

# Economic Situation between Wars Docs

## Document 1

### Source: Mexican President Lázaro Cárdenas, “Speech to the Nation” 1938

**Background:** Lázaro Cárdenas came from a lower-middle-class family in Mexico. During his six-year term in office, he oversaw a radical extension of the land reform program and led the cause against foreign economic interests operating in Mexico. He announced the nationalization of Mexico’s petroleum and the expropriation [taking property for government use] of all foreign companies’ equipment. He also founded *Petróleos Mexicanos*, a state-controlled oil company, which continues to be a major source of income for the government.

It has been repeated ad nauseam [to an excessive degree] that the oil industry has brought additional capital for the development and progress of the country. This assertion is an exaggeration. For many years throughout the major period of their existence, oil companies have enjoyed great privileges for development and expansion, including customs and tax exemptions and innumerable prerogatives; it is these factors of special privilege, together with the prodigious productivity of the oil deposits granted them by the Nation often against public will and law, that represent almost the total amount of this so-called capital.



Potential wealth of the Nation; miserably underpaid native labor; tax exemptions; economic privileges; governmental tolerance — these are the factors of the boom of the Mexican oil industry.

Let us now examine the social contributions of the companies. In how many of the villages bordering on the oil fields is there a hospital, or school or social center, or a sanitary water supply, or an athletic field, or even an electric plant fed by the millions of cubic meters of natural gas allowed to go to waste?

What center of oil production, on the other hand, does not have its company police force for the protection of private, selfish, and often illegal interests? These organizations, whether authorized by the Government or not, are charged with innumerable outrages, abuses, and murders, always on behalf of the companies that employ them.

Who is not aware of the irritating discrimination governing construction of the company camps? Comfort for the foreign personnel; misery, drabness, and insalubrity for the Mexicans. Refrigeration and protection against tropical insects for the former; indifference and neglect, medical service and supplies always grudgingly provided, for the latter; lower wages and harder, more exhausting labor for our people.

The tolerance, which the companies have abused, was born, it is true, in the shadow of the ignorance, betrayals, and weakness of the country’s rulers; but the mechanism was set in motion by investors lacking in the necessary moral resources to give something in exchange for the wealth they have been exploiting.

Another inevitable consequence of the presence of the oil companies, strongly characterized by their anti-social tendencies, and even more harmful than all those already mentioned, has been their persistent and improper intervention in national affairs.

The oil companies’ support to strong rebel factions against the constituted government in the Huasteca region of Veracruz and in the Isthmus of Tehuantepec during the years 1917 to 1920 is no longer a matter for discussion by anyone. Nor is anyone ignorant of the fact that in later periods and even at the present time, the oil companies have almost openly encouraged the ambitions of elements discontented with the country’s government, every time their interests were affected either by taxation or by the modification of their privileges or the withdrawal of the customary tolerance. They have had money, arms, and munitions for rebellion, money for the anti-patriotic press which defends them, money with which to enrich their unconditional defenders. But for the progress of the country, for establishing an economic equilibrium with their workers through a just compensation of labor, for maintaining hygienic conditions in the districts where they themselves operate, or for conserving the vast riches of the natural petroleum gases from destruction, they have neither money, nor financial possibilities, nor the desire to subtract the necessary funds from the volume of their profits.

Nor is there money with which to meet a responsibility imposed upon them by judicial verdict, for they rely on their pride and their economic power to shield them from the dignity and sovereignty of a Nation which has generously placed in their hands its vast natural resources and now finds itself unable to obtain the satisfaction of the most elementary obligations by ordinary legal means.

As a logical consequence of this brief analysis, it was therefore necessary to adopt a definite and legal measure to end this permanent state of affairs in which the country sees its industrial progress held back by those who hold in their hands the power to erect obstacles as well as the motive power of all activity and who, instead of using it to high and worthy purposes, abuse their economic strength to the point of jeopardizing the very life of a Nation endeavoring to bring about the elevation of its people through its own laws, its own resources, and the free management of its own destinies.

With the only solution to this problem thus placed before it, I ask the entire Nation for moral and material support sufficient to carry out so justified, important, and indispensable a decision...

It is necessary that all groups of the population be imbued with a full optimism and that each citizen, whether in agricultural, industrial, commercial, transportation, or other pursuits, develop a greater activity from this moment on, in order to create new resources which will reveal that the spirit of our people is capable of saving the nation's economy by the efforts of its own citizens.

And, finally, as the fear may arise among the interests now in bitter conflict in the field of international affairs that a deviation of raw materials fundamentally necessary to the struggle in which the most powerful nations are engaged might result from the consummation of this act of national sovereignty and dignity, we wish to state that our petroleum operations will not depart a single inch from the moral solidarity maintained by Mexico with the democratic nations, whom we wish to assure that the expropriation now decreed has as its only purpose the elimination of obstacles erected by groups who do not understand the evolutionary needs of all peoples and who would themselves have no compunction in selling Mexican oil to the highest bidder, without taking into account the consequences of such action to the popular masses and the nations in conflict.

<https://library.brown.edu/create/modernlatinamerica/chapters/chapter-3-mexico/primary-documents-with-accompanying-discussion-questions/document-7-nationalization-of-oil-lazaro-cardenas-1938/>

## Document 2

### Excerpt from: Joseph Stalin's "Industrialization of the Country and the Right Deviation in the C.P.S.U.(B.)" (November 19, 1928)

**Background:** Between 1928 and 1933, Stalin inaugurated the First and Second Five-Year Plans to achieve his goal of rapid industrialization. In many respects he was successful - by 1939 the USSR was behind only the United States and Germany in industrial output. The human costs, however, were enormous. Joseph Stalin, is addressing the plenum (assembly) of the Communist Party of the Soviet Union (CPSU) about the necessity of industrialization in the Soviet Union, the threat better industrialized neighboring capitalist countries pose, and the reforms necessary in order to ensure the survival of the "dictatorship of the proletariat."

**External conditions.** We have assumed power in a country whose technical equipment is terribly backward. Along with a few big industrial units more or less based upon modern technology, we have hundreds and thousands of mills and factories the technical equipment of which is beneath all criticism from the point of view of modern achievements. At the same time we have around us a number of capitalist countries whose industrial technique is far more developed and up-to-date than that of our country. Look at the capitalist countries and you will see that their technology is not only advancing, but advancing by leaps and bounds, outstripping the old forms of industrial technique. And so we find that, on the one hand, we in our country have the most advanced system, the Soviet system, and the most advanced type of state power in the world, Soviet power, while, on the other hand, our industry, which should be the basis of socialism and of Soviet power, is extremely backward technically. Do you think that we can achieve the final victory of socialism in our country so long as this contradiction exists?



What has to be done to end this contradiction? To end it, we must overtake and outstrip the advanced technology of the developed capitalist countries. We have overtaken and outstripped the advanced capitalist countries in the sense of establishing a new political system, the Soviet system. That is good. But it is not enough. In order to secure the final victory of socialism in our country, we must also overtake and outstrip these countries technically and economically. Either we do this, or we shall be forced to the wall.

This applies not only to the building of socialism. It applies also to upholding the independence of our country in the circumstances of the capitalist encirclement. The independence of our country cannot be upheld unless we have an adequate industrial basis for defense. And such an industrial basis cannot be created if our industry is not more highly developed technically...

The question of a fast rate of development of industry would not face us so acutely as it does now if we had such a highly developed industry and such a highly developed technology as Germany, Say, and if the relative importance of industry in the entire national economy were as high in our country as it is in Germany, for example. If that were the case, we could develop our industry at a slower rate without fearing to fall behind the capitalist countries and knowing that we could outstrip them at one stroke. But then we should not be so seriously backward technically and economically as we are now. The whole point is that we are behind Germany in this respect and are still far from having overtaken her technically and economically.

The question of a fast rate of development of industry would not face us so acutely if we were not the only country but one of the countries of the dictatorship of the proletariat, if there were a proletarian dictatorship not only in our country but in other, more advanced countries as well, Germany and France, say.

If that were the case, the capitalist encirclement could not be so serious a danger as it is now, the question of the economic independence of our country would naturally recede into the background, we could integrate ourselves into the system of more developed proletarian states, we could receive from them machines for making our industry and agriculture more productive, supplying them in turn with raw materials and foodstuffs, and we could, consequently, expand our industry at a slower rate. But you know very well that that is not yet the case and that we are still the only country of the proletarian dictatorship and are surrounded by capitalist countries, many of which are far in advance of us technically and economically...

**Internal conditions.** But besides the external conditions, there are also internal conditions which dictate a fast rate of development of our industry as the main foundation of our entire national economy. I am referring to the extreme

backwardness of our agriculture, of its technical and cultural level. I am referring to the existence in our country of an overwhelming preponderance of small commodity producers, with their scattered and utterly backward production, compared with which our large-scale socialist industry is like an island in the midst of the sea, an island whose base is expanding daily, but which is nevertheless an island in the midst of the sea.

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That is why a fast rate of development of our industry is necessary and imperative.

We cannot go on indefinitely, that is, for too long a period, basing the Soviet regime and socialist construction on two different foundations, the foundation of the most large-scale and united socialist industry and the foundation of the most scattered and backward, small commodity economy of the peasants. We must gradually, but systematically and persistently, place our agriculture on a new technical basis, the basis of large-scale production, and bring it up to the level of socialist industry. Either we accomplish this task-in which case the final victory of socialism in our country will be assured, or we turn away from it and do not accomplish it-in which case a return to capitalism may become inevitable.

<https://www.marxists.org/reference/archive/stalin/works/1928/11/19.htm>