

Rates of exchange

The value of Villista paper during 1913-15 provides a fair barometer of the movement's headlong progress from dubious origins through brief respectability to precipitate decline. One of the reasons for Villa's failure to win a wider and more solid mass base after 1915 was the spectre of inflation, for which he himself was partially responsible. The value of the Villa currency depreciated rapidly after increasing quantities of paper money were thrown onto the market. However, prior to Villa's military defeats, his money depreciated less than might have been expected considering the huge amounts his printing presses turned out. The main reason for this was the fact that, in a certain sense, Villa himself was living on credit. Many American and Mexican businessmen and speculators had acquired large amounts of his currency. They hoped that after his expected victory he would redeem his money (or at least accept it as tax payment) at the official rate of exchange, which was far higher than the black market rate at which they had bought it. They also used it to purchase good in Mexico. In July 1914 it was reported that the Rio Valle Banking Company was buying enormous quantities at 15c or 17½c to the peso and using the money to buy cattle in Mexico at 75c gold per head^{footnote} *El Independiente*, 2 July 1914^{/footnote}.

American companies, especially mining enterprises, helped Villa. However, the fact that he was able to sell the products of confiscated estates in the United States and thus acquire arms from his northern neighbour prevented him from carrying out any large-scale agrarian reform in the first stages of his movement and as a result ultimately isolated him from the peasantry, which constituted the basis of his movement. The administrators Villa named for the confiscated estates had a vested interest in preventing reform and constituted one of the bases for the conservative faction of the Villista movement. Villa's increasing dependence on arms from the United States made it more and more imperative for him to gain American recognition and thus not to antagonise the Americans by radical social changes. The financial backing of American companies allowed him to print large amounts of paper money whose value depended more and more on the attitude of these companies. This had a double effect. On the one hand, it made him extremely vulnerable to any loss of confidence of American financial interests. On the other hand, it gave him the necessary means to transform his army from a popular into a professional military force. This in turn made it less imperative for him to carry out immediate social reforms.

It does not seem that Villa's defeats (at Celaya and Leon) derived from financial restraints. But defeat soon produced constraints, as the resource base shrank, production dropped and the Villista peso depreciated. The demands placed upon foreign companies, the better-off Mexicans who remained and even the common people, became more onerous. Forced loans and a special war tax were imposed on the Laguna cotton estates, with threats of execution for those

who failed to comply; merchants' stocks were confiscated and major enterprises, like the Torreon smelter, levied. Villa's Finance Minister, Escudero, demanded a 300,000 peso (gold) loan from American miners, to be credited against future taxes and freight charges. If they did not comply, the miners feared, their properties might face expropriation. Villa's brief honeymoon with northern business thus ended. Business could not actively resist, but it could stall, dissimulate, invoke diplomatic protection and ,if necessary, suspend operations. Merchants concealed their stocks, many mines closed. As resources and revenue shrank, Villa's voluminous paper currency depreciated fast.

After Villa's military losses, the American and Mexican speculators dumped on the market all the currency they had previously acquired. This caused such catastrophic depreciation, that businesses, even in Villa's heartland of Chihuahua, refused to exchange goods for Villa money.

In early October 1915 the purchasing power of Villa money had dropped almost to zero. By November the exchange rate of his money was two hundred fifty to one. In December it was no longer in circulation. Villa's garrisons, especially in Ciudad Juarez, complained that they were paid with worthless notes, and this created the possibility of mass defections.

These quotations refer to Banco Nacional bank notes and paper money of Carranza and Villa, during the period from February 1913 to February 1916, expressing the monthly average value in American money in its equivalent to one peso of each kind of money mentioned. The table was compiled by an El Paso banker, from bank records. Banco Nacional notes were supposed to be the most stable of the old bank notes and other old bank notes were quoted at lower figures.^{footnote}SD papers, 812.515/99 Z. A. Cobb, El Paso, to Robert Lansing, Secretary of State^{/footnote}:

Banco Nacional currency Carrancista currency 1913	Villista February	0.48 ½	During 1913 the Carr
March	0.48		
April	0.45		
May	0.45		
June	0.43		

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July	0.42		
August	0.38		
September	0.40		
October	0.36		
November	0.35 $\frac{1}{4}$		
December	0.35		
1914	January		
0.35			
0.24			
0.22			
February	0.34 $\frac{1}{2}$	0.23 $\frac{1}{2}$	0.20
March	0.34		
0.24			
0.17			
April	0.33		
0.23			
0.17			
May	0.32		
0.22			
0.18 $\frac{1}{2}$			
June	0.32		
0.22 $\frac{3}{4}$	0.21 $\frac{3}{4}$		
July	0.32		
0.25 $\frac{3}{4}$	0.25 $\frac{1}{4}$		
August	0.27 $\frac{3}{4}$	0.23	
0.22 $\frac{1}{4}$			
September	0.25		
0.22			
0.22			
October	0.24		
0.19 $\frac{3}{4}$	0.19 $\frac{1}{4}$		
November	0.20 $\frac{3}{4}$		
0.18 $\frac{1}{4}$	0.17 $\frac{1}{2}$		
December	0.19 $\frac{3}{4}$	0.17	
0.16 $\frac{1}{2}$			

Rates of exchange

1915	January		
0.16			
0.14			
0.18			
February	0.17		
0.11 ½	0.11		
March	0.13 ¾		
0.09 ¼	0.09 ¼		
April	0.13 ¾	0.06 ¼	0.07
May	0.15 ¾	0.06	
0.05			
June	0.18 ¾		
0.08 ¼	0.03 ¼		
July	0.19 ½	0.07	
0.02			
August	0.21		
0.06			
Nothing			
September	0.20		
0.06 ¾			
October	0.21		
0.07 ¾			
November	0.18		
0.06			
December	0.18 ¼	0.05 ¼	
1916			
January	0.16 ½	0.04 ½	
February	0.15 ½		
0.03 ½			
March			
0.15 ½	0.02 ¼		