CHAPTER 33  

Mexican Reception of ‘Political Essay’¹

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Introduction

One might argue that historians’ neglect of Carlos Díaz Dufoo’s 1918 work, México y los capitales extranjeros (Mexico and Foreign Capital), is justified. After all, it did not achieve its goal of stemming economic nationalism and persuading policymakers to create a more favorable climate for foreign capital. But his book was significant in another way. It was the first comprehensive critique of Mexico’s legendary wealth, that is, the popular narrative that Mexico was immensely prosperous because of its rich and abundant natural resources. He attacked the legend because he maintained that it erroneously led Mexicans to believe that foreign capital was unnecessary, and even harmful. His criticism, which influenced contemporaries, was a historic event since the legend had a very long record. Díaz Dufoo dated its origin back to Alexander von Humboldt’s extremely influential late-colonial-era work, Ensayo Político sobre el reino de la Nueva España (Political Essay on the Kingdom of New Spain). Interestingly, Díaz Dufoo’s attack was not based on new knowledge about Mexico’s natural resources, but rather his distinct conception of wealth, which emphasized capital investment above all else. Despite his criticisms, his appraisal of the Mexican economy was very optimistic. Thus, while he challenged the legend he did not undermine the idea of Mexico’s economic greatness, which was associated with it. He maintained that a different force was needed to achieve that prominence, however. In the legend God’s creation, that is, Mother Nature was the source of Mexico’s grandeur. But Díaz Dufoo maintained that Mother Nature was deficient. Instead, he placed his faith in man, who could overcome the obstacles posed

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by nature and generate wealth via modern technologies, which were financed with heavy doses of foreign capital.

Díaz Dufoo was well aware that his positive portrayal of foreign capital countered the revolutionary nationalism of the contemporary era. In fact, his book was published on the heels of the 1917 Constitution, which manifested some of the nationalist sentiments of the era by strengthening national sovereignty by limiting foreign capital’s property rights. Not only the content of his work, but also the fact that he had been a member of the old científico political clique (he had been a prominent journalist and a national politician), which had wielded significant influence during the long reign of Porfirio Díaz’s long (1876-1910), put him at odds with nationalist revolutionaries. After all, revolutionists, who asserted that científicos had sold out the nation to foreign interests prior to the 1910 Revolution, had branded científicos traitors.

**Díaz Dufoo’s Critique of the Humboldtian Legend**

Díaz Dufoo referred to the conception of wealth associated with the legend as “spontaneous.” That is, the popular legend conceived of Mother Nature as the autonomous generator of riches, especially in the “mining” and “agricultural” sectors. Stressing this point he asserted that “public opinion” perceived Mexico’s mineral wealth as “exceptional, marvelous, spontaneous and free . . . it was [like] a lottery, in which not one but all entered the game and all won the prize.” He recounted a colonial-era tale that captured this attitude: precious metals were so abundant and accessible that they could be easily picked up by hand. Underscoring this overflowing wealth that Mother Nature provided, another fable claimed that there were such abundant riches that Spaniards felt that it was only “dignified” to collect gold; they left the “silver” leftovers for “Indians and slaves.” Díaz Dufoo had a parallel assessment about Mexicans’ notions of the nation’s oil wealth. He quoted Manuel Flores, a contemporary who held a similar opinion. Flores maintained that “legends had been created about the [oil] industry,” which suggested that little labor brought immense profits, for Mother Nature did all the work. First, where the oil existed was determined with “mathematical precision.” Second, a hole was made in the correct spot, and gushing “torrents” of oil came forth.

Díaz Dufoo spoke of this natural-resource-based notion of Mexico’s wealth as a “fantastic concept” and maintained that Mexicans needed to be “awoken” from this “dream.” He especially lamented the negative views

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3. Ibid., 154.
4. Ibid., 186.
5. Ibid., 154.
about foreign investment that stemmed from this surreal state. The legend of immense and spontaneous natural resource wealth erroneously implied that foreign capital was unnecessary to generate riches. But there was another unfair charge against foreign capital, which he suggested was especially strong during the revolutionary era he lived in: the legend encouraged the wrongheaded idea that foreign capital robbed Mexico of its wealth. Díaz Dufoo made this point several times, and put it this way on one occasion: “The exaggerated concept of our wealth has as a corollary, namely, the ill will of foreigners, who egotistically take our riches and use them for their own benefit without contributing to the wealth of the nation.” For him, these were gross misconceptions. He especially regretted their impact on policy. In a chapter metaphorically entitled “the chicken with the golden eggs” he explained the consequences. After discussing nationalist policies he stated that “never has the fable of the chicken with the golden eggs been invoked more absolutely.” Apparently Mexico was the fowl and the golden eggs were her valuable resources. Foreigners would not be permitted to confiscate them. Thus, the legend inspired economic nationalism and anti-foreign policies. (Díaz Dufoo spilled much ink combating this predatory depiction of foreign capital.)

Díaz Dufoo located the source of the contemporary legend in Alexander von Humboldt’s late-colonial multi-volume Ensayo político. Diaz Dufoo did not fully explain how Humboldt had started the legend, however. All he stated was that Humboldt’s text had caused Mexicans to look at their nation with rosy “tinted glasses.” Since Humboldt’s extensive discussion of Mexico’s natural resources was so well known perhaps Diaz Dufoo thought his reference to Humboldt was self explanatory. Indeed, Díaz Dufoo cited and quoted a recent work entitled Humboldt en América that underscored Humboldt’s impact in Mexico, which was by Mexican writer Carlos Pereyra. More importantly, throughout the nineteenth century, Mexican writers had quoted and discussed Humboldt’s writings about Mexico’s resources extensively. Humboldt, whose physiocratic conception of wealth underscored soil quality, emphasized the centrality of nature in creating wealth. In keeping with his assessment, leading post-independence thinkers, such as Liberal José Mora and Conservative Lucas Alamán, called for population growth in order

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6. Ibid., 214, 298, 326.
7. Ibid., 436.
8. Especially see chapter 12, which was entitled “what foreign capital has brought,” 365-98.
9. Ibid., 153.
10. On the impact of Humboldt’s work in Mexico see Bernecker, “el mito”; Miranda, Humboldt; and Weiner, “Mexico’s Economic Decline.”
12. For a discussion of Humboldt’s conception of wealth see Weiner, “Redefining Mexico’s Riches.”
to exploit the nation’s untapped riches. Consequently, Díaz Dufoo’s claim that Humboldt’s work played a pivotal role in the dissemination of the legend had merit.

Given Díaz Dufoo’s assertions about the negative impact that misperceptions associated with the legend had on policy, it is unsurprising that he spent much of his book debunking the legend. Of course, he was by no means the first to question Mexico’s natural resource wealth. And his book fully acknowledged his forerunners. In fact, he cited dozens of authors (mostly nineteenth century Mexicans) to sustain his critique. But his criticism was not merely a rehashing of old arguments. Most of the authors Díaz Dufoo cited were analyzing specific aspects of the economy rather than attempting to dispel general perceptions. True, a few (most notably científico Justo Sierra) explicitly attacked the myth of Mexico’s natural-resource-based wealth. Nevertheless, Díaz Dufoo made a novel contribution, for he creatively wove all these writings together and thereby made the first sustained and comprehensive attack on the legend. By stressing Mexico’s deficiencies he provided a revisionist interpretation of the economy. He countered contemporary conventional wisdom, for, as scholar Paolo Riguzzi has shown, during Porfirio Díaz’s reign (1876-1910) many (especially national and foreign promoters) depicted Mexico as very prosperous.

Díaz Dufoo’s revisionism was evident in his depiction of Mexico’s natural resources, for he portrayed nature as a hindrance to economic progress. He recounted a colonial-era story that emphasized how Mexico’s mountainous topography was a severe obstacle to commerce. The tale, in which a Spaniard crumbled up a flat sheet of paper to portray Mexico’s bumpy terrain, underscored how difficult it was to transport goods. Rainfall also posed a dilemma. Not only was it insufficient for agriculture, but it also was irregular, which meant that both torrential rain and dry spells cause problems. From the perspective of Díaz Dufoo’s human-centered notion of wealth, climate was another obstacle, for in some areas Mexico’s extreme climates inhibited population growth. Adding to his incisive critique, Díaz Dufoo directly challenged two tenets of the legend: Mexico’s rich soil and subsoil. He countered the popular idea that Mexico’s soil was especially fertile and

13. Mora, México; and Alamán, Documentos, 16-17.
14. While all scholars agree that Humboldt played a pivotal role, some depart from Díaz Dufoo by locating the origins of the legend in the age of the Spanish Conquest. Especially see Cosío Villegas, “La riqueza.”
15. For an account of this broader nineteenth century critique see Weiner, “Mexico’s Nineteenth Century Economic Decline.”
16. Díaz Dufoo extensively quoted Justo Sierra’s 1885 work entitled México social y político”
17. Riguzzi, “México próspero.”.
18. Díaz Dufoo, México, 123.
maintained that Mexico’s minerals (especially precious metals) had little value in their natural state, for they were impure.19

In Díaz Dufoo’s description, Mexico’s natural resources by no means autonomously created wealth. They did play a role, however. He frequently called natural resources “latent” wealth or “potential” wealth.20 But to turn this “latent” wealth into concrete riches the most significant factor was capital investment. He made this point over and over again. Díaz Dufoo showed that key sectors of the economy (agriculture, mining, oil, and manufacturing) all needed significant capital investment if they were to prosper. He lamented the fact that only a fraction of Mexico’s land was currently utilized for agriculture and maintained that irrigation and transportation needed to be greatly expanded if Mexico was to utilize more of its territory for growing crops. He used Humboldt’s discussion of the Valencia mine as the exception that proved the rule that greater investment was needed in the mining sector. The Valencia mine had been so productive, Díaz Dufoo maintained, precisely because significant amounts of capital had been invested in it.21 An obstacle faced by the contemporary mining sector was a lack of coal, which was needed in the refining process (wood sources, i.e., forests, had already been depleted). Mexico had coal, but it was in the North and transport was so expensive that it was sold mostly to the USA instead of being consumed internally. (A shortage of coal also impeded the progress of Mexican manufacturing.) The transportation problem not only affected coal, but also oil. Oil reserves existed; but even if they were exploited a transport system to ship them to the coast did not.22

He complemented this empirical argument with a foray into theory, in which he took on some major economic theorists.23 He summarized theories about wealth creation by influential economists, including Pablo Leroy Beau lieu, John Stuart Mill, Charles Gide, and Alfred Marshall. Díaz Dufoo noted that these economists stressed three main forces that worked together to generate wealth: the natural environment, human labor, and capital. Of the three, Diaz Dufoo maintained that economists generally agreed that the natural environment was most important and capital least important. He countered this position by maintaining that capital was most significant. He supported his assertion with many historical examples taken from different parts of the globe, which were based on the scholarship of numerous researchers. Even if his approach might have been more precise and focused, he nevertheless did

19. For Díaz Dufoo’s critique of Mexico’s resources especially see chapter 5, which was entitled “Our Natural Wealth.”
20. For example, a subheading on page 69 was entitled “Potential Wealth and Public Misery.”
21. Ibid., 176.
22. Ibid., chapter 6, 151-194.
23. He critiqued economic theorists in chapter 2.
effectively use examples to make his case. He argued that capital was more significant than labor in numerous ways. Capital was a magnet for human populations, and thus actually was the dominant of the two. For example, areas that were uninhabitable for health reasons could be made more healthful via investment, which resulted in migrations to the region. Similarly, areas that were uninhabited for lack of economic opportunity became populated after industries moved in. But capital not only created labor, but also replaced it via mechanization. Shifting to the relative importance of capital and the natural environment, he provided examples that showed capital was more significant than soil in agriculture (via dry farming which enabled cultivation in areas it had previously been impossible) and mineral deposits in mining (via the use of carbon). He especially highlighted capital’s importance in the “big industries,” which had arisen since the “first quarter of the past century,” such as the textile and iron industries.24

Unequivocally, capital was the most significant factor in generating wealth, according to Díaz Dufoo. In fact, stating that wealth was a modern phenomenon which dated back only to the second half of the nineteenth century (perhaps he selected this date since capital investment increased significantly after this period), he suggested that without capital wealth could not even exist.25 For him, capital was an all-powerful force that not only generated wealth, but also transformed the global economic landscape. He called this transformation the “law of progress: the economy of power – has presided over the industrial evolution of societies: from the small industry, with tools and machines of little value, to the large industry, with expensive installations, factories of vast size and concentration of business operations.”26 In other words, the age of economies of scale, with massive production, immense capital investment, and scores of workers, had dawned. Owing to his unwavering belief in progress, he predicted that increased economic concentration was on the horizon. Ironically, aspects of Díaz Dufoo’s economic vision resonated with Marx’s (of course, Díaz Dufoo did not make the association). Both believed in the inevitability of material progress, which manifested itself in increasing concentration and industrialization.

This notion of inevitable progress was evident in Díaz Dufoo’s predictions about Mexico’s economic future. He described Mexico as one of the “new countries,” which had significant latent wealth in resources, thus much economic potential. All that was needed to realize that potential were large doses of capital, more specifically, foreign capital, for “new” countries lacked their own capital reserves. He cited Francisco Bulnes’ *El porvenir de las naciones latinoamericanas* to bolster his predictions for Mexico’s promis-

24. Ibid., 34.
25. Ibid., 46.
26. Ibid., 50.
Díaz Dufoo maintained that capital investment would transform Mexico’s agricultural and extractive industries. His discussion of Humboldt in this context is telling about how economic attitudes changed over time. Díaz Dufoo cited a section of Ensayo Político that asserted that northern Mexico could not support agriculture owing to the arid climate. Díaz Dufoo maintained that this region, which was now the U.S. Southwest, had been transformed from deserts into gardens via capital investment. For Humboldt, Mother Nature was the basis of wealth, thus where she was deficient the economy was unproductive. But Díaz Dufoo, who wrote during an era in which technology reached unprecedented heights, believed that humans could overcome the limits imposed by nature.

Given Díaz Dufoo’s infatuation with industries that required extensive capital and technology, it is unsurprising that his vision of Mexico broke with the international division of labor. True, he underscored the need for capital and technology in Mexico’s agricultural and extractive industries. But he also emphasized the importance of creating manufacturing industries in Mexico, as his lengthy promotions of protectionism and attacks on free trade and the international division of labor demonstrated.

**Mexican reception of ‘México y Los Capitales Extranjeros’**

During the Revolutionary period in which he lived, Díaz Dufoo’s text had to fight an uphill ideological battle. He boldly attacked the conventional wisdom of the era, severely criticizing nationalism and indigenism. Again and again, he criticized nationalist policies, contending that they would scare away foreign capital and lead to economic ruin. What made matters worse, said Díaz Dufoo, was that during the age of WWI there was already a shortage of capital, for Europe was reinvesting in its own reconstruction and thus had little money to invest in Mexico. Consequently, the main source of foreign capital, he predicted, would be the United States. His message was clear: create an environment which would be conducive to foreign capital, for it was essential for Mexico’s industrialization. Unsurprisingly, his book harshly attacked the economic vision of revolutionary ideologue Fernando

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27. Ibid., 151. For an analysis Of Bulnes’ book see Weiner, “Mexico and the International Division of Labor.”
29. Ibid., 340-6, 501-5.
30. He re-emphasized these themes in chapter 15, the concluding chapter of his book.
González Roa. Díaz Dufoo maintained that the revolutionist eschewed economies of scale and modern technology and instead championed small-scale crafts-style production. Díaz Dufoo depicted this as an antiquated vision which would deny Mexico of its rightful industrial grandeur. His charge against indigenism, that is, the popular ideological movement to return to pre-Hispanic traditions and economies which emerged during the Revolution, was consistently implied. After all, his modernizing vision had no sympathy or use for indigenous production methods or culture. And his heavy criticism of indigenous workers and high praise of laborers from Europe and the United States made this implicit attack explicit.

Given his strident attack on the conventional wisdom of his era, little wonder that in the preface to a later edition of the book he confessed that in 1918 he had feared that the government would not allow his text to be published. Obviously, his fears proved unfounded. But even if his book was not forbidden, it was harshly attacked in the press. Before condemning his book, Fernando González Roa summarized its contents, asserting that the book worshipped “industrialism” as Mexico’s “salvation” and also championed “protecting capitalism.” González Roa maintained Díaz Dufoo’s “thesis” was a “grave error” that needed to be countered so it would not “wrongly sway public opinion.” Ironically, according to Díaz Dufoo, González Roa’s attack brought his book much publicity, for the headline on the long series of newspaper articles in which González Roa put forth his counter-position featured Díaz Dufoo’s name.

Notoriety did translate into influence on policy, however. Indeed, during the revolutionary period of the 1920s and 1930s nationalist and indigenist policies prevailed. This was especially the case during the Cardénas administration (1934-40), for not only did the president expropriate foreign oil interests, but also significantly expanded indigenous communal lands. Even if Díaz Dufoo’s book did not impact policy, it appears that it did influence perceptions of Mexico’s natural resource wealth. The eminent Mexican economist and social critic Daniel Cosío Villegas was the most clear-cut case in

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31. Ibid., 530-35.
32. Ibid., 195-204.
33. The second revised edition was titled Comunismo contra capitalismo.
35. Díaz Dufoo’s claim that the first edition quickly sold out lent support to his assertion that González Roa inadvertently popularized his book. Díaz Dufoo, Comunismo, 5-7. González Roa published a series of about 25 articles that featured Díaz Dufoo’s name in the headline. (However, only the first article critiqued Díaz Dufoo’s book. The rest put forth González Roa’s alternative economic vision.) They were originally published over a period of several months in El Economista, beginning October 1918. They were all reprinted in Diario Oficial, and appeared from November 1918 through December 1919 (In 1918: Nov. 9, 16, 23, 30; Dec. 7 In 1919: Jan. 18, 25; March 8, 18, 22, 27, 29; April 21, 25, 28; May 3, 7, 9, 17; Oct. 21; Nov. 1, 4, 15, 24; Dec. 2, 11, 15).
point. Not only did he repeat Díaz Dufoo’s critique of the legend, but also credited Díaz Dufoo as being the originator of the analysis. Secretary of education José Vasconcelos wrote descriptions of Mexico’s deficient natural environment that bore resemblances to Díaz Dufoo’s portrayal, although Vasconcelos did not credit Díaz Dufoo.

Díaz Dufoo thought that there would be more sympathy for the policy implications of his book after the Cardénas presidency ended. Indeed, he justified the publication of a second edition in 1941, in part, on his observation that the conventional wisdom of the 1920s and 1930s was finally being questioned and “new ideas” were emerging. His judgment was perceptive, for despite the persistence of economic nationalism, policies during the “Mexican miracle” (a label selected for the 1940-70 period because of consistent high economic growth rates) were more in keeping with his prescriptions. His vision of economies of scale based on substantial investment finally became a reality, as industrialization (the significant growth of the manufacturing sector) and “green revolution” (large-scale capital-intensive agribusiness) that characterized the era attests to. Mexico’s economic grandeur based on man’s improvement upon deficient nature, which Díaz Dufoo had predicted, seemed to have finally been achieved. Díaz Dufoo was a forerunner to this new trend in thought.

Nevertheless, there were dissenters to the new orthodoxy. In 1939, at the onset of the “miracle,” Cosío Villegas’ critique of Díaz Dufoo was a kind of warning against the new mentality. Cosío Villegas agreed with, and even praised Díaz Dufoo’s somber account of Mexico’s natural resource wealth. But Cosío Villegas stated that Díaz Dufoo was too optimistic about the power of capital to generate wealth. For Cosío Villegas, the limits imposed by nature could not totally be overcome by the volition of man. He, for example, maintained that Mexico’s lack of coal would hamper industrialization. By questioning imported technology’s ability to successfully adapt to local conditions, he also problematized technology transfer, which was yet another way to challenge Díaz Dufoo’s depiction of almighty capital. Based largely on the nation’s limited natural resources, Cosío Villegas had much more modest predictions for Mexico’s economic future. Despite the fact that he challenged new dogma, I found no commentary on his article.

In 1950 U.S. scholar Frank Tannenbaum took Cosío Villegas’s critique a step further. Like Cosío Villegas, Tannenbaum maintained that Mexico’s

36. See Cosío Villegas’ works “La riqueza” and “El territorio”.
37. In order to challenge racial explanations for Mexico’s economic woes, Vasconcelos emphasized the ways that Mexico’s physical environment posed an obstacle to economic development. See Vasconcelos, “The Latin American Basis of Mexican Civilization.”
38. Díaz Dufoo, Comunismo, 7.
40. Tannenbaum, Mexico.
natural resources were extremely limited. He backed this assertion with an in-depth description of Mexico’s natural environment. Also in keeping with Cosío Villegas, he did not conceive of technology as a tool that could free Mexico from the limitations posed by nature. His forecast of Mexico’s economic future was more modest than Cosío Villegas’s, however. Tannenbaum maintained that Mexico’s economic future lay in indigenous economic traditions: a small-scale agricultural economy, with production mostly for auto-consumption. Mexican reception of his work departed significantly from the silence that surrounded Cosío Villegas’s article, for many scathing critiques were written that chastised his book. In fact, an entire issue of the significant journal *Problemas agrícolas e industriales de México* critiqued his book.41

One can only speculate about why his book provoked such a strong reaction and Cosío Villegas’s article did not. Even if Tannenbaum was an established long-time friend to Mexico, he was still a foreigner, which might have been a factor that accounted for the loud and critical response to his work. But I think three other issues which centered on the distinct nature and timing of his critique was more important. First, Tannenbaum’s critique (a full monograph) was much more developed than Cosío Villegas’s. Second, Tannenbaum’s challenge to accepted dogma was more radical than Cosío Villegas’s. (Indeed, even Cosío Villegas, who defended Tannenbaum’s work, admitted that it perhaps underestimated Mexico’s economic potential.)42 Finally, Tannenbaum’s work came out a decade after Cosío Villegas’s. Perhaps by 1950 the Mexican elite, enamored with their own economic grandeur after a decade of impressive economic growth, would not tolerate a naysayer. In about three decades the ideological tables had turned completely. In 1918 Díaz Dufoo had been chastised for his grand modernizing anti-indigenous economic vision. But by 1950 Díaz Dufoo’s idea had become hegemonic and the small-scale Indianist position had been marginalized.

**Conclusions**

Carlos Díaz Dufoo’s 1918 work, *México y los capitales extranjeros*, was the first comprehensive critique of Mexico’s legendary wealth, a colonial-era narrative that had conceived of Mexico as immensely prosperous owing to its rich and abundant natural resources, which had been popularized by Humboldt’s *Ensayo Político*. Rather than a consequence of more complete or perfect knowledge about Mexico’s extant natural resources, Díaz Dufoo’s critique was largely the product of distinct economic sensibilities that can be dated back to the latter part of the nineteenth century that spilled over into the twentieth century, even if political motivations were also a factor. The turn of

42. Cosío Villegas, “Tannenbaum.”
the twentieth century was an epoch marked by economies of scale, mass production, sophisticated technological processes, unprecedented levels of investment, and ballooning global trade. From Díaz Dufoo’s late-nineteenth-century perspective, capital, not natural resources, was the most important generator of wealth. But not only was his concept of what generated wealth a departure from earlier analyses, but also his notion of what constituted riches. Veering from raw resources associated with the legend, his conception of riches stressed processed industrial products. Despite these distinctions, his economic vision was in keeping with the legend in that he, too, envisioned a Mexico of economic grandeur, albeit of a different type. In the context of the Mexican Revolution, with its nationalist and Indianist elements, there was little sympathy for his economic vision, but many aspects of it were embraced about two decades later, when the era of the “Mexican miracle” began.

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