasants to combat and restrict the workers' rightful anger, or enrol unaware workers to fight their country brothers."

We can see here why the Mexican ruling classes and the US government wanted to be rid of Emiliano Zapata. [93]

In April 1919, Carranza managed, through trickery, to have Zapata assassinated.

In 1920, Carranza was ousted by the General Alvaro Obregon, a key collaborator. Some months later, on 1 September 1920, Obregon was officially elected President with more than one million votes. He had the support of union leaders, particularly those of the *Confederacion Regional Obrera Mexicana* (CROM, the Regional Confederation of Mexican Workers), a trade union founded in 1918. In 1920, Obregon persuaded Villa to lay down his arms and demobilize his remaining loyal soldiers. In return, he would receive a pension and his grade of regimental General in the federal army would be recognized. Villa too was assassinated, in 1923.

The revolutionary dynamic petered out during 1918-1919. The most ardent and visionary men and women, such as Emiliano Zapata and his partisans, were either eliminated or absorbed by the capitalist system. The country had a very progressive constitution but it was only partially applied and the local ruling classes quickly started to work towards abolishing the important concessions they had been forced into during the revolution.

Successive governments gradually buried the great social conquests achieved between 1911-1917 but they resurfaced in force as of 1934 (see further on). The governments also sought compromise with the creditors from 1921.

Debt renegotiations from 1921

Between 1922 and 1942 (20 years!), extended negotiations were held with a consortium of creditors chaired by one of the executive officers at JPMorgan.

In February 1919, a cartel of banks to which Mexico owed money was set up and called the International Committee of Bankers on Mexico. It was chaired T. W. Lamont, who represented JPMorgan and brought together banks from the US, the UK, France, the Netherlands, Belgium, Switzerland and Germany.

In 1921, President A. Obregón invited T. W. Lamont to Mexico to start negotiations that resulted in an agreement in June 1922. [94] It was a bad agreement for the country that clearly showed the government's political orientation. It was close to the Porfiriato policy in terms of indebtedness, i.e. its subjection to the interests of local ruling classes and of international banks that were creditors for both external and internal debts.

Through this agreement President Obregón and his government acknowledged a public debt of US\$ 500 million. In 1910 it had amounted to 220 million which, with additional loans after that date, i.e. those contracted by the usurper Huerta between 1911 and 1913, came to a total of US\$ 30 million (The 20 million lent by Speyer Bank had been paid back with a loan contracted in Paris in 1913). President Obregón thus agreed to acknowledge a debt that was twice the amount actually due. [95] On top of that, he agreed to add 200 million as default interest. [96] It was a thorough betrayal of the country's and the Mexican people's interests, especially since the debt contracted by dictator Porfirio Díaz (US\$ 220 million) as well as loans by the usurper Huerta (US\$ 30 million) clearly constituted odious debt. They had been contracted against the interests of the people with the full knowledge of the creditor banks. [97]

The Mexican Congress, controlled by the president, sanctioned the agreement and Mexico started paying back in 1923, but the amounts to be paid were so high and the fiscal deficit so deep that on 30 June 1924, Obregón suspended debt repayments. Mexico resumed negotiations with Lamont from JPMorgan and these resulted in another agreement in 1925, which was again sanctioned by Congress. To resume repayments, the new Mexican president, Plutarco Ellias Calles (in office from December 1924 to November 1928), negotiated a credit line with the Committee of Bankers. Some

payments took place in 1926, but in 1927 Mexico again suspended repayments.

In 1928 the Committee of Bankers sent a commission of experts to analyze the situation. In their report the experts criticized the government for its social spending, particularly in public education. They considered that Mexico had invested too much in irrigation works and in setting up a system of public credit for farmers. They acknowledged that in order to avoid another revolution, public expenditure was necessary but estimated that government spending had been excessive. [98]

Negotiations between the government and the Committee of Bankers were resumed. Another agreement was signed in 1930 but for the first time since 1922 many MPs were opposed to ratification. Four MPs from the State of Chihuahua even introduced a bill demanding a ten-year moratorium on debt repayment so as to use the money for socially useful expenditure. [99] The government rather than run the risk of a minority in Congress, did not put the agreement with the Committee of Bankers to the vote.

Meanwhile export revenues declined as a consequence of the October 1929 Wall Street crisis and the project of resuming debt repayments was perceived with increasing anger by the population. In January 1932, Congress voted a law that cancelled the latest agreement between the government and the Committee of Bankers. Eventually on 1st September 1933, President Abelardo Rodríguez announced that Mexico would not resume repayment of its external debt.

Lázaro Cárdenas' presidency (1934-1940) prepares the 1942 victory against creditors

In December 1934, Lázaro Cárdenas started a presidential mandate that was extended until December 1940. Over those six years Cárdenas carried out major left-wing reforms, some of which made it possible to implement for the first time some of the revolutionary aspirations of the years 1910-1917 and the 1917 Constitution.

Lázaro Cárdenas became president in a context of social struggle such as workers' strikes. His orientation was quite different from that which had prevailed since 1920. He opposed his predecessor Plutarco Elías Calles. He refused to resume negotiations with the Committee of Bankers.

One of the first measures Cárdenas took concerned the reform of public education. Article 3 of the Constitution as modified in December 1934 stipulated that state education was to be "socialist in character", and that as well as excluding any religious doctrine it was to fight fanaticism and prejudice. Schools had to foster among the young a "rational and accurate" perception of the universe and of social life. The explanation given of the rationale behind the bill introduced to the Chamber of Representatives was that a socialist education as set down in Article 3 did not mean an immediate transformation of the economic system but the preparation of the human material needed to carry the revolution forward and consolidate its work. Indeed the country's future belonged to the socialist youth, educated and trained in Mexican schools. It was incumbent upon those young people, the text said, to fulfil the aspirations of Mexico's oppressed and labouring classes. Though the implementation of these principles was limited due to the system's inertia, they had a deep and lasting impact on Mexican society.

Land Reform

Cárdenas redistribute lands for the benefit of indigenous agrarian communities

According to one of the provisions in Article 27 of the 1917 Constitution, which provided for land to be expropriated by *ejidos*, [100] Lázaro Cárdenas expropriated some 45 million acres that had previously belonged to big Mexican landowners and foreign companies. He distributed this land to indigenous agrarian communities in the form of traditional collective properties known as *ejidos*. So the land was no longer the property of private individuals. Apart from meeting the fundamental demands formulated by Emiliano Zapata and in the Ayala plan, the aim was to give back to local communities what they had been robbed of and to promote a self-sufficient kind of farming that would meet the needs of the local markets. The farming communities that received land could use it as they pleased but were not allowed to sell it. Those *ejido* communities developed decision-making procedures to run the land. Cárdenas' government created a public bank, Banco Nacional de Crédito Ejidal or Banjidal (the National Bank for *ejido* Credit) and also financed the training of technicians to improve the yield of the land. Cárdenas' land reform differed from the policies of former governments which had only restored a limited quantity of land to private individual owners.

Nationalization of oil and railways

The 1936 railway workers' strike resulted in the complete nationalization of the railways.

In 1938, the nationalization of oil was brought about by a strike of the workers in the oil industry. Oil extraction, which had started at the end of the Porfiriato, was in the hands of UK and US companies. Paragraph 4 of Article 27 in the 1917 Constitution stated that oil-field reserves were the property of the nation. In 1937, oil workers began a determined confrontation with the owners of the oil companies who would not grant the pay-rise demanded by the workers. On 18 March 1938, Lázaro Cárdenas stepped in to put an end to the confrontation by expropriating the oil companies. He added that within ten years foreign owners would be compensated. This infuriated foreign capitalists and the UK severed its diplomatic relations with Mexico so as to put maximal pressure on its government. [101] Cárdenas did not budge. He created the public company *Petróleos Mexicanos* (Pemex). Cárdenas' decision was met with huge enthusiasm in the population. Pemex (let us recall) was privatized sixty-five years later, in 2013, in the context of hardening neoliberal policies.

International policy

Cárdenas' government was also one of the few to provide the Spanish Republicans with weapons, thus breaching the blockade by the British and French governments. Churchill vehemently decried Mexico's position. Cárdenas' government also welcomed and supported 40,000 Spanish Republicans after they were defeated by Franco, who had been massively armed by Nazi Germany and Fascist Italy. Cárdenas also hosted Trotsky, the Russian revolutionary persecuted by Stalin to whom no European government was willing to grant either a visa or a right to extended residence. [102] Cárdenas befriended the Russian exile, which did not prevent one of Stalin's agents from murdering Trotsky in Mexico City in August 1940.

Cárdenas was also very popular because as soon as he became president, he cut his salary by half, left the traditional presidential palace (Chapultepec Castle, the former residency of New Spain's viceroys) to move to a less ostentatious place called Los Pinos and converted the former castle into a national museum of Mexican history. At the end of his mandate, his fellow citizens could see that he had not accumulated any riches for himself.

To sum up, we can say that although Lázaro Cárdenas did not try to break away from capitalism, he carried out structural reforms that improved the people's living conditions. They partly met fundamental demands formulated during the 1910-1917 Revolution and strengthened the country's

sovereignty over its natural resources. Cárdenas also conducted an anti-imperialist international policy that supported solidarity among peoples.

The 1942 victory against creditors

Cárdenas' refusal to resume debt payment or even negotiations with the international Committee of Bankers brought victory. His former Defense Minister, Manuel Ávila Camacho, was elected to take over as President and Cárdenas became Defense Minister.

From 1941, as he wanted to improve the US relationship with Mexico, President Franklin Delano Roosevelt insisted that US bankers, starting with JPMorgan, give up and acknowledge the Mexican government's repudiation. In December 1941 Washington was about to enter the Second World War and needed the support of its Mexican neighbour (as well as that of Brazil, another country that had stopped paying its debt). The agreement that put an end to the conflict between the international Committee of Bankers and Mexico was an act of surrender on the part of the banks. While the Committee demanded payment of debts estimated at US\$ 510 million (capital and interest), the final agreement mentioned payment of less than US\$ 50 million: a cut of over 90%.

Moreover, what is most remarkable is the rate used for compensation of default interest: 1/1,000 for delays before 1923, 1/100 for 1923-1943. [103] Now in many debt restructuring agreements in the 19th century or in the first half of the 20th century, all default interest was turned into owed capital. Let us recall that the agreement signed between Obregón and the international Committee of Bankers in 1922 meant that Mexico acknowledged a debt of US\$ 500 million! And 20 years had gone by. By agreeing to pay a debt of US\$ 50 million (capital and default interest included), the Mexican government won a resounding victory.

There is more: security holders had to hand in their securities and have them registered and stamped by the Mexican authorities before they could claim any compensation! Bankers had to register securities with the Mexican government: this was unprecedented. Note also that German banks that were part of the international Committee of Bankers were not allowed to register their securities because they were perceived as helping an enemy power.

Better still, from 1940 onward Washington tried to buy Mexican oil even though Mexico had paid no oil compensation. The Sinclair oil company started buying oil from the public company Pemex. Sinclair, that had demanded US\$ 32 million of compensation, finally settled for US\$ 8 million compensation partly paid with dollars Pemex had received from Sinclair in payment for 20 million barrels of oil over four years. Eventually a general agreement was reached and Mexico promised to pay US\$ 23 million as compensation for all the US oil companies that had been expropriated in 1938. [104]

Thanks to the agreement on its debt, to other political measures taken under Cárdenas and to the general context after the Second World War, Mexico was able to unfold a policy of economic development while carrying out a strict form of protectionism until the 1950s. Mexico did not borrow from private banks again until the late 1950s.

Final remarks and conclusions

Mexico is the only former colony that managed to defeat its creditors on its own in the 19th and first half of the 20th centuries. In 1861, Mexico repudiated a large portion of the debt that was claimed and gained complete victory in 1867. Next, less than twenty years later, ruling classes and the

dictator Porfirio Díaz managed to backpedal, which is typical of the collusion and duplicity of the upper classes in a dominated country who see their own interest in submission to European or US imperialist powers.

When Porfirio Díaz was eventually overruled and a genuine popular revolution took over, Mexico again suspended debt payments for over thirty years (from 1914 to the end of the Second World War) and simultaneously implemented in-depth social and economic reforms. The victory over Mexico's creditors was complete albeit not final.

The present paper shows how important it is to understand what occurred in Mexico between its independence in 1821 and the end of the Second World War. The other country that succeeded in repudiating its debt on its own was the USSR in 1918. The common point with Mexico is the coincidence of a revolutionary process and debt repudiation. There are also differences: 1. the Bolshevik government simply wiped the Tsarist debt away; [105] 2. at the time of the 1917 revolution Russia was an imperialist power, though a declining one, while Mexico was a former Spanish colony that was eyed greedily by the US and ascending European imperialisms. The other countries that successfully repudiated debts were major powers such as the US [106] - or were protected by one of them - as was the case of Costa Rica, protected by the US against the UK in the early 1920s. [107] This is why the Mexican experience is unique and deserves to be more widely known. [108] Yet very little has been published about it. Dominant thinking hardly wishes Mexico's real history to be acknowledged. Among left-wing movements we have a lot of catching up to do and it is to be hoped that this article will play its part.

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* <http://www.cadtm.org/Mexico-proved-that-debt-can-be>

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Footnotes

[1] Prior to the Spanish conquest, the population of present-day Mexico was between 18 and 25 million. Less than a century later, in around 1600, it had fallen to approximately 3.5 million (source: Jean Batou, see fn 5). According to a lower estimate by Angus Maddison, Mexico's population was 7.5 million in 1500 and diminished by two thirds after the Spanish conquest, to some 2.5 million in 1600. Source: Angus Maddison, *L'économie mondiale : statistiques historiques*, (The Global Economy: Historical Statistics) OCDE, Paris, 2003, p. 120. Thomas Calvo, a specialist in Hispanic America, gives the following figures for the population of the Aztec empire and its dependencies prior to the Spanish conquest: 17.5 million inhabitants, of which the Northern territories: 2.5 million; central Mexico: 15 million; Chiapas: 0.8 million. Source: Thomas Calvo, *L'Amérique ibérique de 1570 à 1910* (Iberian America from 1570 to 1910), Nathan Université, 1994, p. 14.

[2] See Jan Bazant, *Historia de la deuda exterior de Mexico 1823-1946*, (History of Mexican Foreign Debt 1823-1946), El Colegio de México, Centro de Estudios Históricos, Mexico City, 1995, p. 18-19.

[3] See Bazant, p. 21, and Alaman, p. 323.

[4] There had been uprisings of indigenous peoples several times during the preceding centuries, and some, such as the Yaquis of Sonora in Mexico, continued their struggle after independence, because they derived no benefit from it.

[5] Evolution of Mexico's population between 1600 and 2015 (in millions of inhabitants): 1600: 3.5; 1700: 4.0; 1800: 5.7; 1850: 7.7; 1895: 12.7; 1910: 15.1; 1940: 19.6; 1950: 25.8; 1990: 86.0; 2000: 97.4; 2015: 121.7. Source: Jean Batou through 1990 (p. 171) and official statistics from 1895 (date of the first official census).

[6] See Bazant, p. 27-28.

[7] <http://www.cadtm.org/How-Debt-and-Free-Trade>

[8] The full name was "Barclay, Herring, Richardson and Company" - not to be confused with Barclays, the high street bank.

[9] See *Morning Chronicle*, London, 8th February 1825, cited by William Wynne, "State Insolvency and Foreign Bondholders. Selected Case Histories of Governmental Foreign Bond Defaults and Debt Readjustments." Vol. 2., 1951, p. 5.

[10] J. Bazant, p. 48.

[11] Lorenzo de Zavala, who had participated in the struggle for independence, was a big landowner in Texas. He turned against his country in 1836 when he took part in the funding of an independent republic of Texas. In retaliation, Mexico stripped him of his nationality. The United States annexed Texas in 1845.

[12] J. Bazant, p. 39.

[13] L. Alaman, p. 983.

[14] J. Bazant, p. 39.

[15] J. Bazant, p. 233

[16] This can be seen from the table compiled by Bazant himself, p. 46.

[17] See "Debt as an instrument of the colonial conquest of Egypt"
<http://www.cadtm.org/Debt-as-an-instrument-of-the>

[18] J. Bazant, p. 45.

[19] *ibid.*, p. 234.

[20] *ibid.*, p. 54.

[21] J. Bazant, p. 67-70

[22] *ibid.*, p. 53

[23] *ibid.*, p. 58

[24] In 1853, under new pressure and the expansionist ambitions of the US, Santa Anna sold the territory of Mesilla (a transaction known as the "Gadsden purchase") for \$10 million .This amount was devoted to fighting the liberal rebels (the Ayutla Plan) who wanted to overthrow Santa Anna, who had managed to remain in power until 1855.

[25] William Wynne, *State Insolvency and Foreign Bondholders. Selected Case Histories of Governmental Foreign Bond Defaults and Debt Readjustments*. New Haven: Yale University Press, Vol. 2., 1951, p.16. See also J. Bazant, p. 96.

[26] *ibid.*, p. 16-17.

[27] *ibid.*, p. 18.

[28] J. Bazant, p. 96.

[29] In 1856, the internal debt of 41 million pesos was more than half the total amount of the external debt, which was 68.6 million pesos. Total public debt, internal and external, was 109.6 million pesos. J. Bazant, p. 97.

[30] According to recent research by Mexican historians, the indigenous communities resisted

fairly well against the application of the laws adopted as from 1856 aimed at putting their ancestral lands up for sale. While feigning to accept the laws, they managed to protect themselves. It was only later, during the long presidency of Porfirio Díaz, that expropriation of land became widespread.

[31] See his biography at https://fr.wikipedia.org/wiki/Jean-Baptiste_Jecker (in French only). This biography may only be approximate.

[32] Cited by Émile de Kératry, *La créance Jecker : les indemnités françaises et les emprunts mexicains*, (Jecker Bonds : French Compensation and Mexican Loans), Librairie internationale, 1867, p. 17, accessible at: <http://gallica.bnf.fr/ark:/12148/bpt6k5427133d/f17.double> (in French).

[33] E. de Kératry, p. 30 and W. Wynne p. 20.

[34] J. Bazant, p. 100. See also E. de Kératry, *op. cit.*

[35] W. Wynne, p. 21.

[36] W. Wynne, p. 25.

[37] It should be remembered that the War of Secession began in April 1861 and ended in April 1865.

[38] 1 peso = 5 French francs; 1 pound sterling = 5 pesos; 1 pound sterling = 25 French francs.

[39] The Crédit Mobilier suffered the same fate as the French expedition into Mexico, failing in 1867.

[40] J. Bazant, p. 103.

[41] This final fraudulent loan provoked such protest that Napoleon III compensated the holders of the bonds for a total of 87 million French francs. It is certain that some of the beneficiaries of this compensation had taken part in the fraud. And it is equally clear that the amount of 87 million francs increased France's public debt for the benefit of the rich individuals who had acquired the bonds. See J. Bazant, p. 103; W. Wynne, p. 30.

[42] Calculations by J. Bazant, p. 105, based in particular on É. de Kératry.

[43] Of the 38,493 troops France sent to Mexico, 6,654 - one sixth of them - died of wounds or of disease. In 1863, the Khedive of Egypt supported France by sending a battalion of 450 soldiers to the Mexican Empire, including many Sudanese, whose resistance to tropical diseases was supposedly higher. From 1864-1865, Austria-Hungary sent 7,000 men (Poles, Hungarians, etc.) in support of the foreign aggression. Belgian soldiers also took part. Source: https://en.wikipedia.org/wiki/French_intervention_in_Mexico. The King of Belgium, Léopold II (who reigned from 1865 to 1909), having colonial ambitions, sought to obtain advantages from the conquest of Mexico. He began carrying out his colonial projects in 1885 with the conquest of the Congo. Charlotte, Léopold II's sister, was the wife of Maximilian of Austria. She actively supported Bonaparte's projects and those of her father, Léopold I.

[44] W. Wynne, p. 29.

[45] Porfirio Díaz's slogan, "Order and Progress," is evidence of his belief in the Positivist ideology that was well established in Latin America during this period.

[46] It should be made clear that Benito Juárez did not actively seek to better the living conditions of the *peones* and other peasants. Benito Juárez did away neither with the semi-slavery the *peones* lived under because of their inherited debts nor with the private prisons and the bodily mutilations at the *haciendas*. This failure to defend the peasants and indigenous communities and the attacks on their communal lands resulted in uprisings, notably that of the Chamulas in Chiapas in 1869; the resistance movement led by Julio Chávez López (based on socialist/anarchist principles) in the late 1860s in Chalco and Texcoco; and the continued struggle of the Yaqui people in the State of Sonora.

[47] Calculated by the author based on Jan Bazant (in particular p. 147, 160, 175, 176, and 272).

[48] W. Wynne, p. 3-4.

[49] J. Bazant, p. 240.

[50] With one single exception - repayment of the three-millions peso loan contracted in 1865 with the United States by the government of Benito Juárez for purchasing armaments used to overcome the French occupation. Repayment of this loan ended in 1893.

[51] J. Bazant, p. 109.

[52] See the text of the decree: http://cdigital.dgb.uanl.mx/la/1080043224/1080043224_069.pdf , p. 326 to 328.

[53] Jeff King, *The Doctrine of Odious Debt in International Law. A Restatement*, University College London, 2016, p. 72-73.

[54] J. Bazant, p. 127.

[55] See the press of the period: *El Monitor*, Mexico City No. 278, 19 November 1884; *El Nacional*, Mexico City, No. 242, 19 November 1884; *La Libertad*, Mexico City, No. 243, 31 October 1884.

[56] W. Wynne, p. 45.

[57] J. Bazant, p. 134.

[58] Furthermore, in violation of the repudiation pronounced by Benito Juárez in 1867 and the Decree of June 1883, the government agreed to include in the compensation payment of a part of the cost of the bonds issued by Maximilian of Austria to the creditors under the restructuring of the "London" debt. See J. Bazant, p. 130.

[59] The new debt, the consequence of repayment of the balance of the Goldsmith and Barclay loans, in fact amounted to 34 million pesos because in order to actually borrow 27 million, Mexico was forced to recognize a new debt that was greater than that amount, since the new issue was sold for less than its nominal value and a commission had to be paid to the German bank Bleichroeder, which managed the loan.

[60] J. Bazant, p. 237.

[61] J. Bazant, p. 234-235; W. Wynne, p. 7-13.

[62] W. Wynne, p. 57.

[63] In the late 19th and early 20th century, capitalist development was not based on a 'free' work force only, as it combined capitalist productive relations (waged labour) with pre-capitalist forms of exploitation, and even certain forms of slavery. Entire indigenous communities were deported to forced labour on tobacco and sisal plantations.

[64] A. Gilly, p. 21.

[65] *ibid.*, p. 28.

[66] W. Wynne, p. 51.

[67] J. Bazant, p. 177.

[68] A. Gilly, p. 36.

[69] The Papers of Ulysses S. Grant, Vol. 30: October 1, 1880 - December 31, 1882 edited by John Y. Simon, Southern Illinois Univ. Press, Carbondale, 2008

[70] J. Bazant, p. 123.

[71] A. Gilly, p. 32.

[72] J. Bazant, p. 125.

[73] J. Bazant, p. 141-142.

[74] Several years later the revolutionaries made full use of the railways to move troops.

[75] J. Bazant, p. 165.

[76] J. Bazant, p. 167-169.

[77] This was happening in many countries throughout the World at that time.

[78] A. Gilly, p. 33-34.

[79] *ibid.*, p. 35.

[80] W. Wynne, p. 59.

[81] Madero studied in Baltimore, at the HEC in Paris, the University of California, Berkeley, and Culver Academy in Indiana.

[82] During his exile Porfirio Díaz lived at Interlaken in Switzerland, then in Paris. He was

received with honours in Germany by Guillaume II, who was about to let loose the First World War. He visited Egypt and spent time in Rome and Naples. He died on the 2 July 1915 in Paris and is buried in Montparnasse cemetery. In exile he was well considered and provided for. Some Mexican neoliberal nabobs wish to have his remains returned to Mexico.

[83] Emiliano Zapata (1879-1919) was the revolutionary who carried the rights of the indigenous communities the furthest. His armed struggle was intrinsically linked to the popular masses particularly in his home state of Morelos. His programme went beyond the concerns of the rural masses even if they were his main concern.

[84] Concerning the policies of US President (1909 - 1913) Taft see:
<http://www.cadtm.org/what-other-countries-can-learn>

[85] J. Bazant, p. 181.

[86] W. Wynne, p. 64.

[87] During the *porfiriato*, the workers first organized in the mines, then on the railways. In the former the proletariat had the benefit of the revolutionary trade union experience of the US miners. The worker's movement was also nourished by class struggles from many parts of the World, notably the experience of the Paris commune in 1871. Socialist publications appeared: *El Socialista* in 1872, *La Comuna* in 1874, that later became *La Comuna mexicana*. The first labour confederation; "The Great Circle of Workers", implanted in the textile industry and the crafts, appeared in 1872. This organization started to dissolve in 1879, separating into factions supporting two different bourgeois candidates in the 1880 elections. Adolfo Gilly wrote: "*this decomposition of the Great Circle marked the end of the epoch and coincided with the beginning of the period of impetuous capitalistic development of the 1880s-90s, when the young industrial proletarian movement produced a more authentically union-based organization, especially in the railways, mines and textile industries*" (A. Gilly, p.41). Despite the fierce repression of the Porfirio Diaz regime there were 250 strikes between 1876 and 1911. Whether they were successful or not they developed the political organization of the productive forces against the contradictions of capitalism and prepared the explosion of revolution that occurred in 1910. Anarchist tendencies had a real influence on the revolution. They were most expounded by the Flores Magon brothers. In 1911 one of the brothers, with the support of anarchists of various nationalities, including a hundred or so internationalists from the US organisation, "Industrial Workers of the World", took part in occupying two poorly-defended Mexican villages close to the US border, Mexicali (pop. 300) and Tijuana (pop.100). For five months the commune of Lower California experimented with libertarian communism, the abolition of private property, collective working of the land and among other experiments, the grouping of producers, before being invaded. That was the end of the attempt to establish a socialist libertarian republic.

[88] Pancho Villa (1878-1923) was a smallholder whose relations with the justice system were strained after conflicts with big landowners. He was an outlaw and lived by various means including cattle-rustling in the mountain regions. It was in the unequal struggle against Porfirio Diaz's rural police that he developed his great fighting skills. Moreover Villa rapidly showed a strong gift for military organization not only in his relations with his foot soldiers but also with regard to his commanding officers. This ability to organize won him over the labour sectors in the North, mainly miners and railway workers who joined his army. This is no mere detail: the railwaymen in Villa's army were central to his use of the railway for movements of revolutionary troops. Source: A. Gilly, p. 90.

[89] Nevertheless, when Pancho Villa was the the governor of the State of Chihuahua in 1913 he applied radical measures favouring the people to the detriment of the interests of the local ruling classes. See Paco Ignacio Taibo II, *Pancho Villa, Roman d'une vie*, (Life Story of Pancho Villa), Paris: Petite bibliothèque Payot, 2012, Volume 1, Chapter 23.

[90] See Jan Martinez Ahrens, « Toda la municion contra Zapata » (All ammunition against Zapata), *El Pais*, 24 December 2016, (in Spanish).

[91] According to Adolfo Gilly, this decision to sign a pact did not win the approbation of the general assembly that was held on 8 February 1915. There was strong opposition. Nevertheless 9000 “workers” formed the red battalions, including an “Anarchist first aid corps”, in Obregas’ army that fought against the Northern Division. See A. Gilly, p. 157-159.

[92] A. Gilly, p. 179.

[93] in A. Gilly, p. 228-229.

[94] W. Wynne, p. 66-67.

[95] J. Bazant, p. 239. J. Bazant, who is as a rule in favour of any compromise with creditors, says this amount of 500 million is simply incredible.

[96] W. Wynne, p. 68.

[97] A reasoned definition of odious debt can be found in the online article by Éric Toussaint, “The Doctrine of Odious Debt: from Alexander Sack to the CADTM”, <http://www.cadtm.org/The-Doctrine-of-Odious-Debt-from>

[98] W. Wynne, p. 77.

[99] W. Wynne, p. 82. See also the *New York Times* of 30 November 1930.

[100] An *ejido* is the name given in Mexico to a communal property by a group of indigenous farmers who work the land together. In an *ejido*, the principle is that members of the community be granted the land’s usufruct with no legal possibility of selling or ceding it. In 1993, President Salinas de Gortari, who carried forward the neoliberal policies initiated by his predecessors, had the Constitution modified so as to enable massive sales of *ejidos*. One of the aims of the Zapatista uprising on 1 January 1994 was to question this government policy.

[101] Diplomatic relations between the two countries were restored in October 1941 because London was looking for allies against Nazi Germany and feared a possible alliance between Mexico and Berlin.

[102] Another element that substantiates Cárdenas’ sympathy for revolutionary movements, though not at a time when he was president, is that he helped Fidel Castro and Che Guevarra to get out of prison a couple of weeks before sailing to Cuba in the *Granma*. Fidel and the Che had been emprisoned in Mexico City after the Batista government had told the Mexican authorities that some guerrillas were operating in the country. While in prison, Fidel managed to have the warden release him and him alone, after which, in an audience with Cárdenas, he enlisted his help to liberate the other prisoners. Cárdenas showed some empathy with Fidel’s project.

[103] W. Wynne, p. 97 and table p. 106.

[104] W. Wynne, p. 94-95.

[105] See Eric Toussaint <http://www.cadtm.org/Demystifying-Alexander-Nahum-Sack>

[106] See “Three Waves of Public-Debt Repudiation in the USA during the 19th Century”, <http://www.cadtm.org/Three-Waves-of-Public-Debt> as well as “The USA’s repudiation of the debt demanded by Spain from Cuba in 1898: What about Greece, Cyprus, Portugal, etc.?”
<http://www.cadtm.org/The-USA-s-repudiation-of-the-debt>

[107] See ‘What other countries can learn from Costa Rica’s debt repudiation’, <http://www.cadtm.org/What-other-countries-can-learn>. We must emphasize that Costa Rica did repudiate the debt claimed by Britain in a sovereign and unilateral way. Had the US not then given the country its support, the Costarican people might yet have been victorious in resisting almost certain aggression from Great Britain. Similarly in the case of Cuba, the army of Cuban independence fighters (the mambis) might have got the better of Spain, had the colonizing country tried to make them pay for their independence.

[108] The same applies to what happened in the USSR, which will be developed in another article.