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From Company Stores to Consumer's  
Cooperatives and the Worker's Bank in the  
Orizaba Valley Textile Mills

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## Abstract

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*The study of the company stores of the Orizaba textile mills during the Porfiriato departs from the traditional view on Porfirian company stores. It indicates that workers were not fully paid in script but received an important share of their wages in money, that their monopoly was never complete and tended to decrease along with urban development, and that they were not a means to keep workers permanently indebted. It also argues that the end of company stores in the valley in 1908 did not make workers a lot better since continued they paying extremely high interest rates to stores and pawnshops that offered them credit. The consumer cooperatives and the workers' bank that unions in the Orizaba valley built in the 1920s were an alternative to the high interest rates and high prices local stores charged. Yet, in order to subsist, they required an efficient administration that would find ways to surmount the ever-present "free-rider" problem, a task that proved to have been difficult to achieve.*

## Resumen

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*El presente estudio de tiendas de raya de las compañías textiles del valle de Orizaba durante el porfiriato se aleja de la visión tradicional que se ha tenido de ellas. Se muestra que los trabajadores no fueron remunerados totalmente en especie y que recibían una importante proporción de su salario en dinero, que el monopolio de las tiendas de raya nunca fue completo y decreció con el desarrollo urbano y, por lo tanto, que no existieron las condiciones para mantener a los trabajadores permanentemente endeudados. También se argumenta que el final de las tiendas de raya de las compañías en el año de 1908 no mejoró sustancialmente a los trabajadores, ya que continuaron pagando tasas de interés extremadamente altas a los almacenes que les ofrecieron crédito. Las cooperativas de consumo y el banco de los trabajadores en el valle de Orizaba, que se unieron en la década de 1920, fueron una alternativa a las altas tasas de interés y precios que los almacenes locales cargaban. Aun así, para subsistir requerían una administración eficiente que encontrara la manera de evitar el problema de "free-rider", una tarea que ha probado ser difícil de lograr.*



## Introduction

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The *tiendas de raya* became one of the most strongly condemned institutions of the Porfiriato. According to their stereotype, they were devices employers used to exploit the labor force. They were monopolists that sold low-quality products to workers at higher prices than a competitive market would have commanded. They held their monopoly power, according to the prevailing view, because wages were paid in company script, called *vales*, which could only be exchanged at the company store, and/or because the companies explicitly prohibited other retailers to establish in the surroundings. Through the company stores, workers would incur heavy debts that bound them forever to the *hacienda* or company. Thus, company stores were an essential part of the debt-peonage labor system.<sup>1</sup>

The rich historiography on the haciendas that has appeared in the last forty years has shown how far from the general stereotype were the actual haciendas, the records of which have been studied in detail. Enormous differences among haciendas appeared related to their timing, products, and location within the country.<sup>2</sup> Accordingly, several of these studies have qualified the traditional view on the haciendas' *tiendas de raya*.<sup>3</sup> This historiography suggests that company stores differed strongly in Mexico depending on the region, just as labor conditions did.<sup>4</sup> According to Nickel, "The assessment of the tienda as an instrument of exploitation of the peons by the hacendados needs revision."<sup>5</sup> Although, more empirical data would be needed to permit a well-founded general judgment on this issue, the data

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<sup>1</sup> For a description of *tiendas de raya* in the rural sector see Frank Tannenbaum, *Mexican Agrarian Revolution* (New York: 1929), pp. 117-19; and Andrés Molina Enriquez, *Los grandes problemas nacionales* (Mexico City 1978 : [1909]), p. 172. A summary of the debate on the role of the hacienda company stores is presented in Ricardo Rendón Garcini, *Vida cotidiana en la haciendas de México* (Mexico: 1997). A description of the *tiendas de raya* according to "the black legend" similar to the one presented here can be found in Ricardo Rendón Garcini, *Dos haciendas pulqueras en Tlaxcala 1857-1884* (Mexico: 1990), p. 118 and Nickel, *Relaciones de trabajo en las haciendas de Puebla y Tlaxcala (1974-1914) Cuatro análisis sobre reclutamiento, peonaje y remuneración* (Mexico City: 1987), p. 106.

<sup>2</sup> A good summary of the historiography on the topic is provided in Eric Van Young, "Mexican Rural History Since Chevalier: The Historiography of the Colonial Hacienda", *Latin American Research Review*, vol. 18, no. 3 (1983), pp. 5-61.

<sup>3</sup> See for example, Arturo Warman, *...Y venimos a contradecir* (Mexico City: 1976), p.73; Herbert Nickel, *Morfología social de la hacienda mexicana* (Mexico City: 1996 [1978]), pp. 166-68, 306-07, 416-17, 184, 198, 218-40; Susana Glantz, *El ejido colectivo de Nueva Italia* (Mexico City: 1974), pp. 82-4; Jan Bazant, *Cinco haciendas mexicanas. Tres siglos de vida rural en San Luis Potosí 1600-1910* (Mexico City: 1975), pp. 131,139; Edith Coutourier, *La hacienda de Hueyapan, 1550-1936* (Mexico City: 1976), pp. 190-92; Hans Günther Mertens, *Atlixco y las haciendas durante el porfiriato* (Puebla: 1988), pp. 198-99; Rendón, *Dos haciendas*, pp. 119-120; Harry E. Cross, "Living Standards in Rural Nineteenth-Century Mexico: Zacatecas 1820-1880", *Journal of Latin American Studies*, vol. 10, no.1 (1978), pp. 16-17; and Enzo Cusi, *Memorias de un colono* (Mexico City: 1969), pp. 132, 231.

<sup>4</sup> On working conditions during the Porfiriato see Friedrich Katz, *La servidumbre agraria en México en la época porfiriana* (Mexico City: 1976).

<sup>5</sup> Herbert Nickel, "The Food Supply of Hacienda Labourers in Puebla-Tlaxcala during the Porfiriato: A First Approximation", in *Haciendas in Central Mexico from Late colonial Times to the Revolution*, ed. R. Buve (Amsterdam: 1984), p. 118.

available, however, point out that *tiendas* had frequently been run by leaseholders and not by the hacienda administration, that *vales* played no role, that *tiendas* did not habitually sell overpriced goods, and that in some areas they were absolutely necessary to supply hacienda personnel with goods.<sup>6</sup> This did not mean that workers were not indebted to the haciendas, they were, but in the cases studied it was not through the company stores that their debts accrued.

While more research on the hacienda *tiendas de raya* would be needed to get a more well-rounded and solid perspective on them, the lack of comparable studies on the company stores of mining and textile companies, based on company documents is striking.<sup>7</sup> Most of the literature on the subject has been based on newspaper articles from the period, and has generalized from what was known about hacienda company stores.<sup>8</sup>

The massacre of January 7 and 8, 1907, known in Mexican history as the Río Blanco strike, put company stores in the Orizaba Valley on the national stage as one of the main causes of worker' discontent because stores were the main target of workers' attacks. This event was crucial in shaping the bad reputation of company stores during the Porfiriato. Thereafter, they became a symbol of both the injustices that prevailed during the period and workers' opposition to them, a preamble to the Mexican Revolution.

There have been no in-depth studies of the company stores of textile mills that explain the subsequent historical relevance. The literature on the subject has departed very little from the traditional view on company stores. In her famous study on the Mexican textile industry, Dawn Keremitsis considered them an institution of paternalistic control that contributed to keeping workers indebted and thus became a symbol of exploitation. According to her, "In general, the factories paid by the week, mostly in *vales* only redeemable at the company store. The combination of low wages, great deductions, discount on *vales* and high prices meant that in general, workers were always indebted and could not break with the company store."<sup>9</sup> For his part, Rodney Anderson described them as a familiar institution in the factory system, particularly in mining and textiles, which in remote areas were the only source of dry goods and household supplies or even food, as well as credit.

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<sup>6</sup> Nickel, *Morfología social*, p. 167; and Nickel, "The Food Supply of Hacienda Labourers", p. 118.

<sup>7</sup> One of the few studies of nonagricultural company stores based on company sources is Dennis Kortheuer's study of a copper-mining company from 1885 to 1900. Dennis Kortheuer, "Santa Rosalía and Compagnie du Boleo: The making of a town and company in the Porfirian Frontier, 1885-1900", Ph. D. dissertation, University of California Irvine, 2001.

<sup>8</sup> Leticia Gamboa Ojeda, *La urdimbre y la trama. Historia social de los obreros textiles de Atilixco, 1899-1924* (Mexico City: 2001), pp. 129-131; Rodney D. Anderson, *Outcasts in their Own Land. Mexican Industrial Workers 1906-11* (Dekalb:1976), pp. 59-60; Moisés González Navarro, "El porfiriato: la vida social" in *Historia Moderna de México*, ed. Daniel Cosío Villegas (Mexico City: 1965), pp. 281-85; Dawn Keremitsis, *La industria textil mexicana en el siglo XIX* (Mexico City: 1973), pp. 202-3; and John Kenneth Turner, *México bárbaro* (Mexico City: 1998), p. 171, describe company store practices in the textile industry.

<sup>9</sup> Keremitsis, *La industria textil*, p. 214.

"Most workers in company towns, particularly in textiles and mining, were never free of debt to the company store, and consequently the *tienda de raya* was universally hated."<sup>10</sup>

It is the purpose of this paper to shed some light over the company stores of the Orizaba region and to elucidate how the myth of the *tiendas de raya* came about. It focuses on the study of two textile mills established in last decade of the nineteenth-century in the Orizaba valley: Río Blanco and Santa Rosa and the company towns that rose with them. The greatest richness of the archival material available for Santa Rosa allows for a deeper study, however enough information from Río Blanco exists to allow us to extend some of the analysis to it. Yet in order to give a broader view of them, this work complements and contrasts the evidence from the Orizaba valley with information obtained from other regions and sectors.

Part I gives an overview of the Orizaba textile mills and their company towns. Part II describes how the company stores were created and how they worked, and analyzes the degree of monopoly power they held, their role as sources of credit, and the degree to which workers were actually indebted. Part III deals with the Río Blanco strike, why workers burned company stores, and their eventual demise in the Orizaba region. Part IV studies the creation of consumer cooperatives and a cooperative worker's' bank in the Orizaba valley during the 1920s as a solution to the problems suffered by the workers that the disappearance of the company stores did not end. Finally, the study draws its conclusions.

## ***1. The Orizaba Textile Mills and Their Company Towns***

The abundance of water streams in the Orizaba Valley, together with its location between the port of Veracruz and Mexico City, made it from early on an ideal region for the establishment of factories. During the late 1830s, several textile mills were established in Mexico, sponsored by the government's industrial policy. The largest of these mills, Cocolapan, was founded in 1837 on the outskirts of the city of Orizaba. The political turmoil that followed slowed industrial development for several decades, but by the 1870s a new era of rapid growth began. In 1873, the Ferrocarril Mexicano that connected Mexico City and Veracruz passing through Orizaba gave the region an additional economic advantage. Soon after, two additional mills were established in the region, San Lorenzo in 1881 and Cerritos in 1882, both located in Nogales, an old colonial town not far from Orizaba.<sup>11</sup> In 1889, French immigrants from the valley of Barcelonnette founded the Compañía Industrial de Orizaba S.A. (CIDOSA) and in 1896 the Compañía Industrial

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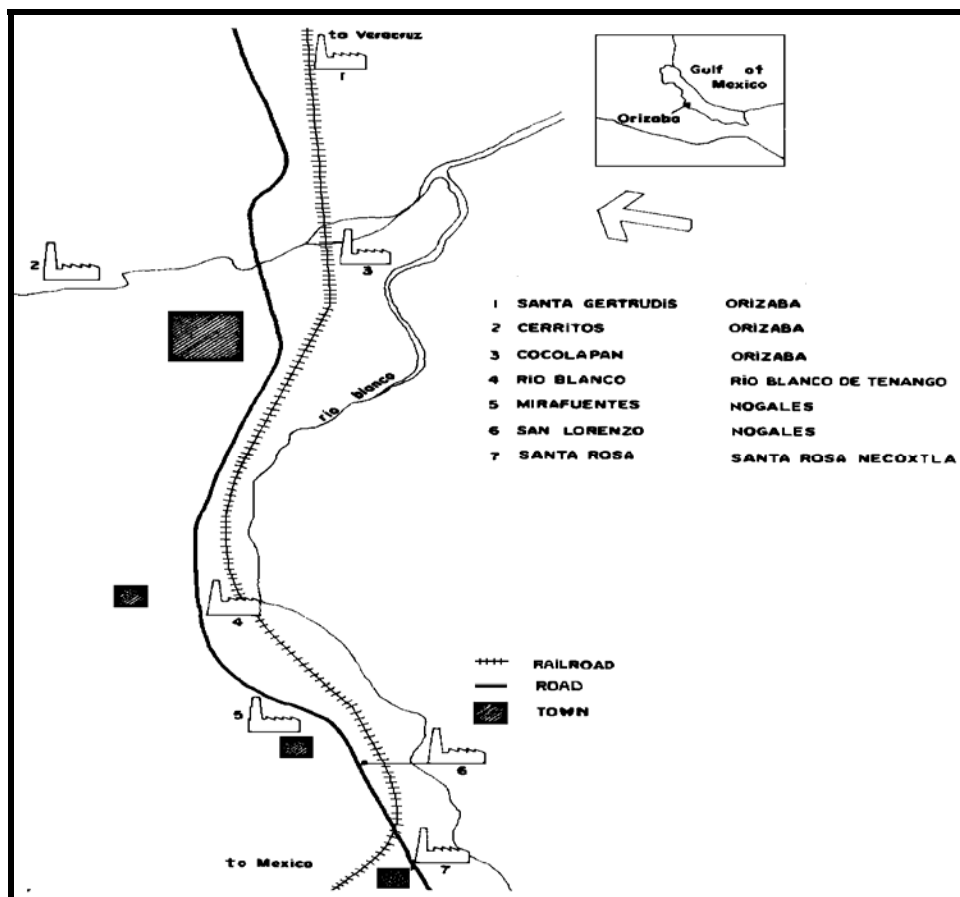
<sup>10</sup> Anderson, *Outcasts in Their Own Land*, pp. 59-60.

<sup>11</sup> Aurora Gómez Galvarriato and Bernardo García Díaz, "La Manchester de México" in *Historia e imágenes de la industria textil mexicana*, Leticia Gamboa ed. (Mexico City: 2000), pp. 123-37.

Veracruzana S.A. (CIVSA) that undertook a rapid modernization of textile production in the Orizaba valley. CIDOSA acquired and modernized Cocolapan, Cerritos, and San Lorenzo and built a new and bigger mill, the Río Blanco mill in the district of Tenango. CIVSA, for its part, built the mill of Santa Rosa in the nearby district of Necoxtla. These companies would become the two largest of around 150 producers of cotton textiles in Mexico.

The mills were established on greenfield sites, but in the decade or so following the establishment of the factories, mill towns developed from being mere settlements surrounding the mills to real towns. This process took place most clearly in Santa Rosa, where the mill opened in 1898, and Río Blanco, where the factory was inaugurated in 1892.

FIGURE 1. TEXTILE MILLS IN THE ORIZABA VALLEY



Source: García, *Un pueblo textil del porfiriato: Santa Rosa Veracruz*, p. 32.



When the Río Blanco and Santa Rosa mills were founded, manufacturing workers were not readily available in the Orizaba Valley, so they had to be attracted to the region from other places.<sup>12</sup> By the end of 1906 there were 2,137 workers in Santa Rosa, 2,841 in Río Blanco, 105 in Cocolapan, 935 in San Lorenzo and 120 in Cerritos.<sup>13</sup> A closer look at the formation of the company town of Santa Rosa, for which we have much information, allows us to understand the main characteristics of this process.

Before the construction of the Santa Rosa mill, the narrow valley that the town of Santa Rosa (now Ciudad Mendoza) was later to occupy was basically empty.<sup>14</sup> The factory was crucial to the urban development of the area not only because it attracted people to settle in the region, but also because it provided the main public services in the area. The municipal palace of Santa Rosa was built on CIVSA's budget and under its supervision.<sup>15</sup> The factory also financed the construction of the local Catholic Church.<sup>16</sup> CIVSA also invested important sums in connecting Santa Rosa to the rest of the country.

The lack of urban development on the factory sites obliged the companies to build dwellings for workers and other employees.<sup>17</sup> CIVSA did not require employees to live in the company town.<sup>18</sup> Most CIVSA workers lived in Santa Rosa.<sup>19</sup> However, only a minority (11.4% in 1900) of them lived in company housing. Most workers lived in self-made houses or in rented houses, often *patios de vecindad* (tenement houses) owned by private landlords.<sup>20</sup> Housing conditions of CIDOSA workers appear to have been similar to those of CIVSA workers. In 1909, Graham Clark reported, "At Río Blanco the operatives live in rows of long wooden barracks, which are kept neatly painted and are furnished with water and light by the mill."<sup>21</sup>

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<sup>12</sup> Archivo de la Compañía Industrial Veracruzana (henceforth CV), Ciudad Mendoza, Veracruz, Actas de la Asamblea General (henceforth AAG), July 29, 1899.

<sup>13</sup> El Correo Español, January 12, 1907, p. 2.

<sup>14</sup> Bernardo García Díaz, *Un pueblo fabril del porfiriato: Santa Rosa Veracruz* (Ciudad Mendoza: FOMECA, 1997), p. 34.

<sup>15</sup> CV, AC, September 5, 1898 and January 15, 1900.

<sup>16</sup> CV, AC, February 6, 1899; September 18, 1899; February 16, 1903; April 15, 1907; July 11, 1911; April 29, 1913 and March 23, 1920.

<sup>17</sup> CV, AC, June 7, 1897.

<sup>18</sup> This was a common practice in the mining company towns of West Virginia during the first decades of the twentieth century. Lawrence Boyd contends that this practice increased the rents of the company stores. Lawrence W. Boyd, "The Economics of the Coal Company Town: Institutional Relationships, Monopsony, and Distributional Conflicts in American Coal Towns", Ph. D. dissertation, West Virginia University, 1993, p. 136.

<sup>19</sup> In 1907, 97.3% of the 558 workers for whom information is available lived there. CV, Lista de Trabajadores.

<sup>20</sup> For example, M. Díez y Cia, the owner of the Río Blanco and El Fenix stores, owned several wooden living quarters for workers close to Santa Rosa from 1907 to 1922. CV, AC, July 25, 1922.

<sup>21</sup> U. S. Department of Commerce and Labor, Bureau of Manufactures (W.A., Graham Clark), *Cotton Goods in Latin America*, Part I, Cuba, Mexico and Central America (Washington: 1896), p. 26.

## II. The Company Stores

All textile mills in the Orizaba Valley had a company store, and they became the source of great conflicts between employers and workers. However, their establishment did not seem to have stemmed solely from employer greed. In 1897, when the Santa Rosa mill was still under construction, the CIVSA Board of Directors decided that there was an urgent need to establish a provisional store since there were no commercial facilities in the surrounding area. The store was necessary, claimed the CIVSA Board: "Given the prohibition made to the owners of the Nogales store to sell to our people, the urgency of establishing a provisional store has been seen, so our workers do not lack what they need or waste time by having to go to find it as far away as Orizaba."<sup>22</sup> The region, which gradually urbanized and came to be populated with several stores, seems to have had no store at all at that time.<sup>23</sup>

By the end of the nineteenth century, other than the store at Nogales that served the San Lorenzo factory owned by CIDOSA, there were no stores except in Orizaba, 11 kilometers away from Santa Rosa. Moreover, the San Lorenzo store was not allowed to sell to Santa Rosa workers.<sup>24</sup> By 1898, Santa Rosa was connected to the tramway line that previously had only gone from Nogales to Orizaba. Even then, it must have taken at least an hour to get there, and been expensive.

In 1897, before the mill started operating, CIVSA's Board consulted some Orizaba storekeepers, Cabrand, Caffarel and Gilberto Fuentes, to see whether they would establish such a store "by their own means and without commitment on the part of the company."<sup>25</sup> It seems that company stores were good business. As early as December 1896, Caffarel asked CIVSA to grant the company store's concession to Donnadiou and Caffarel of Nogales. The CIVSA Board of Directors, however, decided to postpone the decision because there were several bidders for it.<sup>26</sup>

It is uncertain whether this provisional store was ever established. We know that the CIVSA company store did not open until 1899. In April 1897, CIVSA began the construction of the store at the corner of the roads to

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<sup>22</sup> CV, AC, January 2, 1897.

<sup>23</sup> Donald Reid found a similar reason for the establishment of a company store by the mining company Decazeville in the French Massif Central in the 1830s "managers saw the company store as a means to provide workers with necessities at affordable prices in the absence of a developed system of local commerce." However, he claims that later on, in the 1880s, the company store was aimed to undercut local businessmen who were providing independent political guidance to workers, serving thus as a tool for managers to control workers. Donald Reid, "Industrial Paternalism: Discourse and Practice in Nineteenth-Century French Mining and Metallurgy", *Comparative Studies in Society and History*, 27, 4 (1985), p. 586.

<sup>24</sup> Río Blanco is closer to Santa Rosa than Orizaba, but the company store there must have had the same restrictions as that of Nogales since both were owned by CIDOSA.

<sup>25</sup> CV, AC, April 21, 1897.

<sup>26</sup> CV, AC, December 11, 1896.

Nogales and Necoxtla.<sup>27</sup> By early January 1899, construction of the store was nearly completed. The CIVSA Board of Directors decided to lease it to Gilberto Fuentes,<sup>28</sup> and the store remained leased to the Fuentes family for several decades; by 1907, a José Fuentes was paying the store's rent.<sup>29</sup>

Río Blanco's company store was leased to Víctor Garcín, a Barcelonnette who had been in the region for some decades. In 1897 he was already an important landowner in the Orizaba Valley, since in that year CIVSA bought land from him to build a water channel.<sup>30</sup> Eduardo Garcín, his brother, was CIDOSA's manager in 1903 and a member of the CIDOSA Board in the General Assembly minutes of 1905 and 1906.<sup>31</sup> However, Garcín's store was not merely a company store but the largest store in the area.<sup>32</sup> The store occupied a whole block and had a railway at the back to facilitate the delivery of the merchandise. It was a general store that sold all kinds of food, alcoholic beverages, clothes, and other dry goods. It also had a corn mill, a bakery, and a bar (cantina) with a billiard table, which sold beer and pulque.<sup>33</sup>

Garcín's business was not only selling directly to workers but also to several stores in the region. Besides Río Blanco's company store, Garcín owned two other stores, El Centro Comercial at Nogales, and El Modelo at Santa Rosa, and nine *pulquerías* (bars where *pulque*, a spirited drink made of *agave*, was sold) that also held billiard tables. Garcín was as well a concessionaire of CIDOSA who bought cloth at wholesale prices to sell to several clients located in different and sometimes distant places throughout the country.<sup>34</sup> Most letters found in CIDOSA's archive addressed to Víctor Garcín refer to packages CIDOSA sent to Garcín's customers elsewhere and then charged to Garcín's account.<sup>35</sup>

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<sup>27</sup> CV, AC, April 21, 1897 and April 11, 1898.

<sup>28</sup> CV, AC, January 23, 1899.

<sup>29</sup> Until the end of October 1918, José Fuentes continued to appear as the lessee of the store. CV, Caja Santa Rosa, 1900-1918.

<sup>30</sup> CV, AC, February 25, 1897 and October 25, 1897.

<sup>31</sup> That Eduardo Garcín no longer appears as a board member in the General Assembly of 1907 was perhaps caused by the January 7 events. Archivo de la Compañía Industrial de Orizaba (henceforth CD), Asamblea General Ordinaria, March 23, 1906, March 22, 1907, and April 3, 1908; Banamex Archive, R.G. Dunn & Co. private reports from August 28, 1899 to January 11, 1904, 97.

<sup>32</sup> CD, Correspondence (henceforth CR), letter from Víctor Garcín, Grandes Almacenes... to Río Blanco (henceforth RB), October 23 and November 23, 1906.

<sup>33</sup> A description based on the oral accounts of Alberto Lara Rojano, Ernesto Casilla Rojas, and Cecilio Aguilar Gutiérrez, who worked at Río Blanco in 1907 and were interviewed in the 1970s as part of the oral history project of the Centro de Estudios Históricos del Movimiento Obrero Mexicano (CEHSMO). The information obtained is based on excerpts of the interviews published in *Historia Obrera*, vol. 2, no.6 (1975), pp. 33-37.

<sup>34</sup> CD, CR, Garcín-RB and RB-Garcín, several letters, January-June 1906.

<sup>35</sup> CD, CR, April 9, 1906.

### How Did Company Stores Actually Work?

From the CIVSA and CIDOSA records, we know that company stores were not run directly by the employer but operated under concessions granted to third parties. The employer was responsible for deducting workers' debts to the store from their weekly wages. In compensation for this duty, the employer received a percentage of what the workers spent at the store. CIVSA charged his leaser, Gilberto Fuentes, a monthly rent of \$150 pesos and 5% commission on the charges the company made on the payrolls.<sup>36</sup>

Company stores have been charged with maintaining a monopoly through issuing script (*vales*) that only they could redeem. It has commonly been believed that workers were paid mostly in script. In fact, in the Orizaba textile mills, workers were paid most of their wages in silver coins as we know from the weekly letters that came and went from Mexico City to the mills demanding large amounts of coins to pay weekly wages or reporting on their remittance or arrival.<sup>37</sup> In general, the use of script instead of coins as a form of payment seems to have been the exception, rather than the norm during Porfirian times. There is no study based on company sources that has found evidence of it. Even in plantations in Mexico's south, where working conditions must have been worse than in other regions, Karl Kaerger indicates that workers were paid in coins, not in script.<sup>38</sup> With very few exceptions, *vales* appears to have been used only when circulating money was scarce, as happened in isolated regions during colonial times and the second half of the nineteenth century.<sup>39</sup>

In the Orizaba Valley, every Thursday script, or *vales*, was an advance on wages due the following payday. It was negotiable at the company store at its full value if it was traded for merchandise, or at 90% of its value if it was exchanged for money.<sup>40</sup> We should understand this 10% discount as the weekly interest rate the company store charged for the credit it gave, minus the 5% it paid in commission to the mill. A similar practice was carried out not only at

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<sup>36</sup> CV, AC, January 2, 1899.

<sup>37</sup> CD, CR, A. Reynaud to Río Blanco, several letters. From August to December 1906, 18 letters report that the office in Mexico City sent by express 3,000 pesos in "tostones" for the weekly payroll. From January 1907 to March 1908 29 letters reported they sent 5,000 pesos weekly, also mostly in "tostones"; and CV, CR, MX-SR, August 30, 1910.

<sup>38</sup> Karl Kaerger, *Landwirtschaft und Kolonisation im Spanischen Südamerika*, 2 vols. (Leipzi, 1901-1902) in Katz, *La servidumbre agraria en México*, pp. 59-60, 77-80.

<sup>39</sup> Nickel, *Morfología social*, p. 167. Among the exceptions are Renan Irigoyen's numismatic study that indicates that several henequen haciendas in Yucatan minted their own coins from 1872 to 1910 that served as form of payment to hacienda workers. Renan Irigoyen, *Ensayos Henequeneros* (Mérida: Cordemex, 1975), 80-3. However, some formerly considered hacienda tokens appear now to have been minted by independent stores that used them as fraction money. Miguel Muñoz, *Tlacos y pilones, la moneda del pueblo de México* (Mexico City: 1976), pp. 133-34, 263-68.

<sup>40</sup> Accounts by Alberto Lara Rojano and Ernesto Casillas Rojas, CEHSMO oral history project, *Historia Obrera*, vol. 2, no. 6, (1975), pp. 33-34.

CIDOSA and CIVSA but also at the textile mill of Metepec, in Atlixco Puebla.<sup>41</sup> On the following Saturday, the amount advanced to workers in script during the week was deducted from their wages and paid to the company store. This general procedure appears to have been common to company stores throughout the world at the time. This was exactly the way company stores of U.S. coalmines operated in the early 1900s.<sup>42</sup>

### Store Prices and Monopoly Power

How much higher were the prices set in company stores? Unfortunately there is no information on prices at CIVSA and CIDOSA stores. Narrative accounts suggest that these stores offered lower quality products for higher prices than those that prevailed in a competitive market, as the letter sent to Porfirio Díaz by the “mejicanos que sufren” suggests:

As a consequence of the monopoly in the factories they sell the basic articles at very high prices, badly weighted and badly measured such as 800 grams for a kilo, and in liters, though sealed, they put little pieces of wood inside. This makes workers miserable. This is the practice of Garcín in the factories.<sup>43</sup>

According to Keremitsis, these stores charged 10% to 15% more than others. John Kenneth Turner argued in his famous book *Barbarous Mexico* that the Río Blanco company store charged from 25% to 75% more than stores in Orizaba, but workers were forbidden to buy at any other store (something that we know was not true).<sup>44</sup>

Other sources similarly refer to company stores as charging higher prices for lower-quality products. In 1908, newspaper articles complained that the company store of the La Trinidad textile mill in Tlaxcala offered necessity products full of rat detritus and meat from sick animals at very high prices<sup>45</sup> and that the textile mills of La Elena and La Estrella in Tlaxcala obliged workers to buy the same faulty cloth for which production workers had not received any payment precisely because it was considered defective. However, Kortheuer findings indicate that while some local newspaper articles complained that the El Boleo stores charged higher prices, other sources indicated that merchants complained they could not compete with

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<sup>41</sup> Although at Metepec, apparently the store charged between 70% and 80% to exchange the script for money. El Paladín, “Se pretende probar que no han existido vales de tienda”, May 16, 1907; and El Paladín, “El Paladín en Metepec”, November 22, 1908.

<sup>42</sup> Price V. Fishback, “Did Coal Miners Owe Their Souls to the Company Store? Theory and Evidence from the Early 1900s”, *The Journal of Economic History*, vol. 46, no. 4 (1986), pp. 1022-23.

<sup>43</sup> Porfirio Díaz Archive (henceforth GPDC) XXXII, 101, letter from “Mejicanos que sufren” to Porfirio Díaz and Executive Palace, January 10 1907.

<sup>44</sup> Keremitsis, *La industria textil*, pp. 202-3 and Turner, *México bárbaro*, p. 171.

<sup>45</sup> El Paladín “Un enemigo de la Unión de los Obreros. Deplorable Situación”, May 30, 1908; and “Siguen las tiendas de raya. Los industriales no cumplen con lo convenido ante el presidente de la república”, August 30, 1908.

them because of the company stores did not have to pay local taxes on goods and thus had lower prices, a more plausible scenario.<sup>46</sup>

Other evidence suggests, as well, that prices charged by company stores were not necessarily above those in independent markets. This was the case of the company store of a sugar plantation in Minatitlán Veracruz, Plantación. A price comparison made in 1914 by an inspector from the Department of Labor, contrasting the plantation's company store prices with those of the market of the town of Santa Lucrecia shows that prices in the company store were basically the same. The inspector explained that "the company store faces the competition of peddlers that... stand at the bank of the river and control with their prices the monopoly that [the company store] tries to establish, limiting the immoderate rise in its prices."<sup>47</sup>

How much more company stores charged for their products depended on the degree of monopoly power they held, something that the workers who wrote to Díaz seem to have understood. In those companies where workers were not fully paid with script, stores did not held a total monopoly unless there were no other shops available within a reasonable distance. Prices must have been higher in isolated or more recently populated regions where company stores faced no competition. A study on Canadian company towns in the 1970s indicated that "the kinds of problems that citizens and particularly wives talk about depend considerably upon the isolation of the community and the stage of community development."<sup>48</sup> Cathy L. McHugh's study on the mill towns in the southern United States claimed that early stores had exorbitant prices, but several years later, in 1906, company store prices tended to be 5% to 10% lower than elsewhere.<sup>49</sup>

Very isolated mines or haciendas may have never held a population density large enough to attract independent commerce. Yet it was common that these places at least attracted peddlers.<sup>50</sup> Other company towns gradually grew into small cities with all the necessary amenities. In these towns, independent housing and stores gradually competed with the company's facilities. This was generally the evolution of company towns established by manufacturing companies, given that the need to locate close to water stream placed several mills along the same river and thus increased the population density of the region. This was the case of the Río Blanco River in the Orizaba Valley, but also of the Atoyac River in Puebla, and the Magdalena River in the vicinity of Mexico City, to name some examples.

As we have said, there were few alternatives to company stores in the Orizaba Valley by the turn of the century. Moreover, the very fact that

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<sup>46</sup> Kortheuer, "Santa Rosalía", pp. 322-325.

<sup>47</sup> Boletín del Departamento del Trabajo, 1914, p. 838.

<sup>48</sup> Rex Lucas, *Minetown, Milltown, Railtown* (Toronto, Buffalo: 1971), p. 224.

<sup>49</sup> Cathy L. McHugh, *Mill Family: The Labor System in the Southern Cotton Textile Industry, 1880-1915* (New York, Oxford: 1988).

<sup>50</sup> This was the case for example with the Plantación Oaxaqueña in Minatitlán Veracruz.

company stores were forbidden to sell to workers other than their own indicates that noncompetitive practices were followed. One reason for a firm to forbid its company store from selling to anyone else would be that it was subsidizing the store and wanted the subsidy to benefit its own workers.<sup>51</sup> Another explanation, which seems more plausible, is that monopolies maximized the value of the concessions' rents that the textile companies could charge for their stores.

However, as urbanization progressed in the region, the monopoly power of these stores diminished. By 1907, commercial facilities at Santa Rosa appeared very different from what they had been a decade earlier. In addition to the company store there was El Modelo, the store sacked and burned in the January 1907 episode. By 1907 the Ortega family owned one other store in Santa Rosa, and several traveling salesmen, known in the town as the "Italians" and "Hungarians", came to Santa Rosa from Orizaba with boxes full of merchandise.<sup>52</sup> According to Bernardo García, by 1910 there were over 20 general stores in Santa Rosa, two stores that sold shawls (rebocerías), two bakeries, and a drugstore. There is no indication that CIVSA ever tried to limit competition by other retailers.

Monopoly power also depended on company policies to exclude competition and on the extent municipalities, and the government in general, allowed companies to carry those policies. This was often related to the amount of land the company owned or had a concession for. The El Boleo Company, for example, had a concession that encompassed the whole island that served as its site. Korthueuer found that the company struggled with the municipal government when it tried to exclude independent retailers. During some periods, with the support of the federal government, the company got its way. However, it finally gave in and several retailers were established in Santa Rosalía, to provide goods and services to its workers. Yet, according to Korthueuer, El Boleo's exclusion of independent shops was motivated more by the company's desire to control workers (limiting alcoholic beverages, for instance) than in order to keep their prices high.<sup>53</sup>

CIDOSA apparently did try to preserve some monopoly power for its company store by not allowing the establishment of any other store on the land it owned which according to one account was three times bigger than the factory needed covering three kilometers. According to that article, a Spaniard named Manuel Lama had bought a small piece of land in a central part of what later would be the town of Río Blanco before the company established and opened a *pulquería*. Apparently, the company tried several times to buy his land, raising its bid each time. Lama resisted for six years but

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<sup>51</sup> This was the case in the hacienda of Nueva Italia in Michoacán. Glantz, *El ejido colectivo de Nueva Italia*, pp. 82-3.

<sup>52</sup> García, *Un pueblo fabril*, p. 67.

<sup>53</sup> Korthueuer, "Santa Rosalía", pp. 302-321.

in the end sold at the very high price of four pesos per square meter, a price that was high even for Mexico City.<sup>54</sup>

It is clear that by 1907 other stores had opened in Río Blanco. However they may not have threatened Garcín's monopoly power, since apparently he used his influence as a wholesale merchant to curtail competition. In May 1907, workers wrote to *El Paladín* that in Río Blanco two stores, El Gallo Real and El Puerto de Veracruz had opened, but that both bought their merchandise from Garcín. As these stores began to take customers away from Garcín, workers complained, he managed to close them against the will of their owners.<sup>55</sup> Nonetheless, from *El Paladín* we know that there were at least three other stores in Río Blanco in 1908 —El Infiernito, El Chin-Chun-Chan, and Mi Tienda—<sup>56</sup> and Alberto Lara Rojano, a worker in Río Blanco in that period, recalled that there was another store named La Esperanza.<sup>57</sup> There was at least another store in Nogales in 1907 besides El Centro Comercial —El Puerto de Veracruz— owned by Spaniards.<sup>58</sup> In spite of the distance, workers would go to Orizaba to buy goods, such as shoes and hats.<sup>59</sup>

Price Fishback indicates that even in cases where companies had been able to maintain a local-store monopoly in a nonunion area, there were limits on the prices they could charge. These limits were imposed by competition among firms to attract laborers. According to him, if the labor market had been perfectly competitive with homogeneous workers and zero transaction, transportation, and information costs, each worker would have received an employment package with value equal to the value of his marginal product. In this situation, if a store charged higher prices it would have to compensate with higher wages.<sup>60</sup>

Given that transaction, transportation, and information costs were certainly not zero, we should expect an important deviation from this situation. However, competition in the labor market set certain limits on workers' exploitation. It may be argued that the Porfirian labor markets must have been far from competitive given the existence of debt peonage. Yet in the textile industry, there is strong evidence that suggests great mobility of workers between different mills. In 1907, for instance, at least 41% of Santa Rosa workers came from cities and towns that had textile mills at the turn of the century, such as Etna, Oaxaca, or Tlalpan, Mexico.<sup>61</sup> Workers' job tenure was short; in early 1907, for instance, the average number of years workers had been in Santa Rosa was only four, a figure that doubled by 1923.<sup>62</sup> This

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<sup>54</sup> El Diario, January 16, 1907, p. 3.

<sup>55</sup> El Paladín, May 16, 1907.

<sup>56</sup> El Paladín, February 13, April 5, , and May 7, 1908.

<sup>57</sup> Alejandro Lara Rojano interview. *Historia Obrera*, vol. 2, no. 6 (1975), p. 33.

<sup>58</sup> García, *Un pueblo fabril...*, p. 145.

<sup>59</sup> Ernesto Casillas Rojas interview. *Historia Obrera*, vol. 2, no. 6 (1975), p. 34.

<sup>60</sup> Fishback, "Did Coal Miners Owe Their Souls to the Company Store?.."

<sup>61</sup> Gómez Galvarriato, "The Impact of Revolution", p. 194.

<sup>62</sup> *Ibid.*, pp. 209-10.



does not imply, however, that a perfectly competitive labor market for textile workers existed, since the approximately 150 textile mills in Mexico during that period in several instances colluded, employing hiring practices that limited competition between firms.<sup>63</sup>

Fishback's conclusion also assumes that the company was maximizing profits, and this was not necessarily the case. CIDOSA's policies in terms of its company stores may have gone against the firm's interests. They could have been the result of a corporate governance problem by which Eduardo Garcín, a minority stockholder, but a member of the board, was able to favor his brother to the detriment of the company's general interests.<sup>64</sup>

Although many independent stores in the Orizaba Valley sold on credit, company stores had an advantage over them because the factory guaranteed their credits. However, they faced an additional cost: a 5% commission charged by the factory for deducting workers' debts directly. This indicates that the risk reduction that stores gained from having a contract with the company was worth at least 5% of workers' debts. This advantage might have given them an extra monopoly power, particularly in times of great economic hardship. Yet, company stores were not the only ones able to guarantee their credits. Certain merchants in the region found other mechanisms to secure payment of debts. For example, the town councilor Cornelio Mendoza owned a general store in Santa Rosa that gave weekly credits to workers. If, at the end of the week, they did not pay their debt, he put them in prison and fined them, taking advantage of his position in the municipal government. Workers complained about this practice as being totally illegal, given that Article 17 of the Constitution explicitly stated that no one could be imprisoned for debts of a civil nature.<sup>65</sup>

After the initial stages of community settlement, once CIVSA and CIDOSA evolved into towns large enough to attract private business, what were their motives in maintaining company stores? Dennis Korthueuer's study of El Boleo found that "the managers of Compagnie du Boleo used the store as a tool in their labor relations, as an integral element in their policy of industrial paternalism."<sup>66</sup> According to him, policies at the company store demonstrate efforts by the firm to keep costs down of those goods that the managers identified as necessary for the workers.<sup>67</sup> One other use of the El Boleo company store "was a location for supplying goods management hoped

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<sup>63</sup> CIDOSA and CIVSA, for example, had a gentlemen's agreement not to hire workers from the other company.

<sup>64</sup> In other economic sectors, such as mining, the labor markets could have been even less competitive. Lawrence Boyd's study shows that the labor market of the West Virginia coal mines during the first decades of the century was not competitive. His analysis based on extensive quantitative data shows that districts where miners lived in independent towns had lower food prices and higher nominal incomes than areas where miners lived in company towns with company stores. He found that company stores charged between 11% and 12% higher prices than independent stores. Boyd, "The Economics of the Coal Company Town", pp. 136-137.

<sup>65</sup> El Paladín, May 31, 1906.

<sup>66</sup> Korthueuer, "Santa Rosalía", p. 285.

<sup>67</sup> Ibid., p. 296.

workers would learn to desire, therefore creating a need for the wages they earned from working for the company to buy these goods. In a world, consumerism."<sup>68</sup>

The CIVSA and CIDOSA company documents do not indicate that the company stores of these firms were used for any of these purposes. There is not a single hint in them that would suggest that the firms attempted paternalistic policies such as those carried out by El Boleo of keeping prices down, fostering the consumption of certain items, or limiting alcohol consumption. Moreover, the sheer growth of the towns would have made the success of such policies extremely unlikely.

Did Workers "Owe their Souls" to the Company Stores?<sup>69</sup>

Data from CIVSA payrolls furnish some interesting insights on the relationship between workers and the company store. First of all, the fact that both the percentage of workers indebted to the company store, on average only 15.6% of all workers, and the percentage discounted from their wages to pay debts, on average of only 26% of wages, were far below 100% indicates that, even in 1900, workers purchased supplies at alternative locations (See Table 1).

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<sup>68</sup> Ibid., p. 293.

<sup>69</sup> This phrase comes from the chorus of Merle Davis's song "Sixteen Tons" recorded in 1946. Price Fishback used it for the title of his paper "Did Coal Miners Owe Their Souls to the Company Store? Theory and Evidence from the 1900s".

**TABLE 1: CIVSA WORKERS' EXPENDITURE AT THE COMPANY STORE**

PERCENTAGE OF WORKERS WHO USED THE COMPANY STORE, BY WAGE LEVEL				
INCOME				
	BELOW \$3 PESOS	BETWEEN \$3 AND \$6 PESOS	OVER \$6 PESOS	TOTAL
1900	7.40%	23.20%	18.00%	16.83%
1901	6.80%	15.50%	16.70%	14.18%
1902	6.08%	13.73%	13.60%	12.12%
1903	12.50%	21.40%	18.30%	18.41%
1904	8.90%	19.50%	15.40%	15.57%
1905	9.80%	14.30%	20.80%	16.42%
1906	6.80%	16.20%	17.70%	15.53%
1907	9.62%	11.36%	8.82%	10.08%
1908	3.32%	24.17%	22.72%	20.10%
Avz. 1900-1906	8.33%	17.69%	17.21%	15.58%
PERCENTAGE OF WAGE DEDUCTED TO PAY DEBTS TO COMPANY STORE, BY WAGE LEVEL				
INCOME				
	BELOW \$3 PESOS	BETWEEN \$3 AND \$6 PESOS	OVER \$6 PESOS	TOTAL
1900	38.30%	21.80%	13.90%	18.65%
1901	38.00%	27.10%	18.80%	22.38%
1902	39.02%	30.75%	16.59%	22.02%
1903	39.80%	34.00%	23.90%	28.39%
1904	51.90%	34.74%	29.60%	33.50%
1905	57.30%	26.80%	28.20%	28.59%
1906	47.30%	33.00%	27.40%	29.55%
1907	47.33%	22.91%	9.64%	29.33%
1908	41.98%	20.36%	10.05%	11.42%
Avz. 1900-1906	44.52%	29.74%	22.63%	26.15%

Source: CIVSA Payrolls, Week 6, 1900-1908. The wages reported here are weekly wages.

Around 14% of CIVSA workers earned less than 3 pesos per week. The percentage of poorer workers indebted to the company store (8%) was almost half that of those with higher incomes (17%).<sup>70</sup> However, the share of wages deducted from poorer workers (44%) was much higher than the shares deducted from those with higher incomes (30% and 23%). This was the case because their income was lower, not because they owed more to the store. One could say that company stores were very important for low-income workers who used them since, for example, at CIVSA in February 1905, as has been shown, those who used the store spent 57.3% of their income there. However, only 9.8% of low-income workers had debts to the store.

Around 44% of CIVSA workers earned between 3 and 6 pesos, and 42% more than 6 pesos. The fact that a larger percentage of the workers in these income groups used the company store than those with a lower income might have been the result of the type of products the company store sold. It is

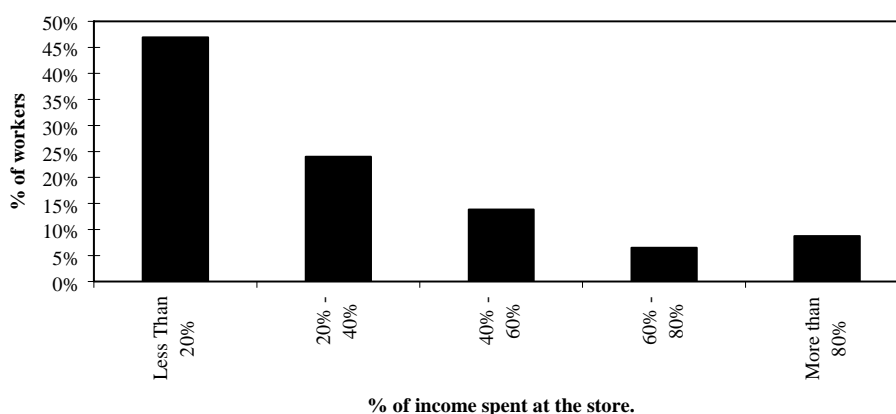
<sup>70</sup> This can be explained if the company store specialized in products bought by the majority of workers in the middle-income range.

likely that it chose to target relatively higher income workers since they accounted for the majority of its potential clients.

It is impossible to know the size of workers' debts to the company store from the data available. However, we know that in February 1905, 45% of workers with debts to the store paid less than 20% of their weekly income, more than 70% paid less than 40% of their wages, and only 10% paid more than 80% of their income (see Figure 2). The company did not allow workers to carry debts beyond the week. The most credit workers could get with the store was that which took their entire wage after the other expenditures (rent, light, and doctor's fees) were deducted.

During the first week of February 1905, 12 workers had credits with the company store that accounted for more than 90% of their wage and received no monetary payment (0.54% of CIVSA workers). Interestingly, none of them was a piece worker. They all belonged to the factory's department called "workshop" and were mostly construction workers, smiths, and carpenters. In the case of eight of these employees the reason for such large indebtedness was that they were absent at least half the week. Thus, it seems to have been an exceptional situation due to sickness or other problems. Only two of these 12 employees remained with the company on the same departments during the first week of December 1906. One of them had no debt with the store on that occasion; the other, a horse keeper named Magdaleno Beristain, had once again a large debt with the store and received no monetary wage.<sup>71</sup> Unfortunately, the database available does not allow a systematic analysis of individual workers identifying the evolution of the level of indebtedness of particular individuals.

**FIGURE 2: STORE EXPENDITURES AS A PERCENTAGE OF WAGES, 1905**



<sup>71</sup> CV, Payrolls, Week 6 1905 (February 3-9) and Week 50 1906 (December 6 -13).

Although it was impossible to carry out a similar analysis for CIDOSA due to lack of access to the company's payrolls, the following evidence shows that workers' indebtedness to the Río Blanco company store must have resembled that of CIVSA workers. At least once a week a large check was paid by CIDOSA to Garcín for between 850 and 950 pesos.<sup>72</sup> This could have been the money the company was deducting from the payrolls for debt to the store (redeeming the script) and giving to Garcín.<sup>73</sup> If this is true, then around 30% of the payroll was paid in the form of *vales* to Garcín (870 pesos/3000 pesos) in the spring of 1906.

Herbert Nickel's study of the haciendas of Puebla and Tlaxcala, shows that "the debts that assured the permanence of workers in the premises were not the product of credits obtained in the store, but of advances given to them in holidays or to cover the expenses of family parties, medicines, or the loss of tools and working animals, or as bails."<sup>74</sup> Hans Günther Mertens found something similar in his study of several haciendas in Atlixco, Puebla. In those haciendas debt peonage existed, but company stores were not the mechanism to indebt workers.<sup>75</sup> In the textile mills studied there exists no evidence of any other means that could have been used to indebt workers. CIVSA and CIDOSA's accounting books and correspondence do not show that workers carried other type of debts with the companies besides those to the company stores.

### ***III. The Río Blanco Strike and Workers' Attack on Company Stores***

As is the case with most episodes in which government forces massacre civilians, it is virtually impossible to know the true story of what happened. Even the way the episode has been known in the historiography is faulty, since the so-called Río Blanco strike, was not a strike but the end of a company lockout.<sup>76</sup> Its framing as a strike was carried out from the beginning by all the newspapers that reported on the event in the days following January 7 and was then taken over by the historiography.

The conflict started with a strike in Puebla and Tlaxcala on December 4, 1906, organized by the Gran Círculo de Obreros Libres (GCOL) over factory regulations that workers disliked. However, on December 24, 1906 the strike turned into a lockout imposed on most textile mills in the nation, including those in the Orizaba Valley, by textile industrialists in order to eliminate workers' support for the strike in Puebla and Tlaxcala. Ultimately, what

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<sup>72</sup> CD, Checkbook stubs for the second semester of 1905 and for the first semester of 1906. For example, check stubs 3509, 3510, 3564, 3472, 3610.

<sup>73</sup> Garcín may also have been renting CIDOSA some premises, although in that case it would be strange that the payment was made weekly.

<sup>74</sup> Nickel, *Morfología social*, pp. 168, 297-98.

<sup>75</sup> Mertens, *Atlixco y las haciendas*, pp. 210-45.

<sup>76</sup> This has been pointed out in Anderson, *Outcasts in their Own Land*, p. 154.

industrialists wanted, in agreement with Porfirio Díaz, was to destroy the GCOL, a very powerful workers' organization created in Río Blanco in April 1906.<sup>77</sup> The GCOL founded locals at every mill in the Orizaba Valley. It then expanded into the rest of the country. By the end of 1906, it had branch organizations in the states of Puebla, Jalisco, Oaxaca, Tlaxcala, Mexico, the Federal District, Querétaro, and Hidalgo, in addition to Veracruz.<sup>78</sup>

On January 7, 1907, workers were supposed to go back to work, since the mill owners and the GCOL leadership had accepted President Porfirio Díaz's arbitration decision (*laudo*) that settled the conflict. However a significant number of workers from the Orizaba Valley expressed their dissatisfaction with the agreement the previous day. On the morning of January 7, only a small percentage of workers entered work, while crowds of them joined at the mills' gates. Meanwhile, some women asked for food on credit at the nearby Río Blanco company store, and its employees rudely denied it to them. Soon a quarrel started, and the crowd started sacking the store. Then an employee of the store shot and killed one worker. This was all that was needed to ignite the anger of the workers and their families, after having spent two weeks without pay because of the industrialists' lockout. They burned down Río Blanco's company store and then marched to Nogales and Santa Rosa, sacking and burning several stores and pawnshops in the factories' vicinity.

Workers' attacks particularly targeted stores belonging to Víctor Garcín, such as the Río Blanco company store, the Centro Comercial, at Nogales in front of the San Lorenzo mill, and El Modelo, at Santa Rosa.<sup>79</sup> Other stores burned included El Puerto de Veracruz at Nogales, owned by some Spaniards and the Singer sewing machines agency in Santa Rosa, as fire spread from El Modelo to the whole block owned by Garcín. Pawnshops such as those of Rafael Mateos and Lauro Machorro in Santa Rosa were also sacked.<sup>80</sup> Workers also burned down the house of José Morales, the president of the GCOL, whom they felt had betrayed them.<sup>81</sup>

The repression of these acts ended in a massacre in which military forces killed between 50 and 70 workers (a conservative estimate) and imprisoned more than 200.<sup>82</sup> According to a newspaper report, of a total of 6,138 workers

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<sup>77</sup> Gómez Galvarriato "The Impact of Revolution", pp. 220-49; and García, *Un pueblo fabril del porfiriato*, pp. 138-56.

<sup>78</sup> Marjory R. Clark, *Organized Labor in Mexico* (Chapel Hill: 1934), pp. 12-13; and Anderson, *Outcasts in their Own Land*, pp. 128-50.

<sup>79</sup> According to Bernardo García, who cites evidence from the Archivo Municipal de Ciudad Mendoza, legajo suelto, "Memorándum de los acontecimientos habidos en la cabecera de la municipalidad de Santa Rosa". García, *Un pueblo fabril*, p. 145. The CIVSA list of workers tells, for example, that the weavers, Enrique Manzano (age 29), Mauro Manzano (age 16), and José Ríos (age 20), were taken to Quintana Roo. CV, list of workers, 1907.

<sup>80</sup> *El Imparcial*, 9 Jan. 1907, Front Page.

<sup>81</sup> García, *un pueblo fabril*, p. 149.

<sup>82</sup> This is Rodney Anderson's estimate, Anderson, *Outcasts in their Own Land*. John Kenneth Turner wrote that between 200 and 800 people were killed. Turner, *México Bárbaro*, p.174. Francisco Bulnes in a defense of Porfirio Díaz wrote in 1920 that it was commonly believed that 300 workers were killed but questioned the sources for

who labored at CIVSA and CIDOSA in the days previous to the lockout, only 4,818 came back to work after January 9, 1907. This means that more than 1,000 workers fled the region or were killed or imprisoned.<sup>83</sup>

It has generally been assumed that the stores burned down on January 7, 1907 were all company stores.<sup>84</sup> From CIVSA company documents we know that El Modelo, the store burned down in Santa Rosa, was not a company store. The company store of Santa Rosa, leased at that time to José Fuentes, was neither looted nor burned down. However, Garcín's Río Blanco store was in fact a *tienda de raya*.<sup>85</sup> Most probably Garcín's Centro Comercial store at Nogales was also a company store since the Cerritos and San Lorenzo factories in that town also belonged to CIDOSA, but no hard evidence has yet been found on the subject.

Why did the workers' riot of January 7, 1907 almost exclusively target stores, particularly Garcín's businesses? The day of the workers' riots, they had not been paid since December 24, when the factories started a lockout, and families suffered from hunger.<sup>86</sup> In the days workers went unpaid, which included Christmas, a bitter relationship must have developed between workers, stores, and pawnshops. While stores were vulnerable spots, factories were impregnable fortresses.

Since workers from the Orizaba region had been supporting Puebla workers on strike for the first two weeks of December, the GCOL of Orizaba must have had few funds saved for the lockout. Workers from other regions could not support them as industrialists purposely planned the lockout to be general in order to prevent gestures of solidarity. Given their low wages, most families did not have enough savings to outlive the lockout. The situation for most workers must have been desperate. In December 1906, *El Cosmopolita*, a newspaper from Orizaba, reported that many textile workers were fleeing the region, indentured (*enganchados*) to work on the haciendas of Tierra Blanca and those along the Pacific railroad, while others had gone back to their villages. The article reported that between 200 and 300 were leaving within the next few days for the town of Zongolica, where labor was needed to cultivate vast areas of virgin land. Workers were obtaining money from any possible source in order to be able to leave the Orizaba region. The newspaper said: "Many workers who had bought sewing machines on credit, had returned them to the agencies they had got them from, and with the

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such figure. "Who counted them?" he asked. Francisco Bulnes, *El Verdadero Díaz y la Revolución* (Mexico City: Eusebio Gómez de la Puente Editor, 1920), p. 61.

<sup>83</sup> El Correo Español, January 12, 1909, p. 2.

<sup>84</sup> Anderson, *Outcasts in their Own Land*, pp. 156-58.

<sup>85</sup> CD, Asamblea General Ordinaria, March 22, 1907, *Ejercicio* of 1906.

<sup>86</sup> Factory managers were aware of this situation; when the CIVSA board ordered the reopening of the mill the following Monday they wrote: "Since we assume that workers are at the bottom of their resources it would be good that from Tuesday you gave them some advances of one or two *piastres* or more for food, according to your appraisal." CV CR, MX-SR, January 4, 1907.

money they got back, as well as from that of articles pawned or sold, they have undertaken the exodus."<sup>87</sup>

The newspaper, unconsciously predicting the terrible events that were to take place in a week, explained that "the merchants of Santa Rosa, Río Blanco and Nogales, that before the lockout had been bringing many basic products into the region, were not doing so anymore, only selling what they had on stock." Stores, it explained, "had stopped lending workers the merchandise they had previously allowed them to pay for in short terms of between a week and a fortnight."<sup>88</sup> Workers asked merchants, and the population in general, for donations of food. Precisely on January 7, a petition of this kind appeared in the *Tipografía del Comercio*, asking for bread for their "adored children" who "suffer the terrible consequences of the caprice of industrialists who have become executioners of the worker."<sup>89</sup> Apparently, most merchants made some donations. In a letter sent to *El Diario*, Garcín argued that on the Friday before the massacre he was visited by a workers' commission that asked for cereals and other foodstuffs, and that given that his business was more important than the rest and since all the other merchants had contributed, he decided to give 20% more than the largest contribution.<sup>90</sup> It is impossible to know whether this was true, but in any case, it was not enough to meet workers' needs or to suppress their anger.

Lucas Rex's study of 1970s Canadian company towns evidences that the relationship between the storekeepers and the customers in these environments are always problematic. He explains:

...whatever the community or the industry, there is a great deal of manifest hostility on the part of the employees of the single industry toward those who supply the goods and services in the community. The hostility is greatest in those areas where the shopkeepers have the greatest power, and where the customer has the fewest alternatives, basically in day-to-day grocery shopping.<sup>91</sup>

Garcín was the most important merchant in the region, and his business had developed a difficult relationship with workers both before and during the lockout. The fact that one of his employees killed a worker opened a Pandora's box. This might be why his stores were the main targets of workers' attacks. Although stores in the region could be blamed for the riots, they also became easy scapegoats for the media relieving the industrialists' unfair lockout and the government's role in it of responsibility.

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<sup>87</sup> *El Cosmopolita*, December 30, 1906, p. 2.

<sup>88</sup> *Ibid.*

<sup>89</sup> AGN, Fondo de Gobernación, 817/8, "Señores Comerciantes, Propietarios y Compatriotas en General". A merchant, Ramón Villagómez was the commissioner in charge of collecting the donations from the merchants of Orizaba. Donations were also received in the printing offices of "La Unión Obrera", a workers' journal.

<sup>90</sup> *El Diario*, January 11, 1907.

<sup>91</sup> Lucas, *Minetown, Milltown, Railtown*, p. 232.



### The End of Company Stores in the Valley of Orizaba

As attention focused on the company stores due to the January 7 and 8 massacres, on January 12, the CIVSA Board instructed the factory manager to dissolve any obligation the company had with the store and to stop charging the 5% commission on workers' expenses. In June 1908, CIVSA stopped deducting workers' debts to the store from the payroll. Thereafter its company store had no special advantage over the other stores in the area. The rent the company charged Fuentes for the store was reduced to 120 pesos per month instead of the previous 150 pesos in August 1910.<sup>92</sup>

After the riots, Garcín sold his property to his former partner, the Spaniard Manuel Diez, and left the region.<sup>93</sup> Diez, who also owned a store called El Fenix, reopened the store in Río Blanco in June 1908.<sup>94</sup> An account written by a worker on the reopening asked workers to be alert, because although the store was not going to be a *tienda de raya*, the previous experience had cost them dearly.<sup>95</sup> The board of directors of the textile mill of Metepec decided to end the company-store script in November 1908 after a series of articles in the newspaper *El Paladín* condemned their use.<sup>96</sup> After the Río Blanco strike Porfirio Díaz promised to eradicate the script system.<sup>97</sup> However, this practice continued to exist for many years in several parts of the country.

The end of company stores in the Orizaba Valley did not end the extraordinary interest rates workers were charged for credit. In April 1908, workers wrote to *El Paladín* that a small store called Mi Tienda owned by Delfino Espíndola, a Río Blanco employee nicknamed "El Torero," was yielding good profits through its "excellent and legal credit operations, charging 12% weekly interest rates or the loss of the article pawned."<sup>98</sup> This rate does not seem lower than what company stores used to charge, nor does it seem to have been exceptional. Another letter to *El Paladín* stated that La Bella Concha in Santa Rosa charged 20% weekly interest rates in mid-1907 against articles pawned.<sup>99</sup> In mid-1908 workers protested to *El Paladín* that money lenders in Santa Rosa charged a 12% weekly interest rate.<sup>100</sup>

Moreover non-competitive practices continued to exist. A letter to *El Paladín* said that the Río Blanco employee "El Torero" was trying to open a pawnshop "not content with the big profits he obtains from Mi Tienda and

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<sup>92</sup> CV, CR, Mexico City offices to Santa Rosa offices, August 30, 1910.

<sup>93</sup> CV, AC, April 8, 1907.

<sup>94</sup> García, *Un pueblo fabril*, p. 109. Interestingly, El Fenix is still a chain of small supermarkets in the region today.

<sup>95</sup> CV, AC, May 24, 1908.

<sup>96</sup> El Paladín, "Si hay vales. Los directores de la Compañía Industrial de Metepec resuelven quitar los vales", November 29, 1908.

<sup>97</sup> El Paladín, "Siguen los vales", June 10, 1909.

<sup>98</sup> El Paladín, April 8, 1908.

<sup>99</sup> El Paladín, July, 1907.

<sup>100</sup> El Paladín, June, 1908.

from the speculation he undertakes within the factory premises.”<sup>101</sup> This letter charged that this employee favored workers who did business with him and discriminated against those who did not. It concluded, “The factory, workers, and the neighboring stores are seriously damaged by this employee who infringes at his will the regulations that cost more than a little blood on January 7 of the previous year.”<sup>102</sup> It referred to one of the articles of the factory’s regulations that forbade employees from carrying out business inside the factory and from receiving money in exchange for protection.

Evidence suggests that workers might not have been better off when company stores disappeared since company stores faced less risk than other stores on the credit they gave workers. When stores did not have workers’ wages as guaranteed collateral to their debts, stores asked workers to pawn articles to get credit. Yet workers’ repudiation of company stores, expressed in the several articles they wrote to *El Paladín*, suggests that company stores did not make them better off either. This indicates that all the possible gains that resulted from the reduction of risk that company stores as a credit system generated were pocketed by the company store concessionaires and by the firms (through rents and commissions), without distribution to the workers.

#### ***IV. Seeking for Solutions: the Consumers’ Cooperatives and the Workers’ Bank.***

During the Mexican Revolution (1910-1920) a major transformation in the relative power of workers and employers took place in the Orizaba textile mills. From a laissez-faire regime, where employers dealt with an unorganized labor force, which prevailed until 1905, a totally different situation emerged. The labor movement grew stronger as a consequence of weaker governments and the need for those groups seeking to establish themselves as governments to co-opt the labor movement, whose support had become necessary to reestablish peace. By 1920 Orizaba valley textile workers were organized in powerful unions and worker’s confederations, legally recognized, with an important role in the way work was done on the shop floor. Labor was now hired through collective contracts negotiated between unions and employers, and it was now unions, rather than employers, who made the major hiring and firing decisions among blue-collar workers. The government, previously totally supportive of employers, was by then divided between the interests of

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<sup>101</sup> Ibid.

<sup>102</sup> Ibid.

employers and workers and in many crucial turning points it gave decisive support to labor at the expense of company owners.<sup>103</sup>

Although the labor movement in Orizaba could be characterized mostly as syndicalist, it was also influenced by anarchism and cooperativism. As a way to improve their daily circumstances in terms of the consumption and credit alternatives workers faced they turned to cooperatives. During the 1910s Mexican workers undertook several projects for cooperatives of credit, production and consumption intended to bypass monopolies and contractors, such as the cooperative workshop founded by the Great National League of Tailors in Mexico City on November 20, 1911, or the savings bank that the Railroad Workers' Alliance tried to establish in early 1911 in order to "Mexicanize" and democratize credit. However these projects faltered for lack of administrative experience and lack of access to sufficient capital. Mutual credit projects in Mexico had been almost always unsuccessful.<sup>104</sup> Yet, in other parts of the world cooperative projects flourished setting an example to the Orizaba textile workers. From its beginnings in Rochdale in 1846 consumer co-operatives sprung to become a great movement in the UK in the late 19<sup>th</sup> century when there were 2,000 consumer cooperatives with 1,700,000 members.<sup>105</sup> In the first decade of the 20<sup>th</sup> century the movement had spread further, by 1920 consumer co-operatives had four and a half million members in Great Britain, over ten million in Russia, three million in Germany, two million in France and hundreds of thousands in each of the smaller countries of Europe.<sup>106</sup> It is remarkable that in the early 1920s consumer cooperatives were so important that the two classic books on the subject were published precisely on those years. In Latin America consumer cooperatives also began to appear, as it happened in Argentina under the initiative of railroad workers with great success.<sup>107</sup>

In November 1920, the Federation of Unions of the Orizaba District (FSCO) and employers of the Orizaba valley held a series of meetings in Orizaba that resulted in the creation of consumers' cooperatives aimed at "lowering the price of basic products."<sup>108</sup> Instead of granting the 100% wage increase that workers were demanding, firms agreed to provide funds for the creation of consumers' cooperatives, which would be of \$50,000 pesos divided between

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<sup>103</sup> Aurora Gómez Galvarriato, "Measuring the impact of institutional change in capital-labor relations in the Mexican textile industry, 1900-1930". In *The Mexican Economy, 1870-1930. Essays on the Economic History of Institutions, Revolution and Growth*, ed. Jeffrey Borzt and Stephen Haber (Stanford, CA: 2002), pp. 289-323.

<sup>104</sup> John Lear, *Workers, Neighbors and Citizens* (Nebraska:2001), pp. 166-167.

<sup>105</sup> Beatrice Webb, *The Co-operative Movement in Great Britain* (London, 1891).

<sup>106</sup> Charles Gide, *Consumers' Cooperative Societies* (Manchester 1921), Sidney and Beatrice Webb, *The Consumers; Cooperative Movement* (London 1922)

<sup>107</sup> Joel Horowitz and Leandro Wolfson, "Los Trabajadores Ferroviarios en la Argentina (1920-1943). La Formación de una Elite Obrera" in *Desarrollo Económico*, vol. 25, no. 99 (1985) pp. 434-437.

<sup>108</sup> CV, AC, November 23, 1920.

the different companies.<sup>109</sup> The objective of the textile companies was “to prevent conflict at least for the rest of the year.”<sup>110</sup>

Eduardo Mestre, the companies’ lawyer, negotiated the agreements by which the cooperatives were going to be established with the FSCO in January 1921.<sup>111</sup> The companies wanted the FSCO to regard the funds provided as credit, though they acknowledged that they had decided, “to sacrifice them [the funds],”<sup>112</sup> but they were received as a donation. The companies agreed to provide the premises for the establishment of such cooperative stores at no cost. Most of them did, including the Moctezuma beer factory. The companies also agreed to support the stores in the transportation of merchandise and to provide them with cheap cloth. Unions wanted to have absolute control of these cooperatives, but the companies asked the state government to supervise them, which was apparently accepted.

There was not much faith in consumers’ cooperatives when they appeared. A worker’s article in the *Pro-Paria*, claimed that cooperative stores were a suggestion of President Adolfo de la Huerta’s and that industrialists had agreed to them not to help workers but as a strategy against them. “After two or three months of operations, the inexperience of the workers, the directors of such institutions, on one hand, and the war without mercy that merchants will wage against them, on the other, will lead to the complete failure of cooperative stores.”<sup>113</sup> Then, according to this worker, industrialists would be in a position to oppose future wage demands by arguing that they had given workers a considerable sum to set up the cooperative stores so that prices came down, “but that X and Z stole the money which is why they failed.”<sup>114</sup> In fact, in November 1924, when workers demanded a wage increase, CIVSA’s board instructed its manager to remind them of the donation the companies had given for the creation of the consumer cooperatives through which workers had pledged not to ask for further wage increases, “given that the economic situation for the industry is worse now than it was at that moment.”<sup>115</sup> The CIVSA board also regarded the cooperative stores as ephemeral. It considered the agreement reached by Eduardo Mestre with the workers inadequate because “most probably the cooperatives will disappear in less than six months and the premises provided for their establishment will be occupied by the unions.”<sup>116</sup>

Contrary to all expectations, the cooperative stores proved to be long lasting. Cooperative stores opened in the surroundings of almost every factory

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<sup>109</sup> CV, CR, letter from C. Maurel to SR, November 10, 1920; and CV, AC, January 4, 1921.

<sup>110</sup> CV, CR, letter from C. Maurel to SR, November 10, 1920.

<sup>111</sup> CD, CR, Río Blanco to Pablo Méndez, February 11, 1921. In this letter he is referred to as the company’s lawyer.

<sup>112</sup> CV, CR, letter from C. Maurel to SR, January 14, 1921.

<sup>113</sup> *Pro-Paria*, “¿Las cooperativas de consumos resuelven el problema económico?” by Jones E. Cusp, November 28, 1920, 4.

<sup>114</sup> *Ibid.*

<sup>115</sup> CV, CR, MX-SR, April 24 1924.

<sup>116</sup> CV, CR, letter from C. Maurel to SR, January 14, 1921.

in the region: Santa Rosa, Río Blanco, Mirafuentes, San Lorenzo, and Santa Gertrudis. Cooperative stores were not restricted to industrial workers. A cooperative store for peasants and workers of San Antonio and Jalapilla, near Orizaba, was opened before 1928.<sup>117</sup>

Following the example of the Federation of Cooperative Stores of France, with whose secretary general, Comrade Poisson, workers of the region had an interview in 1922, the cooperative stores of the Orizaba valley formed a federation, the *Sociedad Cooperativa de Consumo "Obreros Federados"* the same year. In June 1924 the Administrative Board of the *Sociedad Cooperativa de Consumo* submitted its report on the work carried out between December 1922 and June 1924. On that date, they announced that they just opened a head office store in downtown Orizaba, in the vicinity of factories that did not have their own cooperative stores. The building that housed the store was donated by the Tenants' Union (*Sindicato de Inquilinos*).

The Society of Consumer Cooperative had a large membership. The report stated that they had undertaken a successful campaign among the workers' unions of the region to affiliate as many members as possible. Workers from the Cervercería Moctezuma, la Constancia, Cocolapan, Cigarreros, Cerritos, Yute, Sta. Rosa, Mirafuentes, San Lorenzo, Río Blanco and Cervercería Orizaba became members. The Santa Rosa union decided that all its members would automatically become shareholders.<sup>118</sup>

Cooperative stores sold groceries, crockery, clothes, and footwear.<sup>119</sup> Some of them also sold milk<sup>120</sup>, or bread and meat.<sup>121</sup> It was common practice to sell goods on credit to workers and many debts were not paid for months or even years.<sup>122</sup> Cooperative stores spread from Orizaba to other parts of the country. By 1927, they had become so important in the union's lives, that at the 8<sup>th</sup> convention of the CROM, its Central Committee established a Department of Cooperatives to take charge of consumption and production cooperatives.<sup>123</sup>

That same year, however, the lack of repayment of debts put Orizaba Valley cooperative stores on the verge of bankruptcy. In order to save them, their director, Alberto Méndez, decided that executive credit committees

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<sup>117</sup> In 1928 there were seven cooperative stores in the Orizaba Valley: the Sociedad Cooperativa de Consumo de Responsabilidad Limitada "Obreros y Artesanos Progresistas" in Santa Rosa, Sociedad Cooperativa de Consumo "Obreros y Similares" in Río Blanco, the Sociedad Cooperativa de Consumo "Obreros de San Lorenzo" in Nogales, the "Sociedad Cooperativa de Consumo "Obreros de Mirafuentes" also in Nogales, the Sociedad Cooperativa de Consumo de Responsabilidad Limitada "Obreros y Campesinos de San Antonio y Jalapilla" in Orizaba, the Sociedad Cooperativa de Consumo "Obreros y Similares del Yute" in Orizaba and the head office of the Sociedad Cooperativa de Consumo y Responsabilidad Limitada "Obreros Federados" in Orizaba. *Pro-Paria*, Special Edition, January 7 1928. With photographs of all the stores.

<sup>118</sup> *Pro-Paria*, July 5, 1924, 2.

<sup>119</sup> *Pro-Paria*, September 23, 1931, 4. Advertisement of the Cooperativa "Obreros Federados".

<sup>120</sup> This was the case of the Río Blanco store, *Pro-Paria*, August 10 1929, 8.

<sup>121</sup> This was the case of the San Lorenzo store, *Pro-Paria*, March 30 1929.

<sup>122</sup> *Pro-Paria*, "Proyecto para la Reorganización de la Cooperativa O. Federados", January 27 1928, 7.

<sup>123</sup> *Pro-Paria*, "Creación del Departamento de Cooperativas de la CROM", December 30 1927.

should be established in each of them, in order to have better control over credits. Workers would only receive weekly credits that would be written down in a "credit notebook" for each worker. A schedule of weekly payments was established for all workers who already had debts to the stores.<sup>124</sup> By the end of the year, the bankruptcy problem had been solved. The federation of cooperatives was able to pay its creditors and to obtain a good stock of cereals and groceries to supply the stores.<sup>125</sup>

By 1928, even though the cooperatives' management had started solving the problem, the *Sociedad Cooperativa de Consumo* still had 32% of its assets in credits to workers and another 23% in credits to affiliated cooperative stores. This compares with only 8% of total assets held in merchandise.<sup>126</sup> The same year, a project to reorganize the cooperative stores was submitted by a commission of the confederate board of the workers' chamber (*Consejo Confederal de la Cámara del Trabajo*). They proposed that workers be obliged to spend at least one peso per week at the cooperative stores. Affiliated unions would supervise this obligation by requiring workers to present receipts of their purchases every week. Repayment of credits on groceries had to be made within two weeks. Failure of payment would promptly be notified by the credit committee to the unions, which would proceed "as they judged fit," in order to secure reimbursement of the debt.<sup>127</sup> It is difficult to tell whether these clauses were applied. In any case, they indicate that cooperative stores faced serious problems as regards repayment of their credits and in attracting workers as clients.

The fact that they thought of making a weekly minimum purchase mandatory for affiliated workers shows that they were not very competitive. If these regulations were implemented, then cooperative stores would have been carrying out some of the worst practices company stores had been criticized for. Now it would have been the union, rather than the companies who were making it compulsory to buy at certain stores. An important difference, of course, was that the aim of these stores was to sell good quality products at lower prices than other stores, not to obtain profits. However, this objective was not easily accomplished since it would have required stores to be efficiently managed.

Nonetheless, it seems that stores were able to achieve this objective during certain periods. In 1929, *Pro-Paria* reported that whereas private merchants had raised the prices of basic goods, the cooperative store of Río Blanco had been able to keep them stable at lower prices. It argued that, as a result of the cooperative store's competition, private merchants were forced

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<sup>124</sup> *Pro-Paria*, July 30, 1927, I, 8.

<sup>125</sup> *Pro-Paria*, September 24, 1927, 3.

<sup>126</sup> *Pro-Paria*, "Sociedad Cooperativa Obreros Federados, Balce de Activo y Pasivo Practicado el 30 de Junio de 1928", July 21, 1928.

<sup>127</sup> *Pro-Paria*, "Proyecto para la Reorganización de la Cooperativa O.Federados", January 21, 1928, 2, 7, 8.

to lower their prices very soon afterwards. The article concluded that on the basis of this evidence it could be argued that "the cooperative stores, when managed, as they are now, by "*compañeros*" that are aware of the needs of working people, fulfill a high mission that benefits all."<sup>128</sup>

During the 1920s new credit alternatives for workers emerged in the Orizaba valley. By 1927, Cido-Mutua, a mutualist association of CIDOSA workers, had signed an agreement with the company so that its cashier gave "purchase bonds" to workers who requested them. These bonds were accepted as payment by several stores in the Orizaba region. The company's cashier redeemed the "purchase bonds," which contained information on the individual worker who made the purchase. The company then deducted what was required to redeem the bonds from the worker's weekly wage.<sup>129</sup> As one can see, this procedure was similar to that which existed between the companies and the company stores in the Porfiriato. An important difference, of course, was that now it was carried out not only with one store, but with several, and that CIDOSA did not charge any commission for this operation.

Another attempt to overcome the credit problem was made by the Santa Rosa Union in 1927, through the creation of a workers' bank, the *Banco Cooperativo Obrero*. Most of the initial capital of the bank (\$25,000 pesos) was provided by the union (three quarters) and the rest was given by CIVSA as a loan. The CIVSA board thought it right to support the bank because its existence would relieve the company from the cumbersome task of having to provide credit for its workers, "allowing us to reject in the future, the multitude of small advance payments and loans on account of wages that workers frequently request and which we do not always find it easy to refuse."<sup>130</sup>

The bank was located in the main street of Santa Rosa opposite the mill's main entrance. It was inaugurated on April 20 1928, by the former President of Mexico, Alvaro Obregón, and the Secretary General of the Confederation of Unions of Workers and Peasants (COSCO) of the State of Veracruz, Manuel Sánchez Martínez.<sup>131</sup> A Council elected by the General Assembly of the Union regulated the operation of the bank. Its members were obliged to provide a weekly report of the bank's situation to the General Assembly of the Union.

The *Banco Obrero* operated more as a rotating savings cooperative association, of the kind that exist nowadays, than as an actual bank. It gave a 1% annual interest rate on savings and charged 2% interest rates on loans. These rates were much lower than those charged by regional usurers of at least 10% per month. The bank's regulations set a maximum amount for loans that could not exceed workers' monthly wages. This restriction, the bank

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<sup>128</sup> *Pro-Paria*, "Demostración práctica de los beneficios que trae el cooperativismo", March 16, 1929.

<sup>129</sup> CD, "Rapport sur l'organisation de la caisse de la fabrique de San Lorenzo", Río Blanco, July 30, 1927.

<sup>130</sup> CV, AC, June 19, 1928.

<sup>131</sup> *Pro-Paria*, "Fue Inaugurado el Banco Cooperativo Obrero de Santa Rosa", April 28, 1928.

officers said, was established in order to prevent workers from incurring debts that went beyond their means. Payments were due weekly, with the responsibility of making them “without any excuse or pretext.”<sup>132</sup> In the event a worker did not pay his debt, the union could intervene with the company so that the indebted worker had the amount he owed deducted from his wages. Budget constraints subsequently made the bank limit its credits even further, only providing credit for sickness, death, or educational expenses. The bank generated annual profits that were used to support other union projects, such as the “América” elementary and junior high school, the “Juárez” movie theater, and a sports field built by the union. The bank operated until 1957; unfortunately, we do not know why it closed.<sup>133</sup>

By the end of the second decade of the century, private banks started devising mechanisms to reach the working classes. In January 1929 the Banco Nacional de México (Banamex) announced that it had just opened a savings department for small deposits. These “small deposit” accounts could be opened with amounts as low as one peso, and could go up to \$5000 pesos; they would give an annual interest rate of 4%.<sup>134</sup> This was the first time national banks had bothered to attract low-income citizens.

It is interesting to note that the interest rate Banamex gave on deposits was four times higher than that given by the *Banco Obrero*, and twice the interest rate the *Banco Obrero* charged for its credits. In view of this one wonders why workers decided to deposit their saving in the *Banco Obrero*, unless we consider that, as in any rotating savings cooperative association, it was a requirement to have savings in such a bank for a lapse of time, before becoming eligible for credit. Moreover, it must have been virtually impossible for workers to obtain credit from the banking system, given that the amounts they required were too small, and that they could not fulfill the requirements banks demanded of to those wishing to take out a loan.

It would be important to assess the efficiency of both the consumers’ cooperatives and the workers’ bank in providing cheaper goods and cheaper credit, and at what cost. It would be also interesting to know how long did these institutions last and why did they end. Finally a wider study of the relative success or failure of Mexico’s consumer and credit cooperatives would be highly valuable to get a better understanding of the labor movement in this period. It would be crucial to understand why the cooperative movement did not prosper as it did in other countries where consumer and credit cooperatives continue to play an important role until the present day.

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<sup>132</sup> Interview with Gonzalo García Ortiz by Ana Laura Delgado in 1976. Programa de Historia Oral del Centro de Estudios Históricos, Universidad Veracruzana.

<sup>133</sup> Ana Laura Delgado, “El Sindicato de Santa Rosa y el Movimiento Obrero de Orizaba, Veracruz”, B.A. Thesis, Universidad Veracruzana, (Xalapa, Ver, 1977), 111-114.

<sup>134</sup> *Pro-Paria*, “El Banco Nacional de México ha establecido nuevo servicio”, January 12, 1929.



However, this would require further and alternative research, which goes beyond the aims of this paper.

## Conclusions

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The study of the company stores of CIVSA and CIDOSA of the Orizaba textile mills during the Porfiriato shows that it is impossible to generalize about the way these institutions operated over and across regions, sectors, and individual companies. In line with what has been found about hacienda and mining *tiendas de raya* using company sources, this paper indicates that the traditional view on Porfirian company stores is very far from reality. Evidence indicates that workers were not fully paid in script but received an important share of their wages in money. Although there were abuses, and the companies found ways to keep a certain degree of monopoly for their stores, that monopoly was never complete and tended to decrease as urban development led to the establishment of independent stores.

The company stores analyzed here were not a means to keep workers permanently indebted and thus to generate a system of debt peonage. In the case of CIVSA, only 16 percent of workers held credit with the company store, and those who did carried average debts of only 26% of their wage. The contract company stores had with the textile mills served to reduce the risk of providing credit to workers and thus could have been better credit alternatives to other sources of credit such as pawnshops. Yet it seems that the gains they could make, by facing a lower risk, were not channeled to workers but pocketed by the firms and the company store concessionaires.

The problem with company stores during the Porfiriato not only concerned greedy merchants and trade monopolies, but mainly the underdevelopment of credit institutions available to workers. Company stores disappeared, but workers continued paying extremely high interest rates to stores and pawnshops that offered them credit.

This paper does not attempt to give the final word on Mexican industrial company stores but to show what the evidence found for the Orizaba textile mills indicates. Yet evidence from many other company stores would be necessary to provide a more complete picture of their functioning and of their role in workers' living conditions. However, this would be possible only through a collective effort. If this study were capable of raising the interest in this important historical question, it would have fully fulfilled its objective.

The consumer cooperatives and the workers' bank that unions in the Orizaba valley built in the 1920s were an alternative to the high interest rates and high prices local stores charged. Yet, in order to subsist, they required an efficient administration that would find ways to surmount the ever-present "free-rider" problem. Although it was in the best interest of workers that consumer cooperatives survived, workers were individually better off by not paying their debts to them. This behavior in the aggregate translated into bankruptcy of the cooperatives. Furthermore, cooperative stores should sell

products of qualities and prices that were competitive in the market. These two conditions were not easy to fulfill, but it seems workers in Orizaba were more or less able to do so, at least for some years. During the 1920s unions and their workers involved in the daily operation of the consumer cooperatives seem to have accumulated an important learning experience that made them gradually better managed. It remains a puzzle to assess why they eventually faltered and ceased to operate in the region.

What can be concluded from this story is that the main problem Orizaba valley textile workers faced during the Porfiriato was not the existence of company stores, but the lack of formal credit institutions available to them, a need that consumer cooperatives and the workers bank seem to have fulfilled with relative success for some time. However, in contrast with the case of several European countries where these institutions gained strength as time went by, taking an important share of the retailing and credit markets, in Mexico they seemed to have languished for years and then disappeared, without being replaced with other institutions that fulfilled workers' needs. This is a meaningful issue because whereas company stores ceased to exist in the region by 1908, and throughout the country after the Porfiriato, underdeveloped credit markets for low-income people remains an insurmountable problem faced by poor Mexicans every day, making them easy prey for usurers.



## Novedades

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