

duties on either side. If that were done Mexico could afford to wipe out the Free Zone and dispense with European goods."

"How would the summary abolition of the Zone affect us?"

"It would not do for us to urge its abolition without this local free interchange of products, because the Zone is now a large consumer of many of our goods. Wheat, flour, corn, bacon, lard, etc., are supplied by us exclusively, as well as many other necessities. So long as the inhabitants of the Zone can import these at 10 per cent. of the regular duties, they can eat them; but if the full duties were exacted, they would be too expensive. For instance, some five million pounds of our flour are imported every year at Matamoras, Nuevo Laredo, Piedras Negras, Juarez, and Nogales, exclusively for consumption in the Zone, for scarcely a barrel goes into the interior. The full duty is more than two cents a pound on wheat and four cents on wheat flour. Those who live in the Zone can pay 10 per cent. of this duty and eat our flour; those farther back have to buy Mexican flour or eat corn-meal."

"How would you advise going about the improvement of present conditions?"

"What we have long needed in our relations with Mexico is to put political questions in the background and study and treat with Mexico on a friendly commercial basis. Do you know that we have absolutely no treaties of any sort in force with Mexico to-day except an extradition treaty—an extremely faulty one—dated away back in 1861? It is high time to negotiate at least a commercial treaty. Mexico needs our products and has always been disposed to meet us half way. Too much protection buncombe by one party and too much free-trade theorizing by the other have prevented our doing five or ten million dollars' worth of commerce with Mexico every year, to the great benefit of both countries."

"We had the Grant-Romero treaty in 1883. I worked on that with General Grant, and hoped that even so small a step in the right direction would be followed by others. The House proceeded to pitch the treaty out of court, while some individuals added insult to injury by saying mean things about Mexico. We ought now to pass a general resolution reciting what should be done, intrust the plan to a non-partisan commission to work out, and, when they have made a report, enact the necessary legislation promptly, with such conditions that it will stay in force not less than ten years."

"Why not have complete free trade with Mexico, as our next neighbor?"

"It would be idle to talk about that for the present. Mexico is too poor even to consider such a suggestion. She could afford, however, and I believe would be willing, to try a system of limited reciprocity, with such local border interchange of national products as would enable her to abolish the *Zona Libre*. Both countries would reap the advantage of a cessation of smuggling, and Mexico would be enabled to do away with most of her interior customs guards, and save a half-million dollars or more in salaries every year. Along with such a system some articles could be made free in each country, and a few others given lower duties. The subject is of great importance, and one to which I have given much study for fifteen years. I earnestly hope a change in present conditions will be inaugurated soon."

*Supplement to the Free Zone.*—At the end of this book I will append a Supplement to the Free Zone paper, containing recent official information received from the Mexican Government since this paper went to press, on the extent of the foreign trade in the Free Zone, and a brief review of the action taken on the same subject by the Fifty-fifth Congress of the United States, resulting in the repeal by the House of Representatives of the Joint Resolution of March 1, 1895, and causing the production of important official documents.

## LABOR AND WAGES IN MEXICO.

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I have often heard it stated, in this country, as the chief reason for advocating restrictions on its trade with Mexico, that we pay low wages to our laborers, who are sometimes called paupers and peons, and that the maintenance of the high wages prevailing here requires that the free entrance of Mexican products similar to those of the United States be prohibited by the imposition of high duties.

As long as I did not hear these ideas expressed by Federal functionaries, I did not think that I was called upon to rectify them, but when Mr. Thomas H. Carter, formerly a Member of Congress, and now a Senator from Montana, in a speech delivered in the House of Representatives, on May 15, 1890, in support of the provisions of the tariff bill which became the Act of October 1, 1890, levying a duty upon lead in ores, based his arguments on the fact that we had in Mexico peon or slave labor, and that the United States had to protect her own citizens against the pauper labor of Mexico, I believed it was my duty to explain what we meant in Spanish by peon, and what was the condition of the Mexican laborers, thus rectifying the mistaken opinions in that regard prevailing in this country. I considered myself specially called upon to do so, as the same objection is repeated whenever it is proposed to adopt liberal measures for the promotion of trade between the two neighboring Republics. It seemed to me that I might contribute to the better understanding of each other and to a reciprocally advantageous increase of their trade relations, if I should give some idea of the condition of the Mexican laborer; of the wages which are paid in Mexico; of the causes which control their amount; of the manner in which these causes affect the cost and therefore the price of the commodities we produce; and of the price of Mexican articles obtained with low wages, as compared with the price of the same commodities produced here with high wages, and finally of the cost of living in Mexico.

Before writing on the subject, I waited until some time had elapsed after the tariff bill, approved October 1, 1890, had become a law, to avoid incurring the imputation of desiring to interfere in the internal

legislation of this country; and even then I was careful not to allude to Mr. Carter's remarks as having in any way influenced me in writing the article, which appeared in the *North American Review* for January, 1892.

The campaign for the Presidential election held in November, 1895, began over three years after my article was published by the *North American Review*, and the cardinal point in that campaign was the standard of money in this country, that is, whether the United States should adhere to the gold standard, or return to the free coinage of silver, and possibly come finally to the single silver standard. As Mexico is a silver country and adjoins the United States, it afforded an example to judge of the results of the silver standard, *pro* and *con*, according to the views entertained by the respective parties. Several committees and numerous newspaper correspondents were sent to Mexico to study this question, with a view to use the information gathered in the electoral campaign. Some of them had made up their minds before they left this country, either in favor of the gold or silver standard, and none of them remained in Mexico long enough to understand it thoroughly. Their reports, therefore, while most of them were undoubtedly written in good faith, contained but little information of real value, with many errors that led to serious mistakes and misunderstandings. They sometimes presented the cheap products of Mexico as a proof of her poverty and a reason operating against her prosperity; and at the same time when in some cases her products were high, that fact was mentioned as a reason for the same result. The silver standard was made responsible for many results in which it had nothing to do.

My desire to rectify the main errors published, induced me to revise my article, availing myself of the data which came to light since it was first published, especially from official sources like the reports of the Minister and of the Consul-General of the United States at the City of Mexico, and of the arguments presented during the last canvass on both sides of the question, so far as they involve serious mistakes in matters of fact affecting Mexico.

My main and only object in writing this paper was to show that poorly paid Mexican labor cannot compete with well-paid American labor; but as this subject is so closely connected with the rate of import duties, I had to allude to this incidentally. I understand very well that in my position it would be an intrusion on my part to discuss this question, which is one pertaining to the internal affairs of the United States, and I will only refer to it in so far as it affects the rate of wages. In this connection I consider it proper to state here that, while my personal views lead me rather to lean on duties for revenue, I was not able in either of the three different times in which I served

as Secretary of the Treasury of Mexico, to make any material reductions on our very heavy import duties, much higher than those prevailing in this country, that notwithstanding that sometimes I had legislative authority to do so, and that therefore I could not consistently find fault with, and much less criticise, the prevailing high tariff views of the public men in the United States, who think them indispensable for the prosperity and welfare of their country, and that my whole and only object was to show that the low Mexican labor ought not to alarm the United States with any fear of competition.

I should be very glad if with this contribution I could in some way dispel some of the mistaken ideas prevailing in this country in regard to labor and wages in Mexico, which so far have stood in the way of measures tending to increase our mutual trade.

Since my article was published I have paid more attention to this subject, and have read all I could obtain on the same, as *Wages*, by Francis Walker; *Wages and Capital*, by F. W. Taussig; *The Labor Movement in America*, by Richard T. Ely; *A History of Money and Prices*, *The Industrial Situation*, and *The Economy of High Wages*, by J. Schoenhof; *Who Pays your Taxes?* by Bolton Hall; *Wages vs. 16 to 1*, by John de Witt Warner; *Relation of Tariff to Wages*, by David A. Wells; *The Bargain Theory of Wages*, by John Davidson; *Production and Distribution*, by M. Cannan; *The Law of Wages, the Rate and Amount*, by Mr. John Richards of San Francisco; Mr. Henry George's books relating to the labor question: *A Perplexed Philosopher*, *Progress and Poverty*, *Social Problems*, *Protection or Free Trade*, *Property in Land*, *The Condition of Labor*, *The Land Question*, and his posthumous book just published, *The Science of Political Economy*; the several chapters on labor of Mr. Edward Atkinson's *Industrial Progress of the Nation*, and several other pamphlets, including the valuable statistics on labor published by the United States Labor Department, and the statistics on Farm Labor in the United States, issued by the Department of Agriculture.

The revised article is the following.

## • LABOR AND WAGES IN MEXICO.

To do justice to this complex matter, I will have to speak separately of the different subjects affecting the wage question in Mexico, but I will try to be as concise as possible regarding each of them, as I do not intend to write a long treatise.

*Different Theories on Wages.*—There are several theories about wages, their sociological character, and their relation to production and wealth. It would be foreign to my purpose to dwell upon the different theories of wages, and I will therefore only state here that the oldest one, called "The Subsistence Theory," inaugurated by Ricardo, consists in fixing wages to an amount sufficient to provide for a man's subsistence, and this theory is considered as a remnant of the servitude in which the wage-earner was held up to the beginning of the present century. "The Productivity-of-Labor Theory," which is a forward step in the evolution of wages, intended to emancipate the wage-earner from his employer, consists in making wages depend on the value of the commodities they produce. "The Bargain Theory of Wages," as stated by Mr. Davidson in his book entitled *The Bargain Theory of Wages*, considers wages as any other commodity which is bought and sold, and whose price is determined both by the seller and buyer with equal voice in the bargain. "The Wages-Fund Theory" considers labor as regulated by the supply and the demand, and has as its complement the theory of "The Mobility of Labor," namely, to transport labor from where it is cheap to places where it is better paid.

I do not think that the last word on this subject has yet been spoken. I imagine that each theory on wages has some sound principle which really and actually affects wages, and I think that an eclectic system combining all theories will be a sound one.

*A Main Factor Regulating Wages.*—Without attempting to support any special theory, I think that there is a factor which invariably affects labor. I will enunciate this factor, which consists in a very simple principle that my experience shows me to be perfectly correct, and which I think I fully demonstrate in this paper, namely, that wages are regulated by the amount of work that they produce, and, conse-

quently, that low wages bring about high cost, and high wages low cost in the product of labor.

As the fear of competition by the cheap Mexican labor, or peon labor, as it is often called in this country, has played such an important part in adjusting duties on Mexican products imported into the United States, I consider it my duty to dwell somewhat on this point.

For a long period of time there was great fear of competition in manufactures from England. The advocates of high duties never wearied of describing the "pauper" labor of England, and the necessity of high duties here to prevent labor in the United States from falling to the same level of wages—to them one of indescribable misery and extreme poverty. Even within a few years an account of the hand nail-makers in the iron districts was circulated, which was regarded as the best evidence of what "free trade" in England had done for the workingmen. The question of labor cost is now discussed from a more scientific standpoint, and the fallacy of basing conclusions upon money wages has been demonstrated. Experience has shown that high wages in the United States mean high productive ability, and when American manufactures meet similar foreign products in neutral markets, and control those markets, the old theory cannot stand.

As the exporter of manufactures, England was looked upon as the country most to be feared. When Continental nations began to manufacture on so large a scale as to provide a surplus for export, the "pauper labor of Europe" was a new reason for fear, and the wages of the Continent, much lower in money than the wages of England, were quoted by the friends of high wages in the United States. For some years the sums of money received weekly by the glass-makers of Belgium, the ribbon-makers of France, and the textile-workers of Germany did yeoman service in supporting the demands of manufacturers in this country, that duties should be maintained because of "high-priced and dear labor" prevailing here. It was useless to repeat that money wages did not express labor cost, or that England would long since have been driven from the field by this "pauper" labor of Europe if such arguments were true. A table was prepared, showing a remarkable difference in money wages, and this table was looked upon as unanswerable proof of that theory.

Signs of another change of base are now visible. Continental Europe may still serve to frighten a few who may not have been enlightened, and even English wages are quoted occasionally as a memorial of the old days, when such an argument was accepted without question. But neither of these excites the same horror that it once did, and the pauper labor of Asia and Mexico is now the main reason advanced. Manufacturers urged duties that would protect them and the labor

they employed from the products of China, Japan, and of British India, the East Indies, and Mexico. The harrowing condition of labor in those countries has been dwelt upon as an apparently strong argument, and any wages—a few cents a day—were named as representing the earnings of these peoples. Textile fibres grown by "pauper labor or labor paid in the most niggardly manner"; chemicals made, or to be made in China, with labor at starvation wages; machinery and machine products, the outcome of Japanese ingenuity in applying their ridiculously cheap labor to copying American inventions and trade-marks, the influx of Eastern copies of Western manufactures, were presented as the reason for a nearly prohibitive legislation enacted to protect the infant industries of the United States.

The fear over the possible competition in the East has grown in recent years, but a study of the commerce between the United States and Asia fails to disclose any evidence of this competition, as the official returns of the Bureau of Statistics of the United States Treasury Department shows that during the last five years the trade with China and Japan has increased slowly in so far as the imports from those countries are concerned, while the increase of the exports from the United States to them has been very material,<sup>1</sup> and the trade with British India and the British East Indies has decreased.

The tariff of March 3, 1883, was determined by a fear of European competition. An average duty of forty-five per cent. was regarded as good protection against the Continent of Europe as well as England; against the machine products of Great Britain, France, and Germany, as well as against the home industries of Russia and Austria. If that rate was required against Europe, what rate will be demanded against Asia and Mexico?

It is very strange that while many in the United States thought it necessary to protect their manufactures from foreign competition by high duties, Count Goluchowski, Premier of Austria, should be so much afraid about the competition of American manufactories in European markets, and should call on Europe to unite in a commercial league

<sup>1</sup> In the last five years imports from China have gained \$1,600,000; but this increase is almost entirely to be found in the single item of raw silk. In the same period the imports from British India and the British East Indies decreased \$4,400,000, and not a single item of manufactures shows a larger import in the year 1896 than in that of 1892. With Japan, the country most to be feared in manufactures, United States imports have gained \$1,800,000 in five years, and in manufactures of silk, flax, and hemp, there has been a small increase: yet it is an increase too small to weigh in the supply of such a market as the United States. United States exports to Japan have gained \$4,300,000 in five years, to China \$1,300,000, and to British India have lost \$400,000. On the face of the returns these countries are better customers for American products than the United States is for theirs. The gains with Mexico are still larger.

against the United States and Japan, in a speech delivered in Vienna in November, 1897.

Agricultural products of this country, like wheat, cotton, and others, notwithstanding the high wages paid here to field laborers, successfully sustain in the English and other neutral foreign markets, a sharp competition with similar foreign products obtained with low wages, in some cases even lower than those in Mexico, as in the case of China and the East Indies, as is shown by the very large increase of the exports of this country. The exports of the year 1897 exceeded those of 1896, which were abnormally large, by \$93,292,278, or 9 per cent. There need, therefore, be no fear of competition from Mexico.

I believe that the people of the United States have the necessary enterprise and capacity to compete with any other people in the world in the production of manufactured articles. It is true that the high wages paid here, the import duties upon raw materials, and the high price of coal as compared with its price in some other countries, increase the cost of the production of certain commodities as compared with similar ones manufactured in England, France, Germany, and Belgium; but it must at the same time be remembered that the application of machinery, which is used here on a much larger scale than in any other country, cheapens production so greatly that it enables this country to manufacture many articles at a less cost than any other. An instance of this is the manufacture of steel rails in the Edgar Thompson Factory at Pittsburg, Penn., where, the entire production being mechanical, few hands are employed, and where natural gas is used as fuel.

High import duties are not enough, by themselves, to keep up high wages. If that were so, the wages in Mexico should be higher than in the United States, because our tariff is still more protective than the tariff of this country. It is true that our products did not use to compete with foreign manufactures in our home markets, and that may account in some way for that fact. But we are beginning now to manufacture largely a coarser kind of goods, like textiles, iron, and others which compete with similar foreign manufactures, and are driving them from our markets, and if that principle were true, our wages paid for such manufactures ought to be higher than in the United States because our tariff is higher.

High import duties collected in Mexico, amounting in some cases to over three hundred per cent. ad valorem, have neither increased nor cheapened our productions, nor raised our wages. Our imports in the fiscal year ending on the 30th of June, 1889, amounted to \$40,024,894.32; if we deduct from this the free articles, valued at \$13,506,230.23, we shall have, as the dutiable merchandise, \$26,518,664.09, yielding a revenue of \$32,477,962.95, or an average of 122 per cent. upon dutiable

and 81.14 per cent. upon the total imports, which is larger in proportion than that of any other American nation, and almost double that of the United States, where the average was 44.41 per cent. for the fiscal year ending on the 30th of June, 1890, the last fiscal year before the tariff, approved on October 1, 1890, was in operation; the value of the dutiable articles amounting to \$507,511,764, and the import duties to \$226,540,037. This contrast appears still greater in the case of the foreign trade in the fiscal year ended June 30, 1896, of both countries. According to the information conveyed in the President's Message of December 6, 1896, the proportion on dutiable goods imported in the fiscal year ending June 30, 1896—during which the Wilson Bill was in operation—was 39.94 per cent.; and on all articles, dutiable and free together, it was 20.55 per cent.; while in Mexico the imports of the same fiscal year amounted to \$42,253,938, out of which \$37,249,405 were dutiable, the proportion being 57.6 per cent. upon dutiable goods and 50.8 upon the total imports. Notwithstanding all this, and although our wages are lower than those in this country, our production, as compared with similar articles produced in this country, is considerably dearer.

At the end of 1897 over 50,000 workmen employed in the cotton mills in Fall River and other places of Massachusetts had their wages reduced ten per cent., and a similar reduction was made in other mills in New Hampshire and Rhode Island, as well as in Lewiston, Auburn, and Biddeford, Maine, a reduction having also taken place in the wages of a great shoe factory in New Bedford, Massachusetts.

It would be unreasonable and unfair to make the present tariff accountable for that reduction, with which it has nothing to do, and the most satisfactory explanation given of it is, in my opinion, the one advanced by a committee of New England manufacturers sent South to investigate the subject, who have reported that the New England mills, in their effort to secure cheaper labor, have substituted French-Canadian and other foreign for American hands, presumably at lower rates, but not necessarily at lower cost of production, and that the Southern mills with which they compete employ American workmen and are getting excellent work.

In an Appendix to this paper I will present the views of distinguished American statesmen on this subject, which seem to support the views here contained, to the effect that the main factor of wages is the amount of commodities they produce, and that wages are higher in the United States than anywhere else because labor here is more efficient than in other countries.

*The Mexican Laborer.*—In Mexico we call a laborer any kind of wage-earner, and peon, a farm wage-earner, although the word peon is going into disuse, because it does not mean now what it did under the Spanish rule. I will speak in another portion of this paper of the

peonage system, and here I will only make general considerations regarding the wage-earners of Mexico and their present condition.

It is impossible to institute a comparison between a laborer of the United States and one of Mexico. Any such attempt would be futile; they are wholly different in habits of thought and in mode of life. Their ambitions are diverse, and their education and tendencies are dissimilar. There is no common plane of comparison. Mexico must be measured by Mexican standards. Erroneous conclusions would be reached were we to apply the English, French, German, or American systems to the Mexican laborer.

No one will dispute that the average American workingman is better off in many ways than his counterpart in Mexico. The public school educates the American workingman, and he has many wants to satisfy, and we are glad for it. Otherwise he would not be what he is, the most intelligent, on the average, of all the world's toilers. He is a great consumer of tropical products, and this fact makes him tributary to Mexico. The better his wages the more he will consume, and the better it would be for our hot-country planters.

The social and physical status of most of the Mexican toilers is very unsatisfactory, and is attributable to various causes. In the first place, they are the descendants of practically enslaved sons of the soil, conquered by the early Spaniards; in the second place, they have been practically and until recently living under conditions similar to feudalism; and, in the third place, education has not yet penetrated among the adult laborers. But public schools are multiplying all over Mexico, and in many regions the minds of the little children of the laborer are being trained and disciplined as well as informed. Railways, by making it easy for the laborer to go from one part of the country to another, are destroying the centuries-old state of serfdom among the laborers. Slowly, very slowly, but none the less surely, is the educational policy of the Mexican Government raising the level of the toilers of Mexico.

The laborer in Mexico is passing from peonage under the Spaniards, which was a very mild and tolerable form of feudal servitude, to absolute freedom of action, with a horizon that is continually expanding. He was contented in his former sphere, for the Spaniards, especially those engaged in agriculture, were generally good to their hands. They did not educate them nor attempt to elevate them, neither did they try to elevate themselves. The whole of Mexico was plunged into apathy, but it was the apathy of supreme indifference, not of despair. Now they can go where they like, serve whom they like, and return to their village when they like. And they use their liberty to the point of abuse. Yet still the horizon keeps enlarging. The rate of wages keeps moving upwards, and there is no sign that it has reached its limit. The number of Mexicans whose fathers were either virtual or

actual peons, and who are now receiving a dollar a day, is constantly increasing. It is easy to picture the satisfaction felt by a man whose boyhood was nurtured on the simple food of corn-cakes and beans, and who now receives a Mexican dollar, day in and day out, except upon Sunday, and then as well if he is willing to work on that day.

While the Mexican laborers are deprived of most of the comforts enjoyed by their brethren in the United States, it is the opinion of some thoughtful Americans who have visited Mexico that they are happier, because their needs are fewer, the necessaries of life for them are cheaper, and their employment is constant—conditions which sometimes do not exist in this country.

*Mexican Peonage.*—Peon in Spanish means a laborer who performs rough work that does not require either art nor any special fitness, and it does not give at all the idea of servitude, but under the Spanish rule the conquerors were given the ownership of a certain territory, where they exercised quasi-feudal rights upon the natives living there, and as they required their services to till the land, a very mild form of servitude was established, consisting in the landlord's providing for the needs of his laborers; that is, furnishing them money, in the shape of an advance for future services, whenever they had any special need in the families, such as marriage, birth, sickness, death, etc., they, of course, being obliged to repay their indebtedness to their employer. In some cases this obligation passed to the descendant of the laborer, who had to work to discharge his parent's debt. Since Mexico achieved her independence this condition of things has changed very materially. I never knew or heard of any case in which the descendant of a man had to discharge with his labor the debts of his parents, and the Mexican laws from the beginning have been directed to destroy that system, as I will presently state. I can therefore say with perfect truth, that peonage, in the meaning in which it is understood in this country—that is, a kind of slavery—never existed in Mexico, and that even the Spanish peonage system is not now in existence, although there are some districts which still have slight remnants of peonage, as will be seen farther on, but the laborers suffer there no more than they do in some other countries, as up to the end of the last century laborers were everywhere, as a general rule, held in a kind of slavery or peonage.

The early history of the United States shows that even white men were held in bondage in all the States to work out debts, and to expiate offences, and it is only a generation back that slavery on a great scale was abolished. There are, to-day, the "convict-camp" abuses in the Southern States of the American Union, against which influential journals in that section are strongly protesting. In Pennsylvania, one reads of the poverty-stricken condition of the imported foreign miners, who try to maintain families on fifty and sixty cents a day.