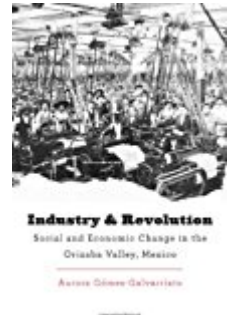


Aurora Gómez-Galvarriato. *Industry and revolution: social and economic change in the Orizaba Valley, Mexico.* Cambridge: Harvard University Press, 2013. 362 pp. \$49.95, cloth, ISBN 978-0-674-07272-5.



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In Ciudad Juárez, the month of October 2010 was a bad one. There were 359 killings in 31 days, a dubious record that marked the high point of killing from the drug war in that city. The news of gruesome killings seemed to show up almost everywhere except in Mexican productivity figures. While nobody would go as far as to say that the cartel violence had no economic effect, its apparent impact was surprisingly small. The Mexican economy grew 5.3 percent in 2010, a substantial rebound from the huge contraction of nearly 6 percent the year before. 2009 in Mexico was an echo of the Panic of 2008 in the United States. Nobody in his or her right mind would think otherwise. What happened in Juárez stayed in Juárez, you could say—or, perhaps, what didn't happen, as the case may be. In Juárez itself, the average number of employees in *maquiladoras* rose between 2009 and 2010. By 2012, it was well ahead of prerecession levels. Sensational and lurid headlines, it seems, rarely make for good history.

This is one of the more striking features of Mexican economic history. The economy does not

inevitably transcend periods of exceptional violence, but it often does. In what must be one of the larger understatements to appear in the recent literature, Aurora Gómez-Galvarriato observes, “Industrial growth between 1843 and 1878 is not easy to explain given the difficult economic and political circumstances of the times” (p. 14). That’s putting it mildly. What economists have regarded as the sine qua non of economic growth since Adam Smith, “peace, easy taxes, and a tolerable administration of justice,” can hardly be said to describe Mexico before 1878. Unless, at least before 1858, the seemingly endless rumors of war there, even the dreadful territorial losses from 1846 to 1848, did much less overt economic damage than we are accustomed to think. Maybe, just maybe, we should start accustoming ourselves to think differently. Perhaps, at least before 1858, there was less to “instability” than meets the eye. No one really knows for certain.

Yet Gómez-Galvarriato’s focus is really not on the older textile industry, some of which dated to the 1830s, even if it had developed to a certain de-

gree. She is particularly interested in the industry pioneered by the Barcelonnettes, French immigrants from the villages of the Ubay Valley, today Alpes-de-Haut-Provence. They came not as industrialists, but as dry-goods merchants. Ultimately, they established Mexico's first department stores, some of which, such as El Palacio de Hierro and El Puerto de Liverpool, continue as dominant firms. Unable to find enough domestic produce to stock their shelves and to avoid expensive imports, they became directly involved in textile production. In the 1890s, they established such firms as CIVSA and CIDOSA, associated with mills like Río Blanco and Santa Rosa.

It is worth remembering that these were really developments of the late Porfiriato. Gómez-Galvarriato's figures are a little deceptive in this respect, since the overall productivity statistics for 1876-1912 (pp. 18-19) seem to show capital, labor, material and real output all growing at around 3 percent yearly. But in the period 1890-1910, labor productivity was growing at 5.5 percent per year and the quality of the product was improving. If growth after 1890 was above average, but growth over the entire Porfiriato was about average, 1876-1890 must have been *below* average. So, what changed?

For one thing, the tariff law of 1891 provided "substantial effective protection" (p. 17). Electrifying the mills, reductions in transportation costs, and the exploitation of both pecuniary and productive economies accompanied the expansion and concentration of the industry. What does not seem to have occurred was the modernization of the looms themselves, and in particular, the decision not to acquire more productive Northrup looms in the United States. In the short run, Gómez-Galvarriato demonstrates very clearly that this was a rational economic decision, but in the long run, the results were far less benign. The fact that total factor productivity *grew* nearly as quickly as labor productivity suggests that what was happening in the Porfiriato was an organiza-

tional as much as an industrial revolution properly speaking.

Another reason for the relatively modest growth in labor productivity was a consequence of worker inexperience. Factory workers learn by doing, but most in the Santa Rosa mill were under twenty-five, single, and male. They were, relatively speaking, educated or at least literate, but the average tenure of a worker in 1907 was only four years (p. 82). Things had improved much by 1923, when 27 percent of the work force had over twelve years' tenure. Gómez-Galvarriato calls the Orizaba Valley a "vibrant, young, educated and nonconformist working community" in which a Methodist congregation had become an active center of dissent.

The workers of the Orizaba Valley did not have infinite patience with working conditions that seemed to deteriorate. Although Gómez-Galvarriato believes that the unfolding story of violence and repression there was largely political, and an expression of the emerging proletarian consciousness of the Gran Círculo de Obreros Libres (GCOL), the timing of the outbreak of unrest is nothing if not suggestive, as Gómez-Galvarriato herself acknowledges (p. 115). Mexico went on to the gold standard in 1905, and adherence to a fixed exchange rate coincided with the onset of a sharp recession in 1907. The repeated attempts of some of the mills to reduce wages and costs was probably, at least in part, a response to costs that could no longer be reduced by exchange depreciation of silver. Whatever the case, all hell broke loose. As Gómez-Galvarriato points out, what we incorrectly term the "Río Blanco Strike" really began as a republic-wide industrial lockout in December 1906. Out of work, hungry, their savings exhausted and with few sources of credit the workers' turn to violence was almost inevitable. While Porfirio Díaz and the state governor, Dehesa, were apparently not unsympathetic to the workers' growing dissatisfaction, a heavy-handed military response to unrest in the Orizaba Valley

led to “exemplary execution of the CGOL’s most important leaders” (p. 105). After 1907, it was not and could not be business as usual for companies like CIVSA and CIDOSA again.

Gómez-Galvarriato gives the impression that when the Revolution broke out, the textile workers in the Orizaba Valley did not exercise a decisive role in the initial rebellion, but were by no means a marginal presence either. The potential for trouble that they had demonstrated in the previous decade made virtually every revolutionary leader wary of alienating them, much less confronting them directly. What this did, Gómez-Galvarriato argues, was to afford the workers considerable scope for local organization, of which they took full advantage. After the legalization of unions in October 1915, the Orizaba textile unions gained considerable control over hiring and firing. “Orizaba unions were able to offer powerful resistance to the constant deterioration of real wages,” striking frequently in 1916 to demand payment of wages in gold rather than fiduciary issue, a battle they carried (p. 143). As a result, Gómez-Galvarriato, while acknowledging the importance of the labor clauses of the Constitution of 1917, concludes that in Veracruz, “the code only crystallized gains that had already been made the previous decade” (p. 148).

In fact, the textile workers of Orizaba seem to have become something of a power in themselves. They benefited enormously from their loyal support of the Confederación Revolucionaria de Obreros Mexicanos (CROM) when that union was at the peak of its influence, but also from the Veracruz labor law of 1918 and its implementation under the radical revolutionary Adalberto Tejeda. The textile industry’s unions were easily the country’s most militant in the early 1920s, and at one point, even succeeded in having the director of CIVSA’s Santa Rosa mill tossed in jail. One might justifiably expect that powerful unions in this context would deliver substantial benefits to their members. In fact, one would be correct.

Initially, at least, the outbreak of the Revolution had virtually no impact on the Santa Rosa mill. In fact, from 1900 through 1913, the mill had been very profitable. Real wages had remained steady as well, at a level at which a worker could maintain a family of five. Yet there were problems brewing. For one thing, the amount of fixed capital investment at CIVSA and Santa Rosa fell steadily between 1900 and 1913. The owners took profits, but if they did anything productive with them, it was not in this business. Then came the civil war in 1914, and things fell apart. Real wages collapsed, as did profits—if ever there was a time when the stereotype of the Revolution devouring its children fit in Mexico, it was then. But actually, the *annus horribilis* seems to have been just that. It did not last. The business returned to profitability and stayed that way until 1924. By virtually every measure, real wages not only recovered, but also outstripped their Porfirian levels. Part of the change came because the workers struck to receive their wages in gold in 1916, and their action carried the day. Yet part was due to a change in the balance of power between labor and capital in the Revolution, and to the connection of the textile workers to the CROM, and ultimately, to powerful politicians like Plutarco Elías Calles, who became president of Mexico in 1924. It hardly seems a coincidence that this year really marked the break in which the workers got the upper hand. Prior to the Revolution, the correlation between labor productivity and the average wage was a reasonable .57. By 1923, it had fallen to .21. In other words, there was little connection between wage setting and productivity once the Revolution had occurred (p. 189).

What there was, Gómez-Galvarriato points out, was a “well organized labor force, often supported by the government” rather than an industry in which wages had been determined by supply and demand and the occasional exemplary execution of a labor leader (p. 125). At the same time, tariffs on coarse cloth were raised in 1926, and without exception, stayed elevated, which

“enabled most mills to survive, jobs to continue and the social order to endure” (p. 259). While Gómez-Galvarriato is evenhanded and not inclined to blame labor or management for the outcome—political opportunism had as much to do with it as anything else—it is only reasonable to point out that with some return to profitability in the 1920s, fixed investment never really recovered. As she writes, “It was easier to raise tariffs and let the industry survive as it was,” which is to say, inefficient and getting worse (p. 256). It does not speak well of the industry that the peak of its international competitiveness was reached during the Porfiriato. There was a reason why the restricting of Mexican industry that began in the 1980s was so painful. It didn’t start with NAFTA.

This is really a remarkable book, one that strikes perhaps the most sophisticated balance between history and economics that I have seen in some time. It is analytic, but an engaging read; understated, but somehow, blunt as well. It is in fact the polar opposite of the kind of Manichean narratives that tend to bedevil this field. There are, I fear, precious few heroes or villains. As a good economist would have it, perverse incentives emerge in the real world of revolutionary struggle, and these are, most likely, nobody’s fault. The contest for power always has unintentional consequences. This is historical analysis of a very high order and it deserves a thoughtful reception and a careful reading.

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