The Private Business of Porfirio Díaz and the Early Modernization of Mexico, 1876-1911

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THE PRIVATE BUSINESS OF PORFIRIO DÍAZ AND THE EARLY MODERNIZATION OF MEXICO, 1876-1911

By

JORGE HUMBERTO JIMÉNEZ-MUÑOZ

DISSERTATION

Presented to the Faculty of the Graduate School
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ABSTRACT

Porfirio Díaz came to power in 1876 and ruled Mexico for over three decades. This period has been known as the Porfiriato. Mexico’s economy became part of the modern global market and the country experienced a process of industrialization, the rise of foreign trade, the expansion of communications, and the emergence of new social classes. These series of economic and social transformations have been linked with the country’s early modernization.

My dissertation contributes new insights into Mexico’s process of modernization and shows how this transformation brought the rise of an entrepreneurial class under Porfirio Díaz guidance and leadership. My dissertation lends transparency to the role of Porfirio Díaz as an entrepreneur, and examines the diversified enterprises that Díaz promoted, founded and developed while in power. My work details the incorporation of Díaz companies and partnerships, and lays out a system of corruption with conflicts of interest, the use of privileged information for personal gain, the privatization of policymaking and quid pro quo arrangements that bolstered Díaz’s entrepreneurial career.
My dissertation shows that Díaz used and abused power for personal gain, concentrating power in the presidency, manipulating legislation to his favor, facilitating the emergence of a hierarchical, loyal and privileged elite, and expanding foreign businesses in the country.
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INTRODUCTION

Ignorant Mexicans had been led to think that their enemies live on the other side of our northern frontier.

Porfirio Díaz

James Creelman interview, 1908.

In the 1870s Mexican liberals who had triumphed against conservatives and foreign forces started a long process of transformation of the country. Mexico’s modernization began in the confluence of such old regime traditions as caudillismo, the abuse of power for profit, corruption, the triumph of liberal ideas, and the advent of U.S. and Western European modernity. After the administrations of Benito Juárez and Sebastián Lerdo de Tejada, Porfirio Díaz presided over a government in which the liberals, who had fought against foreign invasions, but also against conservative, elitist and authoritarian regimes, introduced a regime not entirely different from those they replaced.
From 1876 to 1911, Porfirio Díaz built a regime that led Mexico toward an economic modernization based on industrial capitalism and a new market economy integrating modern aspirations with traditional continuities. During that period, there was a process of class or domestically based bourgeoisie and elite formation, and also a massive influx of foreign investments in capital-intensive industries in a system in which economic and political power could barely be separated. The Porfirian regime represented a process of economic modernization, but also a path to dictatorship, foreign expansion, economic dependency, corruption and severe conflicts of interest. The Porfiriato’s modernity would soon prove that instead of the occasional and chaotic plundering of preceding regimes, it was a regime of continuous and organized thievery that at the end endangered the continuance of the capitalist system. Díaz's corrupt system relied on the use of privileged information for personal gains, the privatization of policymaking, the establishment of permanent conflicts of interest, the selling of his political influence, and quid pro quo arrangements.

Díaz began his regime by replacing previous elite competition with the unification of political contenders under
the umbrella of an emergent entrepreneurial class. Central to the Porfirian process of modernization was Díaz dispensing state contracts and concessions in order to foster the creation of a privileged entrepreneurial business class with his guidance and leadership. Díaz’s astute choice of allies and partners, as well as his shrewd utilization of national resources and business opportunities, were key in fostering political unity under a system of favors, privileges, and corruption. Díaz labeled the new social class he helped to create as “educated people,” who in his vision would spearhead the transformation of Mexico with the assistance of U.S. entrepreneurs. Even in the last months of his regime, in his comments to James Creelman in 1908, Díaz subtly articulated his vision that only “ignorant Mexicans” regarded the U.S. as an enemy.¹

Díaz was an active force in the creation of modern Mexican capitalism, as well as the embodiment of modern Mexico based entrepreneurs who grew and evolved with a clear link to political power. The appeasement of adversaries through the creation of a new social class, as well as enticing unrestricted foreign participation in the economy, became the foundations of

¹ Díaz used the terms “educated man” or “highly developed people” to refer to entrepreneurs or members of the bourgeoisie. The common people were “ignorant” or “the mass of uneducated people.” El Monitor Republicano, April 8, 1883; James Creelman, “President Díaz, The Hero of the Americas,” Pearson’s Magazine, Vol. XIX, No. 3, March, 1908, 232-277
Díaz’s project for modernization of the country. From the beginning of his first administration (1876-1880), and as a part of the process of modernization, Díaz restructured diplomatic relations and opened Mexico’s resources to a United States eager to start a new relationship with Mexico thirty years after the war between the two countries had ended. In facilitating U.S. economic penetration into the country, Díaz made use of reconnaissance visits of politicians and entrepreneurs that started in 1879. The New York Times labeled these “Peaceful Invasions,” and their purpose was to explore Mexico’s business potential, and to cement alliances and neutralize the memories of old and new bi-national disputes and disagreements.  

The Porfirian modernization began in 1879 with a series of peaceful invasions to establish the foundations of a new economic and political relationship. Those reconnaissance visits ended in 1883 with Díaz’s own exploratory visit to the U.S. Diaz’s visit marked the starting point of new diplomatic and business relations, the creation of a loyal business elite, and Diaz’s successive reelections and dictatorship. It also marked the beginning of his entrepreneurial career.

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It was after the 1879-1883 peaceful invasions, and during the Manuel González administration (1880-1884), that Díaz became an entrepreneur. During his first administration, and after the first peaceful invasion, Díaz noticed the involvement of former U.S. military leaders in business and politics. He envisioned himself as a Mexican general doing business and politics as did U.S. counterparts Generals Ulysses Grant, William Palmer, John B. Frisbie, John W. Foster, and Edward C. Ord. Consequently, Díaz made the next move in that direction, first becoming an entrepreneur, and then using his political power to start doing business influenced by modern capitalism and its national and international “spirit of enterprise.”

Díaz traveled to the U.S. seeking resources for capital-intensive projects like his own. With this move, he showed to U.S. capitalists that he was not a new cacique or caudillo like Antonio López de Santa Anna, nor a member of the political class like Benito Juárez or Sebastián Lerdo de Tejada, but a member of the new entrepreneurial class, that is, the nascent bourgeoisie. In 1883 he told the press that “without presuming to be a consummate businessman” the

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3 The Porfirian “spirit of enterprise” is mentioned both in the characterization of Díaz by U.S. consul David H. Strother in his report of December 1880, and in Díaz’s first company’s incorporation act of 1881. See Chapter 2 and 3 for details.
commercial relationship with the U.S. was important for both countries.⁴

The Díaz regime relied heavily on foreign investments and the country’s economy depended upon overseas capital or that of Mexico-based foreigners. Díaz, who owned shares of foreign companies and debt bonds of foreign countries, tailored the economic development of Mexico to their needs and interests, and his attempts to gather domestic capital were to produce for the global market. At the end of the Díaz regime the main monopolies were in hands of foreigners, and products for the domestic market were in decline. Moreover, Mexican peasants were losing their lands and becoming farmworkers of large haciendas, or working as braceros in the U.S.⁵

For thirty years Díaz fulfilled the role of an entrepreneur according to what political economy textbooks of the period taught. Díaz made classes on political economy and the benefits of capitalism mandatory for professional schools run by the state. He personally embodied what the textbook used in the courses, Nociones de Economía Política, said about an entrepreneur. He was “an intelligent and educated man... who after

⁴ El Siglo Diez y Nueve, April 28, 1883.
identifying a productive venture connects, combines and organizes the diverse factors that allows its development." In 1884 Díaz was reelected as president after incorporating a company to build the drainage system for Mexico City and the Valley of Mexico, and a national bank. From this moment on, the modernization of Mexico would be influenced by Díaz’s entrepreneurial career and vision of the state.

As a politician-entrepreneur Díaz set in motion a process of modernization dismissive of the anti-American and anti-privilege sentiments that traditionally polarized politics in Mexico. At the end of the regime, the mass of ignorant and uneducated people became the real threat to Díaz’s vision, because Mexican people disliked his brand of modernization. The Porfiriato became an authoritarian regime in which Díaz came to embody the role both of political and entrepreneurial leader in financial and business dealings with foreigners. In the process of the evolution of the Porfiriato, the dictator failed to incorporate new generations and successors. Díaz secured his entrepreneurial legacy, but not his political succession.

The analysis of Díaz’s business career will provide an explanation of three decades of a dictatorial regime sustained

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by a growing centralization of economic decisions in the
president; the creation of a loyal, stable, and privileged
economic and political group; and an unrestricted economic
dependency on foreign capital, ingenuity and business
development. At the same time that Díaz expanded his power and
consolidated the elite, he was extracting a surplus for himself,
his family and friends, a state of affairs that ultimately
brought the wrath of Mexicans against the regime in 1910.

This dissertation will examine how Díaz used business
opportunities, and the making of a new social class, to bring
together a wide range of political groups and national and
international economic interests. Díaz transformed the
traditional elite into a political and economic class linked by
close family and business relationships. Members of this new
elite became facilitators and intermediaries of foreign
financial penetration and economic dependency.⁷

This dissertation will focus attention on the role of the
president as a politician-entrepreneur. It will detail the
incorporation of Díaz’s companies, and the expansion of economic
and political centralism during his three-decade regime. It will

⁷ From 1886 to 1908 seventy percent of the capital invested in Mexico was
foreign. William Schell, “Money as Commodity: Mexico’s Conversion to the
Gold Standard,” Mexican Studies/Estudios Mexicanos, Vol. 12, No. 1 (Winter,
also shed light on Díaz’s privatization of policymaking, which centralized many economic decisions in the presidency after his first administration. This political power favored his personal ventures and strengthened his dictatorship nationally and internationally, but also fostered a system of corruption.

**Historiography**

Modernization, dictatorship and revolution are recurrent themes in Mexican history, and the Porfiriato has been studied by a considerable number of national and foreign authors. Studies of modernization under a prolonged dictatorship, analysis of the development of an economic elite, as well as conflicts of interest are discrete and parallel themes in the historiography of the period until the 1990s. This historiography was dedicated above all to the analysis of the formation of the Porfirian regime, uncovering some faults of the dictatorship of Díaz and the inner evolution of Mexican industrialization.

By the 1990s, the Díaz regime’s historiography had established general ideas of the period. Historians recognized the achievements of the regime, the country’s transformations, and its social, economic and political outcomes that left an indelible imprint on Mexico’s history. Authors of the period
agreed that the Porfiriato was the first lasting period of political stability in the country after independence. They saw the institutionalization of dictatorship, but also the arrival of nineteenth century U.S. and Western European modernity, ingenuity and finances in Mexico. Most of the works of this period are analyses on the national level; few focus on regions, states, or localities, or study the role of owners of industry and other entrepreneurs within the Porfirian regime.\(^8\)

Scholars such as Andrés Molina Enriquez, Justo Sierra, José C. Valadéz, and the monumental work coordinated by Daniel Cosío Villegas examined Díaz either as a personalistic ruler, or as the politician who centralized power, fostered economic development and achieved Mexico’s modern industrialization.\(^9\) However, in the works of Molina and Cosío Villegas, the words “entrepreneur” (empresario) or “industrialist” are absent, and

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only foreigners are considered capitalists. Valadéz, meanwhile, says that empresarios were initially foreigners, and that it was not until 1896 that Mexican businesspeople and local capital became important for the development of new industries.\footnote{José C. Valadéz, “El Nacimiento de una Industria Mexicana,” Estudios de Historia Moderna y Contemporánea de México, V.4, Doc. 27 (Mexico D.F.: UNAM, 1972), 95-103.} Neithe...
revealing the most important promoters of early national industry.

**The Porfiriato’s Economic History.**

During the last decade of the twentieth century and the first of the twenty-first, there was a boom in the analysis of the Porfiriato. This historiography analyzed the advent of modern capitalism during the Porfiriato through capital-intensive industrialization, cheap mass transportation, the establishment of a national banking system, the increasing regard for property rights, the approval of updated industrial legislation, as well as the generation of new social classes, entrepreneurial networks, and gender divisions. This post 1990s historiography paved the road to new interpretations of the period, which modified or complemented many previous conceptions about the Mexican economy and industrialization, the role of the Mexican elite and social networks in the regime, the construction of such specific industries as the financial system, modernization and its effects on Mexican society, the process of centralization of power in the presidency, the arrival of U.S. investments in the country, and the link of Díaz with some businesses.
Historians such as Stephen Haber, William Schell, Coralia Gutiérrez, Mario Trujillo Bolio, and Sergio Niccolai shed light on the achievements and failures of the capitalist economy through analysis of particular policies, industries and corporations. They also examine the role of merchants, family groups, moneylenders, labor organizations, and entrepreneurial and working class groups in this process.\(^\text{12}\) Carlos Marichal and

Mario Cerutti began a new trend in entrepreneurial history, situating the industrial development of Mexico as part of countries belonging to the economic periphery, and examining entrepreneurs with different origins living and surviving in an unstable institutional environment.  

Haber considers the Porfirian oligarchy a progressive, nationalistic, and successful economic group that lost control of its success. Haber also examines the role of “crony capitalism,” which William Schell calls “tributary capitalism” or the “camarilla system,” in the failures of Mexican economic development. Both authors blame the managers of the economy for the regime’s failures and not the type of economic development the country had during the Porfiriato. Haber does not see, as do Sergio Niccolai or Marichal and Cerutti or previous works such as that of John Coatsworth, economic dependence or Mexico’s subordination to core economies as a characteristic of the failures of the Porfirian economy.


Although this group of historians provides an important, detailed account of the process of Mexico’s industrial modernization, they do not explain the specific role of Díaz in class creation, his use of the resources of the state for personal gain, and the social and economic problems that economic dependence brought to Mexico. Moreover, class creation and the establishment of social hierarchies and corruption with Díaz’s guidance and leadership are not examined as integral to the modernization process.

**Porfirian Elites**

Rosa María Meyer and Mark Wasserman analyze elite groups of the period in the context of modern industrial expansion, finances, and urban development. For Meyer the incorporation of moneylenders, merchants and family groups as stockholders to modernize the cotton industry made them the early modern entrepreneurs of Mexico. She does not consider foreigners as part of this group and does not analyze the consolidation of entrepreneurial groups to form the Porfirian elite. Mark Wassermann establishes a distinction between the political and economic elite during the Porfiriato. He claims that in the case of Chihuahua the more trustworthy members of the economic elite were allowed to participate in the government, leaving the less
reliable only dedicated to the development of businesses. He argues that the application of this division was a policy during the Porfiriato.\textsuperscript{15} As in the case of Meyer, for Wasserman foreign members of the political elite are not considered part of the regime. Moreover, class creation, establishment of social hierarchies and corruption with Díaz’s guidance and leadership are not examined as integral to the modernization process.

My own work on Mexico City establishes the enduring bond that some members of the regime forged between political and economic power. Many foreigners were part of the networks that the elite created in the real estate business during the Porfiriato. Together with the political elite, they were beneficiaries of the massive conflict of interest and extensive corruption of Mexico City’s modern urban development.\textsuperscript{16} In my work, the analysis of companies and groups clarifies the entrepreneurial networks, business interrelationships, group stratification, as well as the leading figures of Mexico City’s elite during the Porfiriato.


Moisés Gámez, Gladys Lizama Silva, Sergio Valerio Ulloa, and Armando Razo examine social networks during the Porfiriato.¹⁷ These new analyses of Porfirian society, although still limited to particular states and groups, are clarifying the role of leading family groups, kinship, entrepreneurs, and politicians that shared beliefs and authority with Díaz, and the social networks that created a stable pool of entrepreneurs that comprised the Porfirian elite.

**Industrial Expansion and Social Modernization**

The economic analyses of the recent historiography also explain the role of certain foreign and local investors in the development of modern industries. Leonor Ludlow, Carlos Marichal, and Jose Antonio Báñez examine the establishment of the country’s first financial institutions.¹⁸ Many owners of

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textile factories and moneylenders participated in the 1880s in the creation of the first modern banking institutions, such as the Banco Mercantil Mexicano. Moreover, those authors regard the role of Eduardo Noetzlin and other French investors important in the creation of the Banco Nacional Mexicano and, later, the Banco Nacional de México. Gámez, Lizama, Razo, Ludlow, Marichal, and Batiz provide significant accounts of the distinctive social and industrial groups functioning during the regime. Their analyses, however, do not establish the role of intermediation in the relationship between foreigners and nationals in the erection of their industries, or the role of Díaz’s endorsement.

During the Porfiriato, the elites began embracing U.S. and European notions of modernity tied to a process of business and industrial expansion, conspicuous consumption, and the illusion of social equality. Gene Yeager and Mauricio Tenorio Trillo examine how Porfirian modernization created a worldwide fascination with Mexico that did not exist before.¹⁹ William E. French states that in the Porfiriato ideas of modernity allowed

the elite to blame individuals and communities who were opposed to the Díaz regime as being part of the Mexican indigenous and colonial past, backwards and anti-modern, refusing to share Mexico’s progress. French, Steve Bunker, Mark Overmeyer Velasquez, Eugenio Vera, and Marcelo Caruso incorporate Porfirián modernity into the framework of the advance of western modernity, and explore its effects on Mexican industrialization, the expansion of conspicuous consumption, and the formation of new social and gender roles.

Gabriela Cano, Natividad Gutiérrez, and Francie Chassen-López have examined the role of women during the Porfiriato. As a liberal, Díaz publicly challenged the traditional role of

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women. At the same time, Díaz’s regime identified masculinity with progress, and there was a general assumption in the age of Díaz that the involvement of women in men’s activities would make them masculine. Moreover, Natividad Gutiérrez argues that men did not like the “Americanization of Mexican women,” and felt that Mexican women’s emancipation threatened and could destroy the “national gift” that they represented. Mexican women did not participate actively in the modernization of capitalism in Mexico as entrepreneurs, but women of all social classes were engaged in agricultural activities. According to Francie R. Chassen López, they were not only “elite hacendadas, but also owners of small and medium-size tracts of land, and

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22 In a speech during his trip to the U.S. in 1883 Porfirio Díaz said that he was impressed with American women’s role that not only implied participation in the “sanctity of home,” but also shared the “tempests of human intelligence.” Taylor, Frank H., Una Invasión Pacífica de los Estados Unidos por el General Porfirio Díaz, 1883: Recuerdos de Un Viaje en Honor de la Visita a los Estados Unidos del General Porfirio Díaz con sus compañeros en Marzo y Abril 1883 (New York: Leve and Alden, 1883). Facsimile, Ricardo Orozco, intr. (Mexico, D.F.: Centro de Estudios del Porfiriato, 1998), 48.


were a significant force in agriculture, industry, and commerce.”

**Political Development and Diplomacy**

Authors such as Francois-Xavier Guerra have observed that the Díaz regime’s centralization of powers in the presidency was not so different from similar trends under Benito Juárez and Sebastián Lerdo de Tejada. All governed the country beyond the limits of the Constitution, Guerra says. Both Juárez and Lerdo often suspended constitutional guarantees and obtained extraordinary powers, as did Díaz, in the process of the construction of an executive branch. Liberal presidents considered the power of the Congress excessive, and believed that the presidency needed more weight than the rival, regional powers that Congress represented. Guerra does not, however, describe Díaz’s process of centralization or explore how it happened without suspending constitutional guarantees as his predecessors did.

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The importance of U.S. investments and participation in the economy of the Porfirian regime is a theme for historians such as John Mason Hart. He describes Díaz as a facilitator of the penetration of the American industrial elite into Mexico in the 1880s. Hart differs from other historians about how, during the regime, U.S. corporations came to Mexico, because he gives more importance to regional politicians and brokers while Samuel Truett, Jürgen Buchenau, and William Schell argue that modern U.S. business entered the country thanks to the efforts of Mexican officials Matías Romero and Manuel María de Zamacona. Some authors, such as Clementina Díaz de Ovando and Hart, agree that the mentioned functionaries only fostered visits of entrepreneurs and politicians of both countries with political and economic purposes. For those historians, the 1879 to 1883 reconnaissance visits are considered to be unrelated to each other, and not as part of a series of exploratory actions to


start new diplomatic, financial, and commercial relations between the two countries.

Díaz de Ovando considers the involvement of U.S. capital in Mexico as crucial for the development of the country.\textsuperscript{29} She gives special importance to the first visit that a group of U.S. entrepreneurs and politicians made to Mexico to begin a new economic era, and argues that since then Mexico has been internationally considered a modern country.

Díaz de Ovando gives us a “report” of the visit of the first American industrial commission to Mexico in 1879 that came in “search of an investment.” She says that projects and investments of U.S. merchants and entrepreneurs in Mexico transformed the previously unfriendly relations between the two countries. Although since the early Porfirian historiography many authors agree that the expansion of U.S. investment in Mexico began in the 1870s, only Díaz de Ovando makes the connection between the first visit of entrepreneurs with the U.S. economic expansion in Mexico. Díaz de Ovando thus establishes the year 1879 as the beginning of a new era of economic relationships.\textsuperscript{30}

\textsuperscript{29} Díaz de Ovando, Crónica de una Quimera.

\textsuperscript{30} Ibid.
Hart analyzes the importance of Díaz’s visit to New York for Mexico’s economic development, and examines the participation of the first U.S. entrepreneurs in Mexico. He underscores the importance of Díaz’s visit for the further expansion of businesses and investments to Mexico, arguing that Díaz’s presence at the meeting with American cabinet members, politicians, and financiers in New York was the “first step in a progression that has determined the relations between the U. S. and the nations of the third world in the twentieth-first century.” He considers that moment as the beginning of Díaz’s modernization, and the negotiation of the U.S.’s dominant economic presence in Mexico.

**Díaz and Businesses**

Historians of the period have overlooked or barely mentioned Díaz’s personal involvement in business. Neither Mexican nor American historians have analyzed Díaz’s involvement in businesses as a cause and consequence of his visit to the U.S. The peaceful invasions were more than a Díaz entertainment tour of the U.S., as Cosío Villegas stated, or a visit that

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31 Hart, *Empire and Revolution*.  
32 Ibid.

Some historians have considered Díaz’s involvement in business as casual, simply an endorsing of ventures with his reputation, a supplement to the progress of certain industries. Leonor Ludlow, Carlos Marichal and José Antonio Bátiz mention Díaz as a marginal participant in the creation of the Banco Nacional de México;\footnote{José Antonio Bátiz, coord. Banco Nacional de México: su Historia, 1881-1984 (Mexico, D.F.: Grupo Financiero Banamex-Accival, 1994); \_\_\_. Banco Mercantil Mexicano, Armando Rojas R. intr. (Mexico, D.F.: Grupo Financiero Banamex-Accival, 1994); Leonor Ludlow y Carlos Marichal, coords. La Banca en México, 1820-1920. (Mexico, D.F.: Consejo Nacional de Ciencia y Tecnología, 1998); Leonor Ludlow, “Banco Nacional y Banco Mercantil,” Historia Mexicana Vol. XXXIX Num.4 (Abril Junio 1990), 1010-1023.} Ralph Roeder considers his presence in the ramie industry as a governmental support rather than as his private endeavor.\footnote{Roeder, Hacia el México Moderno, 467-469.} In no case do those authors considered Díaz’s presence in those businesses as the political force that made them useful for him and his government.
Jacinto Barrera Bassols mentions Díaz receiving company stocks from some coffee producers as presents;\textsuperscript{36} Paul Garner, with no clear evidence, says that Díaz participated in the incorporation of the Mexican Southern Railway Company in association with former United States President Grant and American entrepreneur Jay Gould.\textsuperscript{37} Priscilla Connoly and Manuel Perló ignore Díaz’s presence in the plans to solve the Mexico City drainage system. Both overlooked that Díaz was the businessman who originally started this project and not Pearson.\textsuperscript{38}

**Main Arguments**

This dissertation will analyze the peaceful invasions not as a single event, but as a series of initial contacts and reconnaissance visits of U.S. politicians and entrepreneurs that sparked the expansion of their businesses to Mexico. The peaceful invasions were more than one visit that marked the beginning of a new era of business relations. There were several


visits useful for business and personal reasons, as well as for political and social purposes. After the peaceful invasions and U.S. economic penetration, many members of the Porfirian elite, including the dictator, took part in U.S. companies as executives of their branches in Mexico or became brokers or mediators between foreign companies and the government. The arrival of foreign investments was crucial for the Porfirian regime in the social and political spheres. The defense of foreign interests became a justification for Díaz not giving up power. At the end of his regime, Díaz claimed he felt responsible “for the investment of hundred of millions of dollars of foreign capital in my country.” His own investments were also an important consideration.

This perspective is crucial to the understanding of a regime that created a particular system of overlapping political and economic power that was replicated by many state governors

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and was essential in defining the structure of power of the regime. Moreover, both the unearthing of Díaz’s entrepreneurial career, and the discovery of the influence of the U.S. on his personal business, will shed light on the social foundations of the dictatorial regime. The transformation of the elite into a unified capitalist social class and the expansion of foreign business are central to the broad understanding of the process of modernization of Mexico, its social change, and dictatorship, but also the revolutionary outcome of the era. Madero’s book describes the way that Díaz lured adversaries, “offering important positions in his administration or giving them the means to be wealthy effortlessly; only with the unyielding ones, those that stand firm and have refused to give in, he has been ruthless.”41 Moreover, a privileged elite, financial dependency, and subordination to the economic interests and monopolies of foreign countries, are essential to the understanding of the collapse of the project of modernization of the regime and the emergence of nationalistic positions among Mexican entrepreneurs and workers.

This dissertation will focus on the diverse and profitable enterprises that Díaz founded, promoted, and developed during

his long term in power. It will also analyze how Díaz created those businesses using the power coming from the centralization of economic decisions in the presidency, achieved through amendments to several constitutional articles, which bestowed on the executive branch the power of economic decision-making in many areas. There are no analyses of the influence of Díaz’s involvement in business and the process of centralization of power in the presidency. Many constitutional amendments, congressional grants and sanctions of special privileges, and the approval of bills and contracts for key economic activities not only favored selected personalities and companies, but Díaz himself.

This dissertation will also make a contribution by demonstrating that Díaz’s entrepreneurial career effectively began as an outgrowth of his visit to the U.S., and that the dictator used the economic encroachment of foreign investors and modernization as a vehicle for the expansion of the entrepreneurial class and the sustenance of his regime. The process of elite transformation into a capitalist bourgeoisie that was a consolidated group brought together local entrepreneurs and politicians, who in the past were adversaries, with foreigners. The emerging multinational elite became not
only more cohesive, but also enjoyed both political and economic power. National entrepreneurs and foreigners alike became part of a system full of conflicts of interest and corruption.

In sum, this dissertation will clarify how Díaz's involvement in businesses influenced the economic expansion, the influx of foreign finances and entrepreneurs, the industrialization and modernization of the country, and the social and political setting of his regime. Moreover, I will contribute to the understanding of how his regime's design engendered its end, because the concentration of economic power fostered social polarization and economic nationalism, reinforcing political disagreements within the elite, and producing general social resentment among members not involved in politics, such as the Madero family.

The elements mentioned above are key to seeing President Díaz's regime from a new viewpoint. His regime was the continuation of old practices with new designs, because the Porfirian elite continued using and abusing the state, as had traditional elites, but now they were led by a centralizing figure who replaced the chaotic plundering of the post-independence period with a more organized way of corruption.
Díaz was an expression of a modern state based upon authoritarian, personal, and sectarian interests. To govern a country with such values, in the long term, was hazardous to the poor and the entrepreneurial class alike. In 1910, groups of entrepreneurs, intellectuals, industrial workers and peasants took up arms to attain a different modern progress. The revolution started as a rearrangement of political and entrepreneurial forces within capitalism, but as a result of their internal conflicts, greed and brutality, the Mexican bourgeoisie annihilated itself at the very pinnacle of its social, political and economic powers. The Revolution then became the first social revolution of the twentieth century, led by intellectuals, peasants and workers. They toppled the dictatorial regime demanding democratic change first, and later a more egalitarian society and a new role for the state.

Chapters

This dissertation will be organized in seven chapters.

CHAPTER 1: This chapter examines the background and the historical trajectory of the elites during the Porfirian regime. From the time when liberals took over the government, to the moment Porfirio Díaz left office, the elite became an integrated social class, with groups and privileged leading members that
controlled the most important industries and monopolies, shared the growth of the economy and restricted social spaces.

CHAPTER 2: This chapter will explain a series of exploratory visits from the U.S. to Mexico between 1879-1883, labeled the “Peaceful Invasions,” which at the start were organized by U.S. merchants, entrepreneurs, and politicians. It will also analyze the visit of Porfirio Díaz to the U.S., his main objectives, and the influences he received from this trip.

CHAPTER 3: This chapter examines the first business enterprise of Porfirio Díaz, which combined the development of Mexico’s drainage system, based on the old goal of controlling the secular floods in Mexico City, with the idea of using those waters for power generation. It will also examine how Díaz sought financing in the U.S. for this business, and got together enemies, friends and foreign entrepreneurs. He centralized in the executive branch several decisions on national water management in order to accomplish this enormous project.

CHAPTER 4: This chapter details the evolution of Mexico’s banking system and the role Porfirio Díaz played as founder and developer of the main banks. It also examines how the number of Mexican banks multiplied during the Díaz regime to reward dependable friends and foreign investors for their loyalty. At

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the end of the Díaz regime only some of those banks became privileged national institutions due to changes in banking laws enacted by the executive branch that favored him, his son, and close partners as well as important foreign investors.

CHAPTER 5: This chapter explores the mining companies that Díaz and his friends and the Secretaries of Fomento, Colonización, Industria and Commerce (Development, Colonization Industry and Commerce), and Gobernación (Ministry of Interior), incorporated during his regime to exploit selected gold and cinnabar mines. The chapter analyzes how this step centralized critical decision-making power on mining issues in the executive branch that favored Díaz’s mining ventures.

CHAPTER 6: This chapter describes how despite the fact that agriculture was one of the economic areas disregarded by his regime, Díaz participated in the industrialization of an Asian shrub known as ramie. The chapter explains how he encouraged financial institutions and important partners to participate in the incorporation of this company. It also clarifies how Díaz at the end of his entrepreneurial career incorporated a financial firm to bring foreign investors to the country. This chapter considers also how he fostered the expansion of the Mexican stock exchange and national and international brokerage
activities, which he used to his own benefit when he acquired stocks from several national and foreign companies privileged by his regime.

CHAPTER 7 analyses the outcome of economic and political elitism and conflicts of interest, which gave way to important industrial monopolies of dynamite, rubber and oil. At the end of the Díaz regime those monopolies benefited his son and foreigners, and divided the native elites, provoking the clash of political and economic interests. Developments include the clash of the Díaz and Madero families over the monopolies of dynamite, guayule, and oil as well as the expansion of the entrepreneurial influence of Porfirio Díaz Junior in those monopolies. At the end of the regime Díaz was more interested in the continuity of his entrepreneurial dynasty than to look for a political successor.
CHAPTER 1: The Porfirian Economic and Social Transformation of Mexico, 1876-1911.

In 1876 when Porfirio Díaz rose to power the country was in shambles as the old order crumbled. He came to power after a prolonged chaotic post independence period, a war against the U.S. that cost Mexicans the loss of half of their territory, a French invasion that brought an obsolete monarchy, and the resolute restoration of the republic by liberals. There was no local capital to pay foreign debts and stimulate the national economy because in the prolonged chaos that characterized the period following independence, wars and foreign invasions weakened the established ruling classes, as businesses were broken and fortunes destroyed. Although since the emergence of early capitalism in the 1840s traditional forms of accumulation had began to decline, during the last quarter of the nineteenth century Mexico’s sources of accumulation of capital were still traditional forms of commerce, mining, money lending, land owning, cottage textiles, and road transportation.\(^\text{42}\)

Liberal presidents before Díaz struggled to restore the social and economic organization of the republic at a pace that was considered too slow by liberals such as Porfirio Díaz. When Díaz rose to power after a coup, he accelerated the rebuilding of the nation based on foreign capital and the creation of a modern entrepreneurial class attached to his government, postponing for three decades the erection of a sovereign economy and a bourgeoisie independent of the state.

Starting with his first administration (1876-1880), Díaz stimulated the arrival of foreign capital and financial institutions, and also modern transportation. Foreign capital and the development of a modern financial system and transportation spurred the advance of industries and the expansion of national and global commercial exchange. This new era changed national entrepreneurship that had previously been based on cottage industries, road transportation, and regional commerce. Rural capitalism accelerated the decline of the traditional agricultural economy and undermined existing elites, but it also provided industries and new economic opportunities that prompted the development of new social classes. Mexico’s economy was incorporated into the world market, subordinated to the needs of core economies. The production of staple crops such
as corn and beans practically disappeared and Mexico became an importer of those grains.43

For Díaz, the transformation of the Mexican economy based on foreign capital was a priority, as was building new social alliances to support his government. As global market forces increasingly reshaped the Mexican economy, the wealthy classes had either to change the ways they did business in the past or lose their position to a rising class of entrepreneurs who would form a crucial base of support for Díaz. Guiding and restraining tendencies in what Díaz called his “patriarchal policy” united entrepreneurs in the interest of developing modern capitalism. Profiting from that development made them loyal to the Díaz dictatorship.44

Railroads and associated concessions played a key role in the Porfirian economic and political transformation of society. Beginning in the 1880s fresh financial resources arrived in the country when railroad companies began buying land to lay their

43 Laws of June 1, 1885; December 16, 1890; and October 4, 1901. Dublán and Lozano, Colección de Leyes 1884-1886, Vol. XVII, 228; _____. Colección de Leyes 1890, Vol. XX, 342; ______. Colección de Leyes 1901, Vol. XXXIII, 305.

lines, and new productive activities arrived abruptly at small localities and regions. Many railroad routes were negotiated with landowners allowing them to influence routes and maximize their properties' benefit. The railroad system soon expanded to link the border and ports with the capital as well as forging links between important industrial areas of the country.

Crafting the Porfirian Elite

The political stability that emerged during the Porfirian regime was as much a product of the development and consolidation of a new economy and the creation of a unified bourgeoisie as it was the political actions of the new leader and his associates. Economic growth and expanding opportunities reduced conflict among elite groups, as they no longer felt the need to fight for the few sources of wealth the country and the

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government could offer. In the new regime, and its leader, the elite perceived firm allies in the quest for increasing business opportunities and wealth.

During his first administration, Porfirio Díaz focused on using traditional political tools to build his authority. Díaz dedicated most of his efforts to reorganizing the government, updating the taxation system, establishing and rearranging customs offices, collecting and regulating duties, restructuring the army, and restoring peace and national unity. Key for Presidential command of the economy, the Congress granted him decision on railroad concessions. This resulted in three contracts to build three important railroad lines each carried out by U.S. entrepreneurs. As a consequence of the involvement of U.S. entrepreneurs in business, Díaz developed a strategy for the development of a political economy rooted in foreign financing and overlapping economic and political networks supported by a new entrepreneurial class or bourgeoisie. Díaz’s

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Díaz’s interests in those issues can be seen in the laws passed in Congress from 1879 to 1880. Manuel Dublán y José María Lozano, Legislación Mexicana, Tomo XIV, 1879-1880 (México: Imprenta Litográfica de Eduardo Dublán y Comp., 1886)

Laws of May 25 and 27, 1880, Dublán and Lozano, Colección de Leyes 1879-1881, Vol. XIV, 262 and 265. Congress authorized Díaz to grant railroad concessions, contracts, and to expand the already authorized contracts. In September he granted two contracts to connect México City with the border, and one from the Port of Guaymas on the Pacific coast to the border. U.S. companies carried out those contracts.
idea of just government was “simply the collective ambitions of people expressed in practical form.”

Once in power, he began the creation of a new entrepreneurial class with an awareness of social differences in modern society. He branded this class as a group of “educated people.” This class emerged under his guidance to support his regime.

**Unifying Mexican Liberals, Traditional Elites and Foreigners**

To build an entrepreneurial class to support him, Díaz began by unifying liberals. He initially approached important positivist intellectuals such as Jorge Hammeken y Mexía and Manuel Romero Rubio. Hammeken was son of an early railroad entrepreneur from the U.S., and Romero Rubio was a liberal politician that originally disapproved of Díaz's coup against

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50 From 1879 Díaz began talking about communists to describe his political rivals, and he regularly used the terms “educated people” to describe people like him, and “the mass of uneducated people” for the rest of Mexicans. For Díaz, communists were bands of criminals and arsonists, or revolutionaries like Madero. See Gastón García Cantú, *El Pensamiento de la Reacción Mexicana: 1860-1926*, Tomo II (México, D.F.: UNAM, 1987), 161; Mexico, Universidad de las Américas, Archivo con la Correspondencia Presidencial de Porfirio Díaz, *Telegramas*, November 18, 1910. *El Monitor Republicano*, April 8, 1883.
President Sebastián Lerdo de Tejada. In 1881, Díaz incorporated the Compañía Limitada de Canalización y Desagüe de la ciudad y Valle de Mexico or Mexico City and Valley Drainage Company with Hammeken y Mexía, an intellectual with connections with liberal politicians, Romero Rubio, an entrepreneur and former political opponent, as well as with Antonio Mier y Celis from the railroad Grupo de los Catorce or group of the fourteen, and member of Mexico City’s Spanish community. Following Hammeken’s death in 1884, Manuel Romero Rubio became the intermediary between factions of liberals and traditional social and economic networks, and he used the Jockey Club as the center of regime's social-economic networking.

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51 George L. Hammeken Sr. was a Texan entrepreneur that, according to José C. Valadéz, was involved in candlewick production in Mexico. He also had interests and business in the U.S. Hammeken received a railroad concession for the Compañía del Ferrocarril de México a Tacubaya by decree of August 13, 1856. In 1882 he received a concession to build the railroad from the capital of Tlaxcala to San Pablo Tlaxcala. See A.J. Bentley, Esq. Ed., Official Opinions of the Attorney General of the United States Advising the President and Heads of Department in Relation with their Official Duties (Washington: Government Printing Office, 1890), 100. Mexico, Memoria de la Secretaria de Relaciones Exteriores 1877 “Anexo al Informe del Agente de México Ante la Comisión de Reclamaciones, Reclamación 158,” (Mexico: Imprenta de Gonzalo A. Esteva, 1878), 1-18.

52 The Grupo de los Catorce was one of the first groups in Mexico interested in railroad construction. It was integrated by Antonio Mier y Celis, Sebastián Camacho, Ángel Lascurain, Esteban Benecke, J. M. Landa, Pío Bermejillo, Miguel Rul, Pedro del Valle, Cayetano Rubio, Carlos Félix, David Ferguson, Manuel M. Cortina, Miguel Lizardi and Guillermo Barrón.

53 Romero Rubio was chair of the Jockey Club. El Monitor Republicano, March 22, 1883.
With the rise of Romero Rubio to power as Secretario de Gobernación or Secretary of the Interior in Díaz’s second administration, the old disagreements among liberals gradually disappeared and new alliances were sealed through the traditional practice of elite intermarriage, but also through modern business partnerships. Díaz, for instance, married Romero Rubio’s daughter, and Romero Rubio associated with Díaz in a number of companies with Díaz’s loyal comrade in arms General Carlos Pacheco. The case of Romero Rubio is an example of how Díaz solved the problems that his rise to power generated between members of liberal factions, because Romero Rubio supported President Lerdo, and Pacheco supported Díaz’s coup.

Díaz later also established close ties with families from the traditional conservative Mexican society, such as the Pimentel-Fagoagas and Landa-Escandóns. To cement these alliances, Fernando Pimentel y Fagoaga gained the control of Mexico City’s municipality and Manuel Landa Escandón the Federal District government, and they did not move from those positions. Together they controlled the development of the real estate business in the city and were the developers and builders of

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54 The companies that Díaz, Manuel Romero Rubio and Carlos Pacheco had in common will be discussed in Chapter 5.
modern Mexico City during the Porfiriato. Additionally, Fernando Pimentel y Fagoaga was Díaz’s connection with the most important national entrepreneurs. Pimentel incorporated several businesses, including one of the biggest real estate companies in the country, which involved the most important banks and some of the leading figures in business.

The Escandón family, who had been landlords involved in stagecoach transportation since the 1830s, soon became railroad entrepreneurs, owning and selling governmental concessions and expanding into agroindustry. Other families, such as the Madero family, used a base in contraband, cottage industries, mining, and local commerce to become successful modern entrepreneurs. While some old families succeeded and took advantage of new circumstances, others faded. Many of the assets of post-independence families of entrepreneurs or lenders such as the

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56 Ibid., 83. This company was the Compañía Bancaria de Fomento y Bienes Raíces.

57 Members of the Madero family were involved in Banco de Nuevo León, Banco Central Mexicano, Banco de la Laguna, Ferrocarriles Nacionales, Compañía Industrial Jabonera de la Laguna, Compañía Agrícola La Laguna, Compañía Ganadera La Merced, and the mining companies Compañía Nacional Explotadora de Carbón y Coke, Compañía Metalúrgica de Torreón, Compañía Carbonífera de Sabinas, La Purísima Concepción y Anexas, Angustias, Dolores y Anexas en Pozos, Santa María de la Paz, Nueva Quebradilla y Anexas, Compañía Minera y Beneficiadora El Edén, Compañía Exploradora y Beneficiadora de Zacatecas, Ramón Corona de Naica, and Santa María de la Paz. See Mario Ceruti, Burguesía y Capitalismo en Monterrey, 1850-1910 (Mexico: Claves Latinoamericanas, 1983), 61-106.
Martínez Del Río and Agüero were sold to members of the Porfirian elite, including the Terrazas family, and the Iturbe family businesses almost disappeared.  

Díaz also forged new allies from among the representatives and intermediaries of international capitalists and national authorities and enterprises. Mining entrepreneur José Luis Requena (who shared many businesses with Pimentel y Fagoaga), and railroad entrepreneurs like Salvador Malo, General Gerónimo Treviño, and Sebastián Camacho were also important investors, commercial intermediaries and governmental concessions brokers.

Many lawyers were agents of foreign companies and became Díaz

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59 José Luis Requena was involved in the mining companies Las dos Estrellas, Industrial de El Oro, La Esperanza y Anexas, Reforma, Real de Arriba, Esperanza, Alhambra, las Plomosas y Anexas, Banco Americano, Banco Mutualista y de Ahorros, Alcoholes La Casa Colorada, Comercial Pan-Americana, Compañía Electropura de México, Compañía Beneficiadora Compañía Editorial Nacional, and Durango Investments and Development Company. Salvador Malo was involved in the Ferrocarril Nacional de Tehuantepec. Sebastián Camacho was member of the Grupo de Los Catorce and was involved in the Compañía Limitada del Ferrocarril Mexicano, and received concessions to develop several railroads lines such as the Ferrocarril to Tampico, México to León, the Compañía Limitada de Sinaloa and Durango, the Ferrocarril de Maravatio a Iguala, the Ferrocarril from Toluca to San Juan de Las Huertas, and the Ferrocarril de San Fernando Matamoros. General Gerónimo Treviño received on August 18, 1888 the concession to build the railroads in the state of Coahuila and Nuevo León. Treviño’s father-in-law, General E. O. C. Ord, received on May 26, 1881 a concession to create the Compañía del Ferrocarril Meridional Mexicano.
advisors, such as the group of the Científicos (the Scientist). In this group participated Joaquín D. Casasús, Pablo Macedo, his brother Miguel, Rosendo Pineda, and José Yves Limantour, a professor of political economy who later became Díaz’s Secretary of Finances. Moreover, Porfirio Díaz Junior and Díaz Senior’s son-in-law, Ignacio de la Torre y Mier, had partnerships with important foreign entrepreneurs thanks to the relationship they had with Porfirio Díaz.

Besides those nationals involved in businesses with foreigners, there were other members of the elite who had business links with one of the most important foreigners living in Mexico: Thomas Braniff. Braniff was the epitome of foreign entrepreneurs during the Porfiriato, directly owning hundreds of companies around the county and having partnerships with almost all the members of the Porfirian elite. Braniff and José Sánchez Ramos functioned as Díaz’s business advisors, and at the end of

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60 The group of the Científicos consisted of nine members who wanted to establish a liberal regime based on scientific principles. Other members of this group formed in 1892 were Justo Sierra, Francisco Bulnes, Emilio Pimentel, and Roberto Nuñez.

61 Porfirio Díaz Junior was involved in the Banco Internacional e Hipotecario de México, Banco de Hidalgo, Ferrocarril de Veracruz al Istmo, Compañía Manufacturera de Cigarros el Buen Tono, Compañía Irrigadora y Eléctrica en el Estado de Hidalgo, Fábricas de Papel San Rafael. Ignacio de la Torre was involved in Compañía Cigarrera Mexicana, Colonizadora de la Costa Oriental de Yucatán, Mina Alacrán, and Banco de Londres y México. He also shared partnerships with Weetman Pearson, and John Brittingham. See Chapter 7.
his regime, together with Díaz, they created a brokerage company.62

Spaniards and Criollo Entrepreneurs

Many Spanish-origin and Mexican-born Españoles or criollos survived the transition from the post-independence era to Díaz’s “modern” state. A number of them came from family groups that barely survived independence such as the Escandóns. They survived modernization by keeping their involvement in mining and taking a direct role in the construction of the earlier railroad lines. In addition, they figured in the development of the new banking system, and in the creation of new industries.

Spaniards and criollos in Mexico were involved traditionally in commerce and cotton production, and some of them soon became interested in railroads and banking. Díaz’s links with Spaniards and criollos in Mexico began with Antonio Mier y Celis, partner and a member of one of the first groups interested in railroads.63 Later, Francisco M. de Prida, a banking entrepreneur related to President Manuel González (1880-1884), built contacts with businessman Telésforo García, the chairman of the Casino Español, founder of the Spanish Chamber

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62 The incorporation of this company will be discussed in Chapter 6.
63 The Grupo de los Catorce.
of Commerce in Mexico, and director of the newspaper La Libertad. As an important step in the search for unity among liberals, Díaz linked up with José Sánchez Ramos and his brother Delfín Sánchez Ramos, both married to daughters of President Benito Juárez. Textile manufacturers Íñigo and Remigio Noriega later became Díaz supporters through investment in his power generation company.\(^{64}\)

From the group of Spaniards, Antonio Mier y Celis became Díaz’s partner in the drainage company, and Francisco María de Prida represented Díaz in the meetings towards incorporation of the Banco Mercantil Mexicano that included many members of the Spanish community such as Sánchez Ramos and his brother Delfín. They both soon became important entrepreneurs as diversified as Braniff, and shared also partnerships with Díaz.\(^{65}\)

The British businessman Sir Weetman Pearson, like other European and North American entrepreneurs, carefully established political and economic connections with Díaz. Thanks to a contract with the Díaz government, Pearson built the drainage project that Díaz unsuccessfully tried to set up in the U.S.

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\(^{64}\) The incorporation of this firm will be discussed in Chapter 3.

\(^{65}\) José Sánchez Ramos was involved in the Compañía Banco Refaccionario de Chihuahua, Banco de Londres y México, Caja de Préstamos para Obras de Irrigación, and the mining companies Socavón de San Fernando, Santa Inés y la Nueva, San Luis El Moral, Compañía Beneficiadora de Metales de Zacualpan. His brother Delfín was involved in the Ferrocarril Interoceánico.
Pearson used his clout to gain some of the first oil industry concessions in Mexico and the improvement of the Port of Veracruz.\textsuperscript{66} Weetman Pearson had partnerships with Díaz’s son and U.S. President Taft’s brother Henry W. Taft.\textsuperscript{67} Other British entrepreneurs such as Samuel B. Knight were involved in mining; John Benjamin Body in oil; and Henry Campbell Waters in railroads and banking.\textsuperscript{68}

When Díaz first took power he had few friends within the French community, because of his military service during the French intervention, and his support for Juárez’s decision to execute “Mexican emperor” Maximilian. Díaz maintained a certain distance from them. Yet using the assistance of Romero Rubio he eventually got in contact with José Yves Limantour, who besides being a member of the Científicos was immersed in Mexico’s business and politics. The head of the Limantour family had amassed a substantial fortune by selling arms during the post-


\textsuperscript{68} Samuel B. Knight was involved in the mining companies San Rafael, and Las Maravillas; John B. Body was involved in Compañía de Petróleo el Aguila, Ferrocarril Nacional, Banco Mexicano de Comercio e Industria, and Ferrocarriles de Veracruz; Henry Campbell Waters was involved in El Buen Tono, Fábrica de Tejidos de Lana San Ildefonso, Compañía Colonizadora de la Costa Oriental de Yucatán, and the mining company San Luis el Moral.
independence period, but also his sons José and Julio accumulated substantial real estate holdings and built partnerships with other prominent French businessmen and with Thomas Braniff himself. This relationship proved to be beneficial for both Limantour and Braniff. The French came to be considered Latino migrants that could be an alternative to Yankee expansion. They brought European finances to Mexico, and started new industries such as tobacco, power generation, steel production, department stores, and mining that were also privileged by Díaz.

The French Community and Limantour.

New significant business relations with French investors appeared in 1880-1884, during the Manuel González administration, with the entry upon the scene of a singular Swiss-Jewish entrepreneur, Edouard Noetzlin, chair of a French bank, who wanted to create a Mexican state bank. The result was the Banco Nacional Mexicano, which later became Banco Nacional de México.\(^69\) The creation of this bank was an important step in Mexico finances, but later, as Secretary of Finance, Limantour worked first to reduce the control of the Banco Nacional over national finances, and Noetzlin’s over foreign debt

\(^69\) The creation of this bank will be discussed in chapter 4.
negotiations. He distributed the country’s financial power among several banks, giving a special place to two new banks: Banco de Londres y México and Banco Internacional e Hipotecario, both in the hands of Thomas Braniff with participation of Porfirio Díaz and his son. Limantour’s project for the consolidation of the banking system was to expand local banks and to distribute financial power among local investors, but also to organize them under the umbrella of the Banco Central Mexicano, for which J.P. Morgan and Company, the Deutsche Bank, and other foreign investors supplied half the capital. Limantour encouraged the creation of state banks, because they represented important regional interests of merchants and politicians who were transforming themselves into modern capitalist entrepreneurs. Those banks would also provide new sources of public and private financing, and created sources of funds for the government without increasing the power of any one single bank.

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Changes in the banking system, the entry of Mexican stocks into international markets without Noetzlin’s intervention, and the advent of U.S. and local financiers would be the highlights of the Limantour era 1893-1911. This period was also one of profitable financial operation for the Secretary, who had partnerships in many profitable companies and substantial stock holdings.\textsuperscript{72} Limantour had partnerships with the most important members of the elite, notably Fernando Pimentel y Fagoaga, Porfirio Díaz Junior, and José Sánchez Ramos.\textsuperscript{73} The Limantour era was also one of internationalization of Mexican business and debt. He gradually shifted the focus of Mexico’s debt from the United States to Europe’s stock exchanges.\textsuperscript{74} Limantour reduced

\textsuperscript{72} CEHMCSRO-CDLIV, Letter by Heine Banquiers, Paris, September 29, 1904. His holdings included 575 stocks of the Compañía Manufacturera de Cigarros El Buen Tono; 700 stocks of the Banco Nacional de México; 240 stocks of the Société Financière pour l’Industrie au Mexique or Finance Company for the Industry in Mexico; 3,040 francs of Spanish foreign debt certificates at 4%; and 830 stocks of the Ferrocarril Nacional.

\textsuperscript{73} According to Notarial archives, and companies' reports published in specialized business newspapers such as the Boletín Financiero y Minero de Mexico, those partnerships included Julio Limantour, Guillermo de Landy y Escandón, as well as of Hugo Scherer, León Signoret, José Signoret, Enrique Tron, Ernesto Pugibet, León Honnorat, J.B. Ebrard, Íñigo Noriega, Remigio Noriega, Valentín Elcoro, Andrés Bermejillo, Telésforo García, José González Misa, Edward N. Brown, W.B. Mitchel, Ricardo Honey, John B. Body, Joaquin D. Casasús, Manuel González Cosío, Ignacio de la Torre y Mier, José G. Escandón, José de Teresa y Miranda, Francisco Pérez Vizcaíno, Pablo Macedo, Luis Barroso, and Joaquín López Negrete.

\textsuperscript{74} Although stockbroker’s activities began in Mexico in 1854, it was not until 1886 that Mexican companies initiated financial relations with U.S. and European capital markets and exchanges. In the 1890s a modern stock exchange began operating in Mexico City and in 1897 Limantour began introducing Mexican debt certificates in the European market. CEHMCSRO-CDLIV, Letter to Antonio Mier y Celis, 29 Julio, 1897.
Noetzlin’s influence in the banking system and displaced him as broker in foreign finances, but at the same time Limantour the entrepreneur was founding a new company with him to finance businesses in Mexico. Limantour codified messages, hiding a series of conflicts of interest in his letters to Noeztlin and Antonio Mier y Celis.

**Inner Circle, Power Elite and Businesses**

The families of the Porfirian elite constituted the high society of Mexico. Within this Porfirian elite there was a core group, Díaz’s inner circle, that controlled the most important businesses in the country and was most closely linked to other key entrepreneurs, notably, Fernando Pimentel y Fagoaga, Guillermo de Landa y Escandón, and Thomas Braniff. Privileged entrepreneurs, such as Fernando Pimentel y Fagoaga and Thomas

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75 In August 1900, Limantour and Noetzlin together created a new company with a capital of 55 million francs: The Société Financière Pour l’Industrie au Mexique that also included Thomas Braniff, Ernesto Pugibet, Enrique Tron, Etienne Mallet (one of the most affluent bankers of Europe), Alfredo Cheneviere, Guillaume Pictect and Alberto Turrentini (Executive Director of the Union Financière du Genève. Mexico, Acervo Histórico del Archivo General de Notarias, Notary No. 5, Bernardo Cornejo, 3 Agosto, 1900.

76 CEHMCARSO-CDLIV, Letters of January 12, January 25, May 26, and July 1, 1897; May 28, 1898, and February 25, 1899.

77 This conclusion is based in the analysis of more than 300 companies’ reports, published in the Boletín Financiero y Minero de México, or recorded in their acts of incorporation before a notary public. This includes 110 companies in the mining industry, and eighteen railroad societies, as well as thirty-seven banks, sixteen banks without concessions, thirteen small businesses, and one hundred and seven big commercial businesses.
Braniff became Díaz’s two people to connect with the rest of the entrepreneurial community of the country. The preeminence of Thomas Braniff and Fernando Pimentel y Fagoaga in the industrial network of the country was staggering; they enjoyed relationships with almost every important entrepreneur in Mexico. Pimentel and Braniff promptly developed a remarkable talent for obtaining unlimited governmental charters, contracts and concessions, and resources. They were the center of economic activity in the country and they led the group of favorites, yet the very limited existing scholarship on Braniff pays little attention to his extensive links to Díaz.  

Landa y Escandón as well as the Pimentel brothers, Fernando and Jacinto, were descendants of moneylenders and landlords who had been owners of mercantile houses and became empresarios and modern entrepreneurs; the three also held businesses in common. The Pimentel group was comprised of the Pimentel brothers, José Sánchez Ramos, and Enrique C. Creel, who operated in the northern state of Chihuahua. Landa y Escandón had almost the

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79 Members of this group were Xavier Icaza y Landa, Ramón Alcázar, José González Misa, Joaquín D. Casasús, Jesús Salcido y Avilés, Ignacio de la Torre y Mier, Angel López Negrete, Luis Barroso, Pablo Macedo, W.B.
same partners as Pimentel, although he was involved in a smaller number of businesses, mostly in mining and always with Guillermo Brockman as his associate. The Landa y Escandón families owned important haciendas in the state of Morelos, and as Díaz’s friend Guillermo Landa functioned mostly as a governmental negotiator or powerbroker. He was senator of the state of Morelos, and governor of Mexico City.  

As we have already seen, U.S. entrepreneur Thomas Braniff became Díaz’s link to French, Spanish and Mexican entrepreneurs. He was partner of the most important members of the elite, such as José Yves Limantour, Fernando Pimentel y Fagoaga, Porfirio Díaz Junior, José Sánchez Ramos, and Guillermo de Landa y Escandón. The Spaniards concentrated their interests in textiles and banking, the French in mining and banking, and the United States citizens in railroads and mining; but despite the participation of these various national groups in specific

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Mitchell, Ricardo Honey, as well as the Hugo Scherer, José, Desiderio and León Signoret, Enrique Tron, and Ernesto Pugibet,

80 Landa was President of the Municipality of Mexico in 1900 and from 1903 to 1911 was Governor of the Federal District.

81 Braniff was also connected with José y Julio Limantour, Hugo Scherer, León Signoret, José Signoret, Enrique Tron, Ernesto Pugibet, León Honnorat, J.B. Ebrard, Íñigo Noriega, Remigio Noriega, Remigio Noriega, Valentín Elcoro, Andrés Bermejillo, Telésforo García, José González Misa, Edward N. Brown, W.B. Mitchel, Ricardo Honey, John B. Body, Joaquín D. Casasús, Manuel González Cosío, Ignacio de la Torre y Mier, José G. Escandón, José de Teresa y Miranda, Francisco Pérez Vizcaíno, Pablo Macedo, Luis Barroso, and Joaquín López Negrete
sectors of the industrial economy, members of the Porfirian elite became involved in all of the main industries in the country.  

The Jockey Club

As the Porfirian bourgeoisie took shape, institutions developed that provided meeting places for these businessmen and their families. Perhaps most important among them was the Jockey Club. A member of the old elite, Francisco Somera, who was a functionary of Maximilian’s “Empire” and a real estate entrepreneur, had started this club in the late 1870s. Early club records show that many members of post-independence Mexican high society belonged, and Thomas Braniff was member of the first board of directors. During the early years of the Porfiriato this club transformed itself into a bastion of the

82 According to the U.S. consul in Mexico, in 1903 sixty five percent of the U.S. capital was invested in railroads. Mining represented the second area of investments, particularly in the states of Chihuahua, Sonora, Durango and Coahuila. El Economista Mexicano, June 20, 1903.

83 During the French occupation, Francisco Somera was Maximilian’s Secretario de Fomento (Secretary of Development). He organized the Asociación de Ingenieros Civiles y Arquitectos or Association of Engineers and Architects. He was also one of the first land developers of Mexico City, and founded the Colonia de los Arquitectos. The Club was never incorporated as a company, but this situation apparently was never a problem for its select membership.

84 AHAGN, Notary 22, Carlos Fernández, July 9, 1913. Original members were Francisco Somera, Thomas Braniff, Manuel J. Loaeza, José Omar Escandón, Eduardo Rincón Gallardo, José Isita, José Gargollo, Manuel Lizardi and Pablo Escandón
emerging Porfirian class. In the exclusive and luxurious rooms of the Casa de los Azulejos (house of tiles), in downtown Mexico City, members discussed the business ventures that linked them together in the new era. As members of a new social class, they negotiated government grants and discussed investment opportunities and concessions. They also closed deals, created important companies, and invited distinguished partners to join them. This club served as a meeting place for leading businessmen and political leaders and the setting for important celebrations. It was in effect the headquarters of the new Mexican bourgeoisie.

The original purpose of the Club was for horse races and the promotion of quality horse breeding, and in 1881 the organizers acquired land for a racetrack in northern Mexico City in the new developments of Peralvillo and Vallejo. Late in 1903 the club acquired land in Colonia Condesa to construct a new

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85 William H. Beezley, Judas at the Jockey Club (Lincoln: University of Nebraska Press, 2004). This book situates the origin of the Club in 1881, but he does not give the source, and gives no more information about the legal status of the Club and its members.

86 AHAGN, Notary 22, Carlos Fernández, November 5, 1904. The Jockey Club occupied that property from February 28, 1891 to January 1, 1911, according to the leasing agreement with the proprietor Elena Idaroff de Iturbe y Villar.

87 AHAGN, Notary 725, José Villela, November 9, 1881. See also Andrés Lira, Comunidades Indígenas Frente a la Ciudad de México: Tenochtitlan y Tlatelolco, sus pueblos y Barrios, 1812-1919 (Mexico, D.F.: Colegio de México, 1995), 271.
racetrack, the Hipódromo de la Condesa. Both racetracks were important social and gambling locales. By 1883 Porfirio Díaz himself had joined the Club and in that year his name appeared on the list of Jockey Club membership published in the newspaper El Siglo Diez y Nueve. It is likely that Díaz joined the club after returning from his trip to the U.S., since it was at that time that the Club, in typical Porfirian fashion, received several state subsidies for its operation, and his father-in-law was the president of the club. On his 1883 trip to the United States Díaz had a chance to visit the Union League Club in New York, and it is not hard to imagine that Díaz wanted the Jockey Club to become the Mexican version of that institution.

With the arrival of Díaz, the Jockey Club served as a distinguished meeting place where liberals and conservatives could combine as an exclusive group. There they could share the excitement of the horse races and gambling, cocktail parties, and elaborate balls, and at the same time preserve access to national business and economic and political power. This place

88 AHAGN, Notary 22, Carlos Fernández, October 12 and 25, 1912.
90 Manuel Romero Rubio was chair, and José Yves Limantour secretary of the club, El Monitor Republicano, March 22, 1883; José C. Valadéz, El Porfirismo. Historia de un Régimen: El Crecimiento II, Tomo III (Mexico D.F.: Universidad Nacional Autónoma de México, 1987), 37. The lack of acts of incorporation makes it difficult to determine exactly when Díaz became a member of the Club.
was the social expression of modernization, where the bourgeoisie showed their incorporation into the world's entrepreneurial class through social rituals similar to those of the entrepreneurial classes in developed countries, with the same conspicuous consumption and styles of entertainment.

Díaz's support for the Club climaxed in 1901, when the Congress approved his presidential initiative to encourage horse breeding. The Club took full advantage of this opportunity to enhance its position as a racing venue and as the pinnacle of the new bourgeois order. Predictably, the Club did not survive the Revolution; in 1913 the Jockey Club disintegrated and its members cashed in their stocks. At that time, according to the club's act of dissolution, Díaz was still among its members.

For almost thirty years, the group of Mexicans and foreigners mentioned in this chapter consolidated in their hands

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91. Mexico, Law of December 3, 1901. Dublán and Lozano, Colección de Leyes 1901, Vol. XXXIII, 377. This law granted the Mexican government the faculty to celebrate contracts with companies dedicated to horse breeding.

not only the most important government offices, but also the 
most profitable companies and businesses in Mexico. It is no 
exaggeration to say that during the Porfirian regime, the 
interests of the country were vested in a handful of people; and 
in hindsight we can see that the better things were for this 
group, the worse things became for less privileged businessmen 
and the rest of the population. The stronger that this small 
group became, the more firmly it veered away from democracy, 
competition and the free market. As democracy grew more distant, 
social conflict loomed ever closer.
CHAPTER 2: Peaceful Invasions

When Porfirio Díaz came to power in 1876, U.S. participation in Mexico’s economy was considered key to the modernization of the country, and the development of a new political order. Díaz’s approval of two major railroad contracts for U.S. companies, the encouragement of visits from U.S. entrepreneurs to Mexico, Díaz’s own visit to the U.S., and his association with American citizens in business confirms this statement.

Forging new diplomatic relations with the U.S., and financial ones with American businessmen would be the first step to link the governments and economies. The outcome of the U.S.-Mexico war left diplomatic relations between the two countries in a fragile state. On the other hand, the French military invasion, the expulsion of Spaniards, and British and French claims for unpaid loans had motivated most of the principal foreign investors to leave the country. Mexico was too far from international loans, and too close to the United States, to miss the opportunity to establish new relations. American and Mexican politicians, investors and entrepreneurs now understood that reconstruction of the government and economy would require that
Mexico disregard old conflicts, start new commercial relations, and forge a path towards a new economy.

The United States was slow to recognize the presidency of Díaz and maintained an aggressive military posture on the border. In June 1877, following Díaz’s controversial February election, the U.S. War Department issued an order permitting the military to enter Mexican territory if “necessary” to pursue and apprehend “bandits.” Given the U.S. refusal to recognize Díaz’s government, it is hardly surprising that Mexicans regarded the policy on the border as an act of hostility and as a prelude to possible invasion. General Gerónimo Treviño and General Edward O.C. Ord met at the border on several occasions in attempts to resolve the border conflict, but the situation remained tense.93

In 1878 John W. Foster, the Envoy Extraordinary and Minister Plenipotentiary of the United States in Mexico, notified Díaz that relations between the two countries would be normalized. The government of the U.S. considered that even though Díaz came to power by coup, he had acquired legitimate

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authority among its people after the elections, and was interested in solving the problems between the two countries.\textsuperscript{94}

At the same time that the U.S. acted to normalize relations, U.S. entrepreneurs began to plan investments in Mexico in order to facilitate repayment of the one hundred thirty million pesos debt owed to U.S. bondholders.\textsuperscript{95} They wanted President Díaz to generate a climate friendlier to investment. Official U.S. claims upon Mexico, demands for political stability and insistence on national development projects were core issues in multiple diplomatic communications. Gradually, diplomatic relations with the U.S. improved in ways that would suit Díaz’s emerging strategy to launch a modern Mexican economy. To further this, Díaz encouraged a series of visits to Mexico by U.S. politicians and entrepreneurs. In 1879-1880, several groups of U.S. citizens visited Mexico to observe the social, political and economic conditions in the country in order to assess the potential for investment. The first visit took place in 1879, when a group of businessmen traveled to Mexico, launching what Monsignor Eulogio Gillow labeled “a

\textsuperscript{94} José C. Valadés, \textit{El Porfirismo: Historia de un Régimen, El Nacimiento (1876-1884), Tomo I} (Mexico D.F.: UNAM, 1987), 308.

\textsuperscript{95} \textit{El Siglo Diez y Nueve}, “Minister Foster Dispatch to Secretary Evarts,” January 29, 1879.
peaceful conquest.\textsuperscript{96} In 1880 former president Ulysses Grant and former Civil War General Philip H. Sheridan travelled to Mexico, setting a new tone for binational relations that culminated with Díaz’s visit to the United States in 1883.

**An American Deputation visits Mexico**

The 1879 visit involved a large group of twenty-one U.S. merchants, farmers, entrepreneurs, politicians, professionals and eight journalists, who called themselves the “American Industrial Deputation.”\textsuperscript{97} They sailed from New Orleans in January on the steamship City of Mexico, arriving three days later in Veracruz for a programmed visit with Governor Luis Mier y Terán, an important member of the Mexican traditional elite. Next, they traveled on the Mexican Railway (built by an English company) to the city of Apizaco, and then on to Mexico City.

On January 17, Díaz received the American deputation that the Mexican press called Los Viajeros Americanos at the National Palace. John Fisk, lieutenant governor of Kentucky and leader of the group, gave a speech explaining the purpose of the visit. According to Fisk, the American visitors were “an observation committee of gentlemen” interested in learning details of

\textsuperscript{96} Valadés, Tomo I, 317.

\textsuperscript{97} Clementina Díaz de Ovando, Crónica de una Quimera, 203-204.
Mexico’s economy, including statistics on imports and exports and comprehensive information about mining production, manufacturing businesses and commercial needs, as well as the condition of the education system and charitable institutions in Mexico.\textsuperscript{98}

President Díaz replied that inasmuch as they came with the “noble mission” of building closer commercial relations, his government would place at their disposition “all the information it may have.”\textsuperscript{99} He ended by saying he was pleased that such illustrious citizens of the “Sister Republic,” animated by such “noble sentiments,” would have come to Mexico to study with the people of the country “the problems upon which the success of their trip relied.”\textsuperscript{100}

The activities scheduled for the viajeros were many and intense. On January 23, some visited an exhibit of Mexican products and goods, including some commodities brought by the travelers to show at the Colegio de Minería (School of Mining Engineering). Díaz inaugurated the exposition, and Fisk addressed the audience as representative of the group, expressing his ideas about the future of commercial relations

\textsuperscript{98} El Siglo Diez y Nueve, “Los Viajeros Americanos,” January 18, 1879.
\textsuperscript{99} Ibid.
\textsuperscript{100} Ibid.
between Mexico and the U.S. He stated that they would identify which products Mexicans were interested in purchasing, and depending on trade and transportation infrastructure available, the U.S. manufacturers would supply them immediately. Fisk also noted that the mission members had been very impressed to find that Mexico’s primary products for manufactures, such as wool, silk and paper industries were highly developed and profitable. He added that Americans could be important consumers of Mexican products such as coffee and other products that were well suited to the country. He ended by stressing what would be the critical point for the new commercial relations between the two countries:

Railroads are prepared to open a large and valuable trade between the two nations. With such communication, your genial climate, grand mountain scenery, and beautiful and picturesque landscape, hundreds of thousands of our travelers and pleasure-seeking people would be attracted during our winter months.101

President Díaz replied to Fisk’s speech with a brief analysis of conditions in the country, regretting that Mexico’s economy was still based on a colonial system and had yet to

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adopt the liberal principles that governed major economies in the United States and Europe. He expressed his interest in promoting commerce between the two nations and declared that his government would exempt more U.S. products, such as machinery, from the usual customs duties.

The last part of Díaz’s speech addressed maritime trade, stressing that current trade between Mexico and the United States depended upon Mexico’s subsidies of maritime transportation. He pointed out that four of the steamship lines that served Mexican ports came from European countries that supported each of them with subsidies. He commented that the other five shipping lines coming from U.S. ports:

are supported by a liberal subsidy from the Mexican Treasury, which, despite its penuries and impoverishment dedicates a very substantial part of its revenues to sustain those steamer trade routes. Without this sacrifice, you would not have been able to come from your country to visit us as fast as you did. Thanks to those steam lines, trade between the two countries has increased somewhat, and instead of the two millions of dollars which the commerce between the United States and
Mexico had reached before the war of intervention, it now exceeds ten millions.\textsuperscript{102}

These speeches were not the only opportunity to advertise the presence of the travelers. At the end of January, while the deputation was still in the country, the newspaper El Siglo Diez y Nueve headlined the news of an official American evaluation of the Mexican economy and political situation by minister and future Secretary of State John W. Foster.\textsuperscript{103} In the story, clearly designed to coincide with the presence of the American visitors, the newspaper outlined Foster's "report on Mexico" that in reality was a letter from Foster to the Manufacturers' Association of Chicago on trade on Mexico that had been sent three months earlier, on October 19, 1878.\textsuperscript{104}

\textbf{The Diplomacy of Business}

According to the account, Foster negatively assessed the communication infrastructure available for trade with Mexico and analyzed Mexican commercial tariffs, laws, safety and protection. Foster concluded that U.S. merchants "will continue

\textsuperscript{102} Ibid.
\textsuperscript{103} El Siglo Diez y Nueve, "El Informe del Señor Foster," February 3, 1879.
\textsuperscript{104} U.S. Department of State, Trade with Mexico. Correspondence between the Manufacturer’s Association of the Northwest, Chicago, and Hon. John W. Foster, Minister Plenipotentiary of the U.S. to Mexico (Chicago, 1878). Foster’s position was raised to Ambassador until 1898.
to find other markets beyond the equator” unless Mexico is willing to preserve a stable government, modify tariffs, liberate its legislation and reestablish its credit, so as to make a direct railroad connection possible.\textsuperscript{105}

El Siglo Diez y Nueve began publishing Mexican responses beginning February 3, while the viajeros were still in Mexico. According to Mexican authorities, Foster regarded Mexico as a country that consumed and produced little, and believed that it had not and could not develop modern communication systems, guarantee life or property, and that at its core it had resisted all improvement and progress. Mexicans considered the report not only a discourtesy, but also an official U.S. recommendation that its citizens avoid trade with Mexico.\textsuperscript{106} Mexican officials inferred from the report that Foster believed that Mexico:

ought to be abandoned by civilized nations, as an unfruitful land in which nothing can be reaped, but where everything invested is lost, naturally producing in the mind of the impartial reader the impression that Mexico is beyond the pale of civilization.\textsuperscript{107}

\textsuperscript{105} Ibid.

\textsuperscript{106} El Siglo Diez y Nueve, “Exposición de la Secretaria de Hacienda y Crédito Público de los Estados Unidos Mexicanos of 15 de Enero, 1879,” February 3, 1879.

\textsuperscript{107} Ibid.
The delayed release of the letter or report was highly convenient for the Mexican government, because the American deputation now had the opportunity to read it. When the press publicized the official response to Foster’s allegations in both Spanish and English, Díaz’s administration was able to provide some details on Mexico’s economy that Fisk said they wanted to learn.\textsuperscript{108} The following year Mexico’s response was published in New York City.\textsuperscript{109} This response was to counter Foster’s views, but also to promote a new vision of Mexico’s economy as part of the search for capital.

The publication of Foster’s letter in the press gave the Mexican government an opportunity to refute his account of the Mexican economy, and to provide the American delegation with an official perspective on the opportunities of trade with the country. Moreover, it was a way to embarrass Foster, who quit his position the following year, and to provide the regime with a nationalistic aura. However, Díaz and Foster would meet again when the former visited the U.S. in 1883.

\textsuperscript{108} El Siglo Diez y Nueve, January 18, and February 3, 1879.

\textsuperscript{109} Mexican Government, Secretary of Finance of the United States of Mexico, Report of the 15\textsuperscript{th} of January, 1879 on the Actual Condition of Mexico and the Increase of Commerce with the United States, rectifying the report of the Hon. John W. Foster, Envoy Extraordinary and Plenipotentiary of the United States in Mexico the 9\textsuperscript{th} of October, 1878 to Mr. Carlisle Mason President of the Manufacturer’s Association of the City of Chicago, in the State of Illinois, USA (New York: N. Ponce de León, Publisher and Printer, 1880).
After spending a few days in Mexico City, the American deputation split into two groups, one going to Cuernavaca and the other to the city of Puebla. The Cuernavaca group visited Governor Carlos Pacheco and the Puebla group called on Monsignor Gillow, an influential Catholic priest and wealthy entrepreneur, who was the son of a U.S. immigrant. In the reception organized in their honor, Gillow noted that:

As a Mexican citizen, I am glad to leave behind all hostile feelings against the United States people, because you are here in Mexico not as a diplomatic deputation that many people might fear, but as a commission of peaceful, high-minded, and good hearted businessmen.\(^{110}\)

The spokesman of the group, Edward D. Holton from Milwaukee, stressed the development of complementary trade relations in his reply:

We no longer desire territorial enlargement but rather, if we have a good thing that Mexico has not we desire her to have it, and contrariwise if Mexico has any good thing we have not, let us obtain it and thus go on in the road

of national life promoting to the end each other’s welfare.\textsuperscript{111}

The following day the group toured Gillow’s haciendas in Chautla, Hacatepec, San Martín Texmelucan and San Bartolo. In San Martín, Holton told a reporter that U.S. citizens would reject any European influence in Mexico, in accordance with the Monroe Doctrine, and even less would they support the establishment of a monarchy.\textsuperscript{112} He added that the elimination of the short-lived Empire of Maximilian had sent an important political message to those who still supported that sort of foreign intervention. Holton finished the interview by emphasizing that any incursions by the U.S. military to capture “bandits” in Mexican territory should in no way be regarded as violations of territory or an invasion.

On February 7, the Commercial Exposition concluded and the first Peaceful Invasion came to an end. Both sides deemed the visit a diplomatic and political success, and Mexican authorities also took it as a lesson for the future. Such visits could be invaluable whenever Mexico sought financial investment or improvement in commercial and diplomatic relations. It was

\textsuperscript{111} Ibid.
\textsuperscript{112} Ibid.
felt that the visit had initiated a new era of collaboration, exchange, and closer relations between the two countries.\textsuperscript{113} The next year, former President Grant reinforced the objectives of this first exploratory visit, and also magnified the presence of former members of the United States military involved in business.\textsuperscript{114}

**Former U.S. Generals invade Mexico**

From 1865 to 1879, Mexico’s government granted nineteen concessions for the construction of railroads to U.S. entrepreneurs.\textsuperscript{115} Many of these involved U.S. military figures, including General John Frisbie. Frisbie first came to Mexico as a member of the notable American Deputation of Viajeros Americanos, and then again in the 1880s, to lobby on behalf of Collis P. Huntington, who was seeking government approval for several railroad concessions.\textsuperscript{116}

\textsuperscript{113} Díaz de Ovando, *Crónica de una Quimera*, 433.

\textsuperscript{114} In 1865, General and then future U.S. President Ulysses Grant became president of the Mexican Southern Railroad, initiating the involvement of a series of U.S. politicians and former military leaders in the Mexican railroad and related businesses.

\textsuperscript{115} Report of the 15\textsuperscript{th} of January 1879, 55.

\textsuperscript{116} Huntington was Chairman of Central Pacific and the Southern Pacific companies, whose lines reached El Paso, Texas, and later the Mexican Central railroad connection into Mexico City. Later Huntington’s lines began expansion to Guaymas, Sonora on the Pacific coast, and he even had plans to cross the Isthmus of Tehuantepec. After his death, these businesses were taken over by James Stillman, George Gould, William Rockefeller and E. H. Harriman.
Following Grant’s arrival in Mexico in February 1880, local newspapers published a letter from politicians and entrepreneurs asking him to participate in the economic development of the country and to encourage other U.S. citizens to do the same. The letter emphasized the need for foreign investments in railroads “to promote the commercial exchange between the two nations.”117 During his visit, Grant negotiated two Mexican government contracts, one as proxy for a railroad company across the Isthmus, and another for his own Telegraph Communication Company.118

Coincident with Grant’s visit, the U.S. government resolved two major diplomatic obstacles to improved relations, one when the Congress revoked the 1877 order authorizing military incursions into Mexican territory, and the second by dismissing Foster as Envoy Extraordinary and Minister Plenipotentiary of the United States in Mexico.119 Mexicans had considered the border incursions as a prelude to invasion, and the presence of Foster was seen by many as a serious impediment to good

118 Although former President Ulysses S. Grant fought in the war against Mexico, and from 1881 to 1885 was vice chairman of the Aztec Club, the association of veterans of the Mexican War, it was not an impediment for him to become an entrepreneur in Mexico. Law of October 18, 1881).
119 El Siglo Diez y Nueve, “Revista de México,” March 1, 1880.
political and commercial relations between the two nations. In March 1880, Foster presented his letter of recall to President Díaz, and Grant not only attended Foster’s farewell party, but also accompanied him back to the United States.\textsuperscript{120}

Following his visit to Mexico, Grant worked to establish a legal framework for conducting business in Mexico. In 1881, at Grant and Jay Gould’s request, the New York State legislature approved a special law enabling the state to sanction corporate enterprises outside its jurisdiction, thus permitting Grant to operate his businesses legally in Mexico.\textsuperscript{121} In May 1881, Grant sent his son to Mexico to establish their business.\textsuperscript{122} Thus, the former President of the United States and Vice-President of the Mexican War Veteran’s Union was formally authorized to carry out business in Mexico.

Although Grant’s enterprises did not materialize and other businessmen carried them to completion, he continued to do business in Mexico using his relationship with Mexican officials. In 1883, President Chester Arthur appointed him to negotiate a reciprocal trade agreement with Mexico that became known as the Grant-Romero Treaty. This Treaty of Commercial

\textsuperscript{120} El Siglo Diez y Nueve, March 3, 1880.
\textsuperscript{121} William S. Mc Feely, Grant a Biography (New York, 1981), 489.
\textsuperscript{122} El Siglo Diez y Nueve, May 17, 1881.
Reciprocity was short-lived, because neither country adopted it because of lobbying U.S. protectionists and the Mexican confirmation tied to the passing of the bill in the U.S Congress.\(^\text{123}\) Grant was roundly criticized for having negotiated the treaty for his personal gain, and after his death a series of commercial protocols and agreements replaced the treaty.\(^\text{124}\)

Yet another general, William Jackson Palmer, who visited Mexico several times without results before Generals Frisbie and Grant’s peaceful invasions, in 1880 received the first railroad concession from the Mexican Government.\(^\text{125}\) Palmer was chairman of the Denver & Río Grande Company, and associate of the Compañía del Ferrocarril Nacional in Mexico, which built the railroad from Mexico City to the northern border. He also received authorization in 1880 to construct and operate international and inter-oceanic railroads, as well as one from Mexico City to the Pacific.\(^\text{126}\)

\(^{123}\) U.S. Congress rejected most of the treaties reached by Secretary of State Frederick Frelinghuysen in the early 1880s because were considered a menace to the American domestic economy. G. Pope Atkins, Encyclopedia of the Interamerican System (Westport: Greenwood Press, 1997), 278.

\(^{124}\) McFeely, 488.

\(^{125}\) David M. Pletcher, Rails Mines, and Progress: Seven American Promoters in Mexico, 1867-1911 (New York: Cornell University Press, 1958), 68. Palmer, along with the Santa Fe, Texas & Pacific Railroad, created the Mexican Central Railroad that in 1902 and 1905 was bought by J. P. Morgan, James Stillman, George Baker, and John and William Rockefeller, among others.

\(^{126}\) Report of the 15\textsuperscript{th} of January, 1879, 54; John Mason Hart, Empire and Revolution: The Americans in Mexico since the Civil War (Berkeley:
The Porfirian Spirit of Enterprise

The peaceful invasions that were initiated by U.S. politicians, businessmen and many veteran generals of the Civil War and Mexican War held valuable lessons for Mexican politicians, entrepreneurs and the military. On the one hand, Mexicans soon realized that the international visits combining public affairs and private businesses could be profitable for politicians and entrepreneurs of both countries. On the other hand, Díaz could observe the involvement of former U.S. generals in business and politics. Consequently, Díaz would make the next move in that direction, first becoming an entrepreneur and secondly using his political power to start doing business influenced by the U.S. and the spirit of enterprise of the period in Mexico.

During Manuel González’s administration (1880–1884), Díaz first held the position of Secretaría de Fomento, Colonización, Industria and Commerce (Secretary of Development, Colonization, Industry and Commerce) and kept the attention of U.S. officials. In 1880, in a private report on leading Mexican politicians, David Strother, the United States Consul in Mexico, provided an

assessments of possible successors to González. The report portrayed González as a “soldier of fortune,” but Díaz received a more generous characterization. According to Strother, Díaz held the most important office in González’s cabinet and “is supposed to have accepted it for the purpose of carrying out to the fullest the policy of internal improvements and external commerce so fortunately initiated during the latter part of his administration.” He wrote:

Whatever differences of opinion may have existed concerning the means by which General Díaz came into power, none can deny the beneficent results of his four-year rule. Having established peace and initiated prosperity and it is confidently hoped that his influence with the present administration will be directed toward the completion of the good work fortunately begun. Under this belief, public confidence has revived to such an extent that the whole republic seems to be stirring with the spirit of enterprise, and the opposition of sullen conservatives and impracticables, which but a year ago appeared to be in the ascendance has been literally swept

128 Ibid.
away by a torrent of enthusiasm for public improvements.\textsuperscript{129}

According to Strother, all patriotic Mexicans and interested Americans should take advantage of the opportunities that present times offered, and even though the consul did not expect too much from Mexicans, he emphasized the importance of railroads in Mexico’s development:

it is not to be expected that vicious habits and traditions of countries are to be discarded like a ragged vestment, or that the inherent characteristics of an ancient race are to be radically changed during a brief season of inexperienced enthusiasm. It may nonetheless be safely predicted that a country bound together by a well planned system of railroads will be much less liable to local disturbances and “pronunciamientos” and that the consequent development of important industrial and commercial interests will have the tendency to strengthen society against the attempts of political desperados and factious ambitions; and it is still less to be doubted that outside of Mexico herself the United States must eventually be the greatest gainer by the anticipated improvement in the character and fortunes of her next door neighbor.\textsuperscript{130}

\textsuperscript{129} Ibid.
\textsuperscript{130} Ibid.
Very soon, Díaz began to move to advance his particular personal vision of Mexican development, which would involve a close alliance of entrepreneurial and political elites, and the advent of foreign capital to create a modern infrastructure and industrial economy. He first left his position in González’s cabinet and became a senator representing Mexico City. Once he was an elected official the Congress granted him in 1881 a concession for the Compañía Limitada de Canalización y Desagüe de la Ciudad de Mexico, which he and his partners planned as a flood control canal and drainage system for the City and Valley of Mexico.\textsuperscript{131} The company’s act of incorporation declared that “at the same time that the Republic has achieved social peace, opportunities for entrepreneurial activities have opened up in Mexico.”\textsuperscript{132} Díaz partners noted that the creation of the company reflected the “entrepreneurial spirit that has spread throughout the country.”\textsuperscript{133}

Díaz held his senate office for only a few weeks before being elected as governor of the state of Oaxaca. While he was in office in 1883, Jay Gould and the directors of J. P. Morgan’s railway holding company, the Missouri Pacific & Wabash and the

\begin{flushleft}
\textsuperscript{132} AHAGN, Notary 617, Agustin Roldán, September 22, 1881.
\textsuperscript{133} Ibid.
\end{flushleft}
St. Louis Pacific Railroad, invited Díaz to visit the United States. U.S. investors and railroad entrepreneurs considered Díaz to be an influential politician and an active enthusiast of Mexican modernization.\textsuperscript{134} Díaz accepted this invitation. His extensive trip to the United States would become another milestone in the peaceful invasions initiated not too long before and ultimately in the establishment of the Porfirian system.\textsuperscript{135} The series of contacts between politicians and entrepreneurs from Mexico and the United States brought a new era of relations between both countries.

**Díaz To the North**

During his two-month visit to the United States Díaz had the opportunity to explore the railroad industry, and also to meet with influential leaders of the U.S. business and political communities. He wanted to give his opinion and provide assurances to politicians on the Treaty of Commercial Reciprocity between Mexico and the U.S. that was concluded in


\textsuperscript{135} *The New York Times*, “Investments in Mexico,” April 21, 1883.
January and submitted for ratification by Congress, but also to involve U.S. entrepreneurs and politicians in his first business enterprise.\textsuperscript{136}

Díaz’s first objective in the United States was to talk with U.S. entrepreneurs, seeking private and public financial aid for Mexico as well as looking for political support for his forthcoming presidential election. Railroad entrepreneurs and financiers would be crucial in this endeavor, not only because of their economic support and business connections with U.S. politicians and military, but also because of the importance of this effort for his reelection with the Mexican electorate.

In addition, he had a personal business objective. He wanted to transfer his concession for the Mexico City drainage system to U.S. investors and entrepreneurs, or otherwise incorporate affluent shareholders into this enterprise. The transfer was a discreet operation and besides Mier y Celis the information about the other promoters was not always mentioned in the Mexican press. However, with this company Díaz sent a message to U.S. entrepreneurs and politicians that he was neither a typical caudillo, nor simply a member of the political

\textsuperscript{136} El Monitor Republicano, April 18, 1883. When Díaz was visiting the U.S., the discussion on the bill was postponed. Congress reworked the bill the following year.
class, but an entrepreneur. Just before starting the trip Díaz said in an interview that without presuming to be a consummated businessman the commercial relationship with the U.S. was important for both countries notwithstanding the opposition of certain industrial sectors.\footnote{El Siglo Diez y Nueve, April 28, 1883.} With a potential business opportunity in his briefcase, Díaz left Mexico for New Orleans.

When he was arriving at New Orleans the Mexican press released information about Díaz’ plan to make his drainage company accessible to foreign investors.\footnote{El Siglo Diez y Nueve, “El Traspaso de la Concesión Para el Desagüe y Canalización de la Ciudad y Valle de México,” February 5, 1883.} On February 5th and again on March 1, 1883 two articles mentioned that the representative of the Drainage Company, Antonio Mier y Celis, as well as Higinio Canudas, the representative of the United States and Mexican Construction and Guarantee Company, had signed a contract. With that agreement finalized a few days before a note said that,\footnote{El Siglo Diez y Nueve, “The Mexican Review,” March 1, 1883. [In English in the original].}

the Mexican Company merged into a new one in Washington with all its rights and obligations, in view of which we respectfully beg the Supreme Government to please recognize the Said “United States and Mexican

\footnotesize{\textbf{137} El Siglo Diez y Nueve, April 28, 1883. \\
\textbf{138} El Siglo Diez y Nueve, “El Traspaso de la Concesión Para el Desagüe y Canalización de la Ciudad y Valle de México,” February 5, 1883. \\
\textbf{139} El Siglo Diez y Nueve, “The Mexican Review,” March 1, 1883. [In English in the original].}
Construction and Guarantee Company” as the possessor of the Charter of October 3, 1881, with all the rights and obligations pertaining thereto that would operate under the name of United States and Mexican Construction and Guarantee Company.  

Díaz arrived in New Orleans on March 1, 1883, accompanied by his wife, Frisbie, Mexican ambassador Matías Romero and his wife, his father-in-law and Manuel Romero Rubio, Jorge Hammeken y Mexia and a close friend and a railroad man also seeking American partners, Salvador Malo. Romero Rubio and Jorge Hammeken y Mexia were Díaz partners in the drainage company. From New Orleans they traveled to San Antonio, Texas and then to Monterrey in northern Mexico to attend a baptism ceremony before Díaz returned to the U.S. to continue his trip.

Díaz planned his trip to attend the baptism of General Gerónimo Treviño’s son in Monterrey on his way to the north of the United States. This wasn’t an ordinary baptism, but rather a symbolic representation of the new order that Díaz had in mind. Treviño, who was Commander in Chief of the Mexican División del Norte, had married the daughter of General Edward Ord, Commander in Chief of the United States forces in Texas and had moved to

140 Ibid.
Monterrey. The two generals had worked together to resolve border issues and had become friends. In his marriage to Bertha Ord, Treviño was building on that relationship. But more than that, General Ord, following the parade of former U.S. generals involved in the Mexican railroad industry, was now spokesperson for the Mexican Southern Railroad.\footnote{The New York Times, “Mexican Intelligence,” April 20, 1883.}

Treviño’s son’s baptism had, contrary to custom, been delayed for six months to accommodate the schedules of the prestigious padrinos (godfathers), Porfirio Díaz and General Francisco Naranjo. For Porfirio Díaz, the baptism would have meaningful connotations because Gerónimo Treviño Junior was both Mexican and American, symbolizing the beginning of a new era of binational diplomatic, entrepreneurial, and military relations between the U.S. and Mexico.\footnote{El Monitor Republicano, “Un Nene Internacional,” March 30, 1883.}

After the baptism ceremony, Díaz spent several days with Treviño. They were old army colleagues and close friends. In 1876 they had campaigned together supporting the Plan de Tuxtepec in the border city of Matamoros and at Monterrey. At that time, Ord helped them to search for enemies on the U.S. side of the border. Treviño was also man of many credentials; besides being a competent general, he was a loyal political ally
and a strategically positioned norteño (northerner) who later would receive contracts to build a railroad line. He would also prove useful in ensuring Díaz’s reelection in northern Mexico.

Díaz Visits the United States as a Politician-Entrepreneur

Díaz then returned to the United States, traveling from Monterrey to St. Louis, Missouri, where he arrived on March 17. In St. Louis, a reception committee including members of the Merchant’s Exchange welcomed him and his entourage. Later on, the third Regiment State National Guards and a platoon of mounted police escorted Díaz and his companions to the Southern Hotel. Present at that reception ceremony was none other than Foster, the former minister in Mexico, now Minister to Spain. Foster would accompany the Mexican group from then on, and no one seemed at all troubled or even to recall that he had delivered the incendiary 1878 letter that had provoked an extensive and angry response from the Mexican authorities, and led most likely to his removal as minister.

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144 By law of June 3, 1889, Porfirio Díaz awarded Treviño the contract to build a railroad line in the states of Coahuila and Nuevo León. Dublán and Lozano, Legislación Mexicana 1888-1889, Vol. XIX, 496.
145 During the visit, Treviño told a reporter that he supported Díaz’s reelection. El Monitor Republicano, March 30, 1883.
Three days later, Díaz and companions arrived in Chicago. John Hobbs, President of the Board of Trade, along with the city’s mayor, Carter Harrison, headed the reception committee. Foster introduced them to his guests and issued a welcome speech. The next morning Díaz visited the parks and stockyards. On March 23, Díaz told a reporter “his present visit to the United States is purely one of recreation and has no business or official object whatsoever.”\(^{147}\) This disclaimer was not at all convincing, and only increased the interest of reporters in probing his real intentions.

After visiting Chicago the group went to Toledo and Detroit. Continuing on their journey to Washington, Díaz and companions visited Niagara Falls, where a small power generation station had been established using the falling waters to provide a small amount of electricity for the nearby town of Niagara Falls. Possibly it was then that Díaz conceived the idea to use the channeled waters of the drainage system to generate electricity and the creation of a power company to do so.

In Washington, Foster hosted a tea party for Díaz and his group at his residence.\(^{148}\) Later on, the visitors were received

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at informal receptions at the White House. These ceremonies were Díaz’s introduction to the political establishment of the U.S., and a valuable step towards his own reelection. Having accomplished another goal of his trip, Díaz went on to see Mount Vernon.

The next stop for Díaz was New York City, a critical stop for the development of his business and political connections. On April 21, Grant invited the Mexican visitors to a dinner at the Union League Club honoring their presence. The club had been founded in 1863, and a substantial number of chief executives and presidents of major corporations, as well as senators, congressmen, diplomats, and cabinet members were members.\textsuperscript{149} Grant addressed the audience of mostly railroad entrepreneurs, introducing Díaz as a “patriotic soldier and a governor who has been a devoted citizen and a sincere advocate of peace, social harmony, and commercial relations between Mexico and the United States.”\textsuperscript{150} In his reply, Díaz noted,

\begin{quote}
Mexico has been fortunate to have had the opportunity to see Mr. Grant’s endeavors in developing an enterprise in
\end{quote}

\textsuperscript{149} J. P. Morgan was a regular, along with William Cullen Bryant, Chester A. Arthur, and Thomas Nast.
\textsuperscript{150} El Siglo Diez y Nueve, “Grant y Díaz: Un Magnifico Banquete Internacional en el Union League Club,” April 25, 1883. See also The New York Times, April 22, 1883.
its territory. As Mr. Grant’s friends, we have proudly cooperated with him as much as possible in order to sow the seeds of a future prosperity that will render fruits in our soil.\textsuperscript{151}

Díaz’s comments emphasizing his closeness to the ex-president and U.S. entrepreneur reflected his strategy to build political support to attract investors from the U.S. From 1882 Grant had been commissioned by Congress to establish the Commercial Treaty with Mexico, and despite the fact that Congress had postponed its discussion during his visit, Díaz considered that Grant’s recommendations still carried a great weight.\textsuperscript{152}

Díaz had made a successful effort to build ties to the U.S. insurance industry. During his first term he had been an important promoter of insurance companies in Mexico, and had served on the New York Life Insurance Company’s board in the state of Oaxaca.\textsuperscript{153} On April 6, Morris Franklin, chair of the New York Life Insurance Company, invited the visitors to another dinner at the Union League to honor Díaz. This event was another important endorsement for Díaz, because the New York Life

\textsuperscript{151}Ibid.
\textsuperscript{152} El Siglo Diez y Nueve, September 8, 1882.
\textsuperscript{153} Taylor Frank H, Una Invasión Pacífica, 42.
Insurance Company was linked with important American financiers such as J.P. Morgan, William Baker and James Stillman.\textsuperscript{154} Later on, Chairman Henry Hyde invited Díaz to visit the headquarters of The Equitable Insurance Company. The visit provided an inside view of the governmental concessions on railroad, arms and other economic areas in which the owners of The Equitable were involved. Some years later, Díaz would become director of La Equitativa in Mexico.\textsuperscript{155}

Mixing official and private objectives apparently seamlessly, Díaz and companions also paid a visit to the Foreign Exhibition Building to find a place for the forthcoming Mexican exposition.\textsuperscript{156} A few days later, on April 14, they attended a dinner organized by J. B. Houston, President of the Pacific Mail Steamship Company, a corporation working in Mexico’s maritime mercantile transportation operations. This company, once interested in purchasing the Baja California peninsula, was now interested in the transcontinental transportation potential of the country.\textsuperscript{157}

\textsuperscript{154} Hart, Empire and Revolution, 100.

\textsuperscript{155} EL Economista Mexicano, “Advertisement of La Equitativa Compañía de Seguros sobre la Vida,” from August 22, 1891 to May 28, 1892.


\textsuperscript{157} Hart, Empire and Revolution, 80.
On that occasion, President Grant again delivered the main address. He recalled that the first time he went to Mexico, about three years previously, some Mexicans had been skeptical about the real intentions of the American entrepreneurs. He had assured them that Americans were not interested in territorial annexation, and that during his trip he always emphasized the awakening of Mexico and the advent of progressive ideas, predicting a bright future for the country.\footnote{The New York Times, “Dinner to General Díaz; The President of the Pacific Mail Company entertains him,” April 14, 1883.}

Before he left New York, Díaz paid a visit to the Fulton Light and Power Company in Brooklyn to examine several machines that used flowing water to produce electricity.\footnote{Frank H. Taylor, \textit{Una Invasión Pacífica}, 37.} Díaz also learned of Thomas Edison’s electric lighting system from the creator himself.\footnote{The New York Times, “Electricity in Engine Houses,” April 17 1883. Besides the Edison system of power generation that Díaz visited in New York and the visit to Niagara Falls, he had the opportunity to get a glimpse of the use of water for power generation at Taunton, Massachusetts, where he visited the Wittenton Manufacturing Company. Frank H. Taylor, \textit{Una Invasión Pacífica}, 37.} Edison conducted a tour of observation of the house of the Engine no. 32, a model engine house on John Street. Díaz also saw Edison’s laboratory, the First District works, and the machine shops in Goereck Street.\footnote{After many years, Díaz considered Edison a friend according to a historical recording message he sent to the inventor. President of the Republic of Mexico Porfirio Díaz to Mr. Thomas A. Edison, Gold Moulded Cylinder 20315,} Diaz’s idea of using the
drainage system to generate electricity was surely by now taking shape.

From New York, Díaz and his group traveled north to the Boston area, visiting the locomotive works of Mason Machine Works and the Whittenton Pond Dam at Mills River. That night, during a reception organized by the local mayor, reporters again questioned Díaz about the motives of his trip. Once again, he denied that official interests or business projects motivated his trip, calling his travel purely recreational.\(^{162}\) He pointed out that he was entirely focused on the development of the railway system that would connect Mexico and the U. S. He emphatically asserted:

> It is not true that I came to the U.S. with the purpose of cooperating with a particular railroad syndicate, or that I will use my political influence in Mexico on

\(^{162}\) Perhaps this is why Daniel Cosío Villegas provides a frivolous description of Díaz’s trip to the United States. He says that after his wedding, Díaz went to Oaxaca to serve as governor, but bored with the social poverty of the state, he accepted Jerónimo Treviño’s invitation to go to Monterrey, as well as several later invitations to visit the U.S. He comments that Díaz received a brotherly reception, was treated like a prince, and could not resist junketing with his wife Carmelita to Niagara Falls. Cosío Villegas, *The United States*, 215.
behalf of a specific company in order to protect and favor it.\(^{163}\)

**Díaz’s Drainage Project**

General Díaz was also asked if he was interested in the project of developing a drainage system in Mexico City. "Certainly," he replied, "all Mexicans are interested in this endeavor. If this project goes well, huge extensions of land would be used for agricultural purposes."\(^{164}\) Despite Díaz’s disclaimers, however, in the midst of the dazzling social events, local politicians and the press insisted that personal entrepreneurial motives were behind Díaz’s trip. U.S. government officials leaked concealed negotiations, and everyone wanted to know more. For instance, would the company involved in the construction of the drainage receive ownership of the drained land as retribution for the works? On April 18\(^{\text{th}}\), the New York Times published what Commissioner of Agriculture George B. Loring had said in Washington about the conditions of the Mexican drainage contract:\(^{165}\)

\(^{163}\)El Siglo Diez y Nueve, “Díaz y su Comitiva,” April 18, 1883.

\(^{164}\)Ibid.

\(^{165}\)According to one newspaper, Loring was the chairman of the board of directors of the new drainage company. The New York Times, “Investments in Mexico,” April 21, 1883.
The scheme for the digging of a canal for the drainage of the City of Mexico and the reclamation of several millions’ worth of real estate, which can now be reached only with the assistance of long poles, appears to be making little advancement... by the terms of the contract.\textsuperscript{166}

Mentioning Díaz for the first time, Commissioner Loring added that:

When Senator Call, of Florida, first broached the subject to me, I was astonished that home people had not taken the contract. I interested myself in the project with General McClellan and others... I hardly expect an answer to these questions until the return of the Díaz Party to Mexico... Practically, very little has been accomplished, and the enterprise has advanced scarcely beyond its first stages... Altogether it is much better to keep the capital in New York than in Mexico, the owners think.\textsuperscript{167}

It now seemed that Díaz’s scheme was out in the open. Not only was his project disclosed, but it was also the case that no one in the U.S. business community or the political sphere seemed to be interested even when, according to a note,

\textsuperscript{166} The New York Times, “The Mexican Drainage Scheme,” April 18, 1883.
\textsuperscript{167} Ibid.
five of the Directors of a company formed for the purpose of draining the valley of the City of Mexico are Senators of the United States, the President is our Commissioner of Agriculture... declares that he is unwilling to place the required deposit of $200,000 under the control of the Mexican Government in the City of Mexico... in other terms exhibits a distrust which is probably shared by the Directors of the company.  

The financial plan of the project was too general and financial pay off too uncertain. Investors had to count on profiting from selling off drained land at a substantial profit. The project also revealed disagreements among politicians regarding where and how U.S. funds should be directed to Mexico. The report published on April 21st indicated also that many Americans wondered why investors and politicians were giving the railroad business more attention than the drainage even when there were senators involved in it.

By the end of the trip, Díaz’s project was falling apart. Díaz did not receive the support for his drainage deal he hoped to get from U.S. investors. He possibly sensed that he had been betrayed, uncovered and used by those who wanted to obtain something in return, for instance, some changes in the regulations to carry on business in Mexico. A note mentioned

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that claims of American citizens who invested in Mexico were pending, as were treaties and questions of diplomacy, which were awaiting ratification in the United States Senate.\textsuperscript{169}

Other political issues also complicated the project. News reports noted potential conflicts of interest for political figures who might be direct investors:

If Senators shall conduct great commercial enterprises in Mexico, it may be that in the course of time they will be required to vote for or against their private interests. It will be more in accordance with the highest standard of international morality and courtesy for them to allow this enterprise to be conducted by citizens who are not so closely connected with our Government.\textsuperscript{170}

On April 24, Díaz left the United States for Mexico via New Orleans. As he was leaving, another note published in the New York Times delivered a new blow. A paper wrote that the real object of Díaz’s visit was to prospect for a national loan, and that he received the necessary assurances.\textsuperscript{171} The note considered Díaz and the loan as the two steps “preparatory to

\textsuperscript{169} Ibid.
\textsuperscript{170} Ibid.
the perfect ascendancy of the United States influence in Mexico.”

Díaz expressed displeasure, and emphatically denied the report. Until the end, he would not acknowledge any connection between his trip and the project. Regarding “inviting American supremacy in Mexico” as compensation for loans, as the report appeared to indicate, Díaz responded, “he would be the first to resist foreign encroachments from any direction.”¹⁷² At the end of his trip, Díaz was facing criticism from the U.S. side on charges of luring politicians into private financial deals and potential condemnation from Mexico for opening the door to too much U.S. power.

As the trip ended, Díaz resented the fact that he had not obtained support for his project for the canalization and drainage system in the City and Valley of Mexico. However, the material, moral and intellectual progress of the U.S. impressed him, as he declared in his last speech.¹⁷³ Moreover, he said that he admired the U.S. press, which was the “echo of the society.” But in the end he received a lesson in democracy, and the connection between the economy and political power in the U.S.¹⁷⁴

¹⁷² Ibid.
¹⁷³ Frank H. Taylor, Una Invasión Pacífica, 48.
¹⁷⁴ Ibid, 48.
His last reply to the New York Times had serious repercussions, because even if he was impressed by the economic and political power of the U.S., he was wary of counting too much on American support. When he became president for the second occasion, he decided that he also would welcome British and French investors and entrepreneurs to invest in Mexico’s emerging projects.

**U.S. Businesses Promoted by the Peaceful Invasions**

Once reelected in 1884, Díaz took advantage of the improved relationships between his administration and the United States, facilitating the arrival of U.S. investments, ideas and norms to Mexico. This was a process that Díaz himself viewed as modernization. The most important immediate outcomes of the peaceful invasions were the construction of the most important railroad concessions granted during Díaz’s first administration, and the expansion of the insurance business by U.S. entrepreneurs. Although the two governments did not enact their respective legislation to adopt the reciprocal commercial treaty, its origin and subsequent commercial protocols and agreements were also outcomes of the peaceful invasions.

Although Díaz did not achieve all his personal expectations during his visit to the United States, the contacts and ideas from the trip were nevertheless invaluable. First of all, he
learned to expect no interest from U.S. politicians and entrepreneurs in projects generated by foreigners and on ventures not relevant to their national interests. Hence the search for financial aid had to be diversified. Thanks to financial diversification the British built his drainage project, and mostly Mexican entrepreneurs developed the real estate business on desiccated lands that resulted from this project, as Commissioner of Agriculture George B. Loring and many others had expected and had suggested during Díaz’s trip.\footnote{Jiménez, \textit{La Traza del Poder}, 86-102.}

Díaz also learned to avoid public scrutiny of business deals that might be characterized as involving conflicts of interest. This last point was crucial, because after his first experience Díaz mastered the art of becoming a much more “silent” entrepreneur. But he did make a conscious decision to be part of a new generation of Mexican politicians and entrepreneurs taking advantage of the modernization model that the peaceful invasions and other “incursions” had brought to Mexico.

During his series of administrations Díaz incorporated into his programs for Mexico’s modernization many changes that gave American entrepreneurs and politicians the assurances and
privileges they needed to extend their businesses into Mexico. He personally participated in many joint ventures with U.S. entrepreneur Thomas Braniff, which we will examine in detail in the following chapters. But he also associated with European and local entrepreneurs in banking, mining, and other ventures.

Early in the regime, U.S. entrepreneurs were involved in mining and railroads and Europeans managed the banking system and began the exploration of oil. That situation would change later on, but despite the peaceful invasions, and due to the fact that U.S. entrepreneurs were only interested in undertakings relevant for their national interests, the Europeans often seemed better attuned to Díaz’s needs. In any event, they would become important complements to Díaz’s U.S. strategy to develop the economy.
CHAPTER 3: The Drainage and Power Generation Companies

In 1881 Porfirio Díaz founded the Compañía Limitada de Canalización y Desagüe de la Ciudad de Mexico with a colossal mission: the construction of a drainage system for Mexico City and its valley. In no other of his businesses did Díaz show so much interest as in this enterprise, which brought together Díaz’s dual vision of his role as a political and entrepreneurial leader. His direct involvement in this project to create a drainage system for Mexico City and the surrounding areas, from the now ex-President’s perspective, demonstrated his commitment to the development of a modern Mexican economy and society and his central position in the entrepreneurial elite that would make that change.

The drainage system was an enormous project designed to control and manage the waters of the swamps, rivers and any bodies of water remnant of the ancient lake surrounding the city. Since Tenochtitlan was occupied the areas where these bodies of water had been were a source of periodic floods; since independence the flooding had been increasingly recognized as a key impediment to the expansion, and modernization, of Mexico’s capital. With the impending arrival of important railroad lines to the capital this task was urgent.
According to Díaz, the project to control the floods of the capital would express the Mexican spirit of enterprise. First, it involved the nation’s political and historical heart, the city that Díaz liberated from the French Army. Second, this venture would open the possibility of building the imagined city of the future, a paradigm of urban development and symbol of Mexico’s modernization, and a railroad hub for two of the main lines coming from the U.S. border. Third, the company that could accomplish such an undertaking would require enormous capital, even more than railroad companies. Hence, no single group would be able to finance it alone and the effort would be beyond the reach of local capital. The enterprise would require financial ingenuity to obtain the support of national and international financial institutions.

The urban development of Mexico City had followed the pattern established in the mid nineteenth century by the first land developers, based on private land subdivisions as colonias and fraccionamientos. However, the surrounding swamps, as much as the rivers that crossed the city, were major barriers to its growth and development. The unremitting floods and deficient supply of potable water were a continuing challenge for local

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and national authorities. In order to expand the city, government and developers would have to accomplish important public works related to the water supply and desiccation of the valley and abutting lakes. The regular floods involving Mexico City were proverbial, and during the French occupation, land developer and member of Maximilian’s cabinet Francisco Somera ordered a series of works that lasted until the arrival of Mexican forces to liberate the city. Díaz’s involvement in the drainage project began in 1867, when he took over Mexico City after the expulsion of the French army. During the time when he was in charge of the city, Díaz allotted resources and ordered work to control a flood in progress.

Later, during his first presidential period, when the city was suffering one of its regular floods, he ordered some works to divert the waters coming from the lake of Chalco into the lake of Texcoco. Those works were the first attempts at an integral solution to the problems of the valley and city of Mexico. During Díaz’s first administration the works of the

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179 Ibid., 121.
drainage project included the sewer collection system of the city. Those works were under control of the state until 1881.\textsuperscript{180}

**Compañía Limitada de Canalización y Desagüe de la Ciudad y Valle de México, S.A**

In 1881 the Mexican state took the critical step towards an integral water control for the City and Valley of Mexico by granting a concession for the incorporation of the Compañía Limitada de Canalización y Desagüe de la Ciudad y Valle de México, S.A.\textsuperscript{181} In that year, the state also awarded concessions to create two banks: the Banco Mercantil Mexicano and the Banco Nacional Mexicano. These banks would prove crucial in the capitalist development of the country by providing the resources that made large projects such as the drainage possible. Those three modern companies gave life to the spirit of enterprise that Díaz and the González administration promoted, and served as models for other new enterprises. The process was also an experiment in collaboration between foreign and local capital with governmental concessions and tax exemptions obtained by influential partners such as Díaz, who was involved in them.

\textsuperscript{180} Connolly, El Contratista, 211.

In October 1881, during the González administration, the Secretaría de Fomento submitted for consideration by the Congress a proposed concession to carry out the works of the drainage system for Mexico City. Some senators objected to the bill because the contract was vague.\textsuperscript{182} Despite the lack of basic information, two Senate committees, Industria and Hacienda (Industry and Finances), approved it. In their approval report, the members of the committees declared that:

Fortunately, the time for public works has arrived in the Republic. Our entrepreneurs have decided to utilize their financial resources in a constructive manner without being concerned about disturbances of the social peace. The improvements of the city and valley of Mexico will be always indebted to that peace.

On October 3, 1881 the Senate commission passed the bill to carry out the works of canalization and drainage.\textsuperscript{183} The resolution was voted on and passed by the Congress on November 7, 1881.\textsuperscript{184} The first article of the approved contract gave authorization to Antonio Mier y Celis to,

\textsuperscript{183} Ibid., 196.
\textsuperscript{184} Ibid., 196.
organize a corporation under the name of Compañía Anónima Limitada de Canalización del Desagüe del Valle y de la Ciudad de Mexico to undertake, according to the clauses of the present contract, the canalization of navigable rivers, the drainage and improvement of the city and valley of Mexico.\textsuperscript{185}

The approval was not a surprise to the contractors because the company was incorporated more than a month before the Congress approved the concession. Apparently viewing the approval as inevitable, the partners incorporated the company on September 22, 1881 before notary public Agustín Roldán. General Porfirio Díaz, Antonio Mier y Celis, Manuel Romero Rubio, Ramón Fernández and Jorge Hammeken y Mexia were board members.\textsuperscript{186}

The capital stock of the drainage company was divided into six founding shares of stock distributed as follows (number of stocks in parentheses): Chairman General Porfirio Díaz (1), Vice chairman Antonio Mier y Celis (1), Manuel Romero Rubio (1), Ramón Fernández (2), Jorge Hammeken y Mexía (1). Congressmen passed the bill without correcting undefined articles as due dates, but also granting conditions quite favorable for the contractors. Article 22 established that:

\begin{itemize}
\item \textsuperscript{185} Ibid., 196.
\item \textsuperscript{186} AHAGN, Notary Public 617, Agustín Roldán, September 22, 1881.
\end{itemize}
All public property permanently occupied by the waters of lakes, lagoons, rivers and canals, which will be drained or diverted due to the works performed under this contract, will be granted to the company along with sufficient water supply for its commercialization or exploitation.\(^{187}\)

The contract established that the government would appraise all private lands reclaimed by the drainage, and each owner would decide whether to sell to the company. The owners who decided to keep the properties would have to pay the company the difference between the value of their property before and after the works, because those lands would increase in value prices once they were available for agriculture or urban development. Article 24 of the contract established that the lands acquired by the company could be exploited as any other mining property or working farm in the country. Article 25 also granted the company the unconditional use of the reclaimed waters for agricultural purposes, or power generation, for a period of fifty years after the beginning of the work. In order to carry on the project, the company was also authorized to construct canals and aqueducts in areas outside the Valley of Mexico. Article 26 established a thirty-year period of tax exemption for

\(^{187}\) *Diario de los Debates*, November 7, 1881, Vol. 3, 199.
the company’s lands, works, capital and stocks. Finally, Article 27 exempted some items from importation duties as well as from transportation, consumption and municipal fees, for a period of ten years.\textsuperscript{188}

Notwithstanding the favorable terms, the owners were determined to make the company even more appealing to investors. So, in the following year, Antonio Mier y Celis asked Congress to extend the duration of the contract. On May 27, 1882, the Senate Commission of Industry responded:

considering that it has not been easy to establish the company, which will to carry out works of such magnitude, the commission believes that it is acceptable to extend the terms of the contract.\textsuperscript{189}

This time, they did not want to leave loose ends in the contract and some senators sought to define its conditions. While the commission was concluding its report on the contract’s changes, Diaz was nominated for a seat on Mexico City’s Senate. He won the election of September 22, 1882, but occupied the post in the 11th Legislature for only a few days. One month later, on

\textsuperscript{188} Diario de los Debates, Sesión de 7 de Noviembre, 1881, Vol. 3, 201
\textsuperscript{189} Diario de los Debates, Sesión del 27 de Noviembre, 1882, Vol. 4, 286.
October 12, he requested a leave of absence without pay in order to take the office of Governor of Oaxaca, his home state.

Manuel Dublán replaced Díaz in the Senate, and incidentally acquired the task of pressing for congressional approval of Díaz’s contract extension. Congress approved it on January 26, 1883. In their decree senators filled some gaps in the preceding contract. They established terms for the company’s deposits or guarantees, and fixed the beginning of preliminary works to within an eight month period, with a due date not to exceed six years from the initiation of the works.¹⁹⁰

When Díaz traveled to the United States in February 1883, the approved contract, with those mentioned conditions, was circulating among possible partners. As we have seen, the immediate results of his trip were not as satisfactory as Díaz would have desired, and he did not find partners or investments for the development of this company. But in the long term the trip proved to be invaluable for the contacts that he established in railroad construction and other ventures like his own power company.

Water Management for Business

Diaz’s enterprise was one the first modern Mexican companies, though an old Código de Comercio (commerce code) of 1857 regulated it. In 1884, after the founding of the first two Mexican banks and the drainage company, the Díaz administration modified the code to include bank organization and financial operations. In 1888, after the creation of Díaz’s company and others that followed in its footsteps, Congress issued a specific code for business corporations, the Ley de Sociedades Anónimas (Corporations Law), that used the structure of the new companies, such as Díaz’s, as a model.¹⁹¹ These early banks and corporations not only defined a structure and legal liabilities for companies, but also showed local entrepreneurs the advantages of modern incorporation. With this law they would have access to banking, credits, mortgages, and the inclusion of wealthy and anonymous partners in their companies as stockholders.

During Díaz’s long dictatorship the drainage project passed through several phases. Díaz's project failed once the company did not receive the financial support from the U.S. financiers. He decided not to renew the contract and it lapsed.192 After Díaz was elected president a second time in 1884, he gave complete support to engineer Luis Espinoza to carry out the works of the drainage through the Junta Directiva del Desagüe del Valle de Mexico (Board of the Mexico City Drainage), with government financial support, and gave the works of the contract to Luis Espinosa, son of Francisco Espinoza, head of earlier works of Mexico City’s drainage system.193 With Espinoza’s involvement in the drainage project a new phase started, which was much more pragmatic, with a proficient technical plan and a suitable administrative organization, but since the government had limited resources, the project lacked sufficient financial support.194 Nevertheless, Díaz kept a strong interest in the evolution of the drainage works.

On November 1, 1885, a select group of politicians and officials accompanied Díaz to Zumpango, near Mexico City, to inspect Espinoza’s work on the drainage system at the end of the

192 Diario de los Debates, Sesión del 9 de Diciembre 1885, 3º y 4º Períodos, 156.
193 Connolly, 209.
194 Diario de los Debates, Sesión del 24 de Mayo 1887, 1º and 2º Períodos, 384.
Gran Canal (Main Canal) before crossing the mountains. At that time the Secretaría de Fomento was the office in charge of the drainage project. Díaz and companions Romero Rubio, Manuel Dublán, Carlos Pacheco, and the Governor of the Federal District and members of the municipal government surveyed the works in progress, equipment and machinery, and interviewed groups of company officers and employees.\textsuperscript{195} The visitors also studied the Gran Canal coming from Lake Texcoco and the tunnel of Tequixquiac that would convey water from Zumpango through the mountains to irrigate vast areas of the Valle del Mezquital in the state of Hidalgo in the municipalities of Zumpango and Actopan. A reporter that accompanied the group wrote the following:

Once the works are finished, they will certainly provide extraordinary benefit to agriculture. Those lands will be worth a fortune when they become fertile and productive.\textsuperscript{196}

One month after the visit, Congress had once again reviewed the status of the project and now allocated funds to the capital’s municipal government in order to accelerate the works.

\textsuperscript{195} El Minero Mexicano, November 12, 1885.
\textsuperscript{196} Ibid.
According to its resolution, some of the funds would come from an additional tax on bullfights, but those funds were insufficient. The idea to reassign the drainage construction to a private company was still in the president’s mind. In 1886, Díaz stressed to Congress that with the drainage system Mexico City would be “one of America’s healthiest and most beautiful cities.”

From the beginning the Mexico City drainage had been a government undertaking, but always the lack of resources and an integrated plan were impediments to carry it out. Now Díaz wanted to privatize this process seeking foreign financial support even when there was another company that hoped to take it over. However, the scheme failed and there appeared to be no alternative option to governmental control to do the work.

Under these circumstances, Diaz decided to make some legal changes. The first step was to centralize in the presidency all decisions on water management. The tool for this was article 72 of the Constitution, section XXII, which called for classification and regulation for use, exploitation and

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197 Diario de los Debates, Sesión del 13 de Noviembre, 1886, 1° y 2° Períodos, 191.
198 Connoly, El Contratista, 124.
199 Ibid, 212.
commercialization of rivers, canals, lakes, lagoons, swamps, estuaries, coastlines and maritime territorial areas.

During his first administration, Díaz had already begun centralizing some economic decisions in the presidency controlling railroad concessions. On June 5, 1888, Congress passed a Ley Sobre Vías Generales de Comunicación (Law on General Means of Communication) to regulate the national transportation systems.\textsuperscript{200} Besides roads and railroads, the law defined the system to include all bodies of water: rivers, canals, estuaries, lakes, lagoons, waterfronts and swamps. On June 6, 1894, Congress passed another bill authorizing the president to grant concessions, with the restrictions established in the law of 1888, to individuals and companies interested in the utilization of waters under federal jurisdiction for irrigation and energy development for industrial use. The decree also authorized the executive to promulgate laws for the Federal District, which would regulate the utilization of waters and the construction of dams and basins.\textsuperscript{201}


In December of 1888, after the first modifications in communication regulations and water management laws, the Díaz government granted to a British company, S. Pearson and Son, the concession for the drainage system that now included the construction of a Gran Canal. This canal was to begin at the Garita de San Lázaro (the San Lázaro Customs House) in eastern Mexico City, to the town of Zumpango and the Tequixquiac Tunnel. The project was financed by British capital that came as a municipal loan through the Banco de Londres y México specifically allocated for the works carried out by the Pearson Company.

The president awarded the Tequixquiac tunnel project not to Pearson, but, in March 1891, to the Read and Campbell Company. This company, however, proved unable to fulfill the terms and the contract was rescinded on March 1892 by the Junta Directiva del Desagüe del Valle de México in charge of the works. The Junta argued that the company was unable to accomplish the

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202 AHAGN, Notary 444, Rafael F. Morales, December 23, 1889. The next day, Guillermo de Landa y Escandón was designated proxy of S. Pearson and Son. AHAGN, Notary 444, Rafael F. Morales, December 24, 1889.

203 AHAGN, Notary 444, Rafael F. Morales, March 17, 1892. The Junta was integrated by José Ives Limantour, Pedro Rincón Gallardo, Francisco Rivas, Agustín Cerda, Casimiro Collado, Francisco Somera, Manuel A. Campero, Luis G. Lavié, Pedro del Valle, and Luis García Pimentel.
objectives due to unforeseen situations at the site. The law of June 6, 1894, authorized the President to rescind relevant contracts such as with Read and Campbell, and grant five year exemptions on taxes and fees on machinery and instruments necessary for the water management construction works. Moreover, the law authorized private companies to occupy and expropriate those vacant private and public lands required for the construction of canals, dams or dikes, as had been the case for railroads.

Another opportunity that Diaz found for privatizing the project of the drainage system was through the control of the waters of the system for power generation. Pearson would build the Gran Canal but Francisco Espinoza would have the permit to use the waters coming from the canal. In 1893, he granted to Espinoza the use of the waters of the rivers crossing the Valley of Mexico and on December 21, 1893, Congress approved a contract between Manuel Fernández, Secretario de Fomento, and Espinoza. The contract provided that the waters coming from the Cuautitlán and Tula rivers (in the neighboring states of Mexico and

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204 According to the press, the tunnel had presented serious technical problems since 1890, and the water levels at the entrance and exit of the tunnel did not have the slope necessary to drain the waters. El Minero Mexicano, 22 de Mayo, 1890.

Hidalgo), be used for agriculture and industry, and that Espinoza’s company would be exempted for ten years from importation duties and federal taxes. Moreover, it would be exempted from sales taxes on the waters used on irrigation or power supply.\textsuperscript{206}

On May 16 and November 13, 1895, Congress approved two contracts increasing the scope of the previous contract. The first extended the area and waters to be used by Espinoza’s company into the Districts of Ixmiquilpan and Actopan. The second gave Espinoza the use of the reclaimed waters that passed through the Tequixquiac tunnel leading towards the Salado, Tlaxcoapan and Tula Rivers in the municipalities of Zumpango and Actopan. Those waters would later irrigate lands located in the state of Hidalgo.\textsuperscript{207}

The 1985 contracts authorized the construction of canals and basins, and were very generous, because as in other contracts the company was exempted from taxes and duties. Government fees for water usage would amount to one peso and twenty-five cents for each hectárea (two and a half acres) of land irrigated, and forty thousand pesos annually for water used

\textsuperscript{206} Ibid.

to generate electricity. Once the works were completed, the company would receive in property all the canals, dams and dikes needed to insure the use of the waters of the Tula River for ninety-nine years. Finally, the company’s properties could be transferred to anyone, anytime.  

Francisco Espinoza could never have anticipated such a dramatic expansion of his company. The first concession gave him the use of the waters of two rivers for agriculture development. In the second and third contracts, he received not only additional waters from other rivers but also locations to generate energy for industrial purposes. The fourth contract gave him control of all waters coming from the drainage system of the Valley of Mexico, passing through the Tequixquiac Tunnel to the District of Actopan in the state of Hidalgo. The last contract placed Espinoza within the entrepreneurial plans of Porfirio Diaz.

The Compañía Eléctrica e Irrigadora en el Estado de Hidalgo

When the drainage system was inaugurated on March 17, 1900, Porfirio Díaz and a select group of members of the Porfirian elite traveled again to Zumpango, where they enjoyed a special

208 Ibid.
banquet. Pearson and Espinoza had consummated Díaz’s prize project, but his dream still was incomplete. Who would take advantage of the profitable development of the waters coming from that drainage system? Díaz had already begun to answer that question. In 1897, three years before the inaugural ceremony of the drainage system, he began to plan to use the privileges and opportunities offered by Espinoza’s concessions by incorporating a new company of power generation.

Díaz had already taken into consideration the use of the waters of the drainage system for power generation when he first incorporated his drainage company in 1881. Over this issue the paths of Díaz, Espinoza and Braniff converged, because Braniff also wanted to utilize those waters to generate a power supply for his highly productive and power-hungry mines in the state of Hidalgo. When the works of the drainage system were close to completion the three entrepreneurs decided to work together on this project.

In 1889, one year after mining facilities introduced electricity in some areas of the U.S., the first Mexican power

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209 Mexican Government, Junta Directiva del Desagüe del Valle de México, Memoria Histórica, Técnica y Administrativa de las Obras del Desagüe del Valle de México, Vol. 1 (Mexico: Tipografía de la Imprenta de Estampillas, 1902), XIV.

210 AHAGN, Notary 26, Javier Aguilar, September 6, 1897.

211 Article 25, Law of November 7, 1881, 201.
plant was in operation at the Batopilas mines in Chihuahua, and at Santa Ana in San Luis Potosí.\textsuperscript{212} The mining industry used power for ventilation, pumping water, moving material, processing, and lighting. In 1897, Braniff’s Real del Monte mining company, in the state of Hidalgo, began using power supplied by a plant situated at the waterfall of La Regla.\textsuperscript{213} Later on, when electricity began to be utilized for domestic purposes, Carlos Pacheco, neighbor of Diaz’s son, was the first Mexican to have electricity in his house in Mexico City.\textsuperscript{214}

As we have seen in the discussion of the elites in Chapter 1, Thomas Braniff was one of the major businessmen in Mexico, and his interests included the development of electrical energy in Mexico. He worked for The Mexican Gas and Electric Light Company Limited, which introduced public lighting in Mexico City and supplied power for Real del Monte’s mining equipment. He later built power plants at the following mines: La San Rafael, La Garduño, Cerro Colorado, La Blanca, Minera Santa Ana, Minera Santa Gertrudis y Potosí, San Luis de Maravillas, Colón, La Trinidad, La Sirena, Beneficiadora de Zacualpan, El Encino

\textsuperscript{212} Ernesto Galarza, \textit{La Industria Eléctrica en México} (Mexico, D.F.: Fondo de Cultura Económica, 1941), 9.

\textsuperscript{213} Ibid., 9.

\textsuperscript{214} Ibid., 16. Porfirio Díaz Junior, and Pacheco lived both at Humboldt Street, in number 7 and 5 respectively.
Mineral de Peñoles, Xocotitlán and Santa Inés. Moreover, his sons George and Oscar were representatives in Mexico of Westinghouse Electric and Manufacturing Company through the G & O Company.

The interests of Díaz, Braniff, and Espinoza converged on September 6, 1897 when they incorporated the Compañía Eléctrica e Irrigadora en el Estado de Hidalgo S. A. before the notary public Javier Aguilar. This was the company that would use the waters from the drainage system for power generation. The purpose of this corporation was:

the development and exploitation of the concessions granted by the federal government to Mr. Francisco Espinoza to use the drainage system of the Valley of Mexico and from the Tula River according to the laws of December 21, 1893, December 20, 1894, December 13, 1895 and November 24, 1896.

The capital of this company was $600,000 pesos, divided into 6000 stocks of $100 each. Espinoza received one thousand shares as owner of the concession. Díaz received 100 and Tomás

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215 AGN, Fomento de Industrias Nuevas, Sociedad Aviadora de Minas de Real del Monte y Pachuca, Introducción de electricidad en minas del Sr. Tomás Braniff en 1897. Caja 37, 4-1898-318.

216 The Electrical World, April 16, 1898, Vol XXXI, No. 16, 482. In 1900, George Braniff was elected to Mexico City Council.

217 AHAGN, Notary 26, Javier Aguilar, September 6, 1897.
Braniff 400. The other stockowners included important members of the Porfirian elite and members of the French and Spanish community.\textsuperscript{218}

The G & O Braniff Company provided funds for the construction of buildings, dams, canals, and irrigation works. It also supplied the machinery and paid the transportation fees.\textsuperscript{219} But that amount was insufficient to build the power plant of Juando and complete the Tequixquiac Tunnel. Two years after its incorporation, the company issued new shares in order to permit completion of those two projects. On April 1899, the company increased its capital by issuing four thousand new shares.\textsuperscript{220} Meanwhile, Espinoza and Pearson were concluding the

\begin{footnotesize}
\textsuperscript{218} Members of the Company: (shares of stock in parentheses): Porfirio Díaz (100), Tomás Braniff (400), Justino Fernández (50), José Sánchez Ramos (450), Valentín Elcoro (250), Gabriel Mancera (100), Indalecio Ibañez (150), Luis Barroso (350), Agustín García (350), José Hauser (250), Leon Ollivier (200), Graciano Guichard (350), Alfonso Michel (350), Constantino Noriega (150), Eduardo García (250), J. Tron y Compañía (550), Signoret Honnorat y Compañía (350) and Remigio Noriega y Hermano (350). Thomas Braniff was elected chairman of the company, and José Sánchez Ramos vice chairman. The board members were Graciano Guichard, Íñigo Noriega, Enrique Tron, Gabriel Mancera, and Francisco Espinosa.

\textsuperscript{219} AHAGN, Notary 444, Rafael F. Morales, January 23, 1896. Thomas Braniff and his sons George and Oscar owned this company.

\textsuperscript{220} AHAGN, Notary 3, Ramón E. Ruiz, April 29, 1899. Members of the company: Porfirio Díaz (61), Tomás Braniff (219), Francisco Espinosa (545), Justino Fernández (30), Valentín Elcoro (151), Gabriel Mancera (100), José Sanchez Ramos (273), Leon Ollivier (122), Alfonso Michel (312), Eduardo García (152), Signoret Honnorat y Compañía (212), Emilio Pinsón (212), Ernesto Pugibet (122), Hauser Zivy y Compañía (152), El Palacio de Hierro (370), Señores Lambert y Compañía (273), Constantino Noriega (91), Íñigo Noriega (105), Antonio Bourjac (30), Agustín Aye (15), Achiles Sourny (15), J. Oliviero y compañía (45), Andrés Sánchez Juárez (20), Victoria H. Viuda de Zúñiga (5), A. Estrada (5), Mr. Espinosa (363).
works of the drainage system and the opening of the Tequixquiac Tunnel. The waters of the drainage system would be used to generate electricity for the town of Pachuca, the mines, and textile industries. After that, they would irrigate the lands on the other side of the mountains, in the state of Hidalgo.

According to a report of the board of the company, two years after the inauguration of the drainage system, it held the following power supply contracts: Hacienda Bartolomé de Medina (155 HP.), Hacienda Purísima Grande (50 HP.), Hacienda San Francisco (495 HP.), Negociación de Maravillas (240 HP.), and Hacienda de la Unión (300 HP). At that time, they were also supplying power for public lighting in the city of Pachuca and some industries there.²²¹

After its creation, this company received several governmental concessions for irrigation, light and power from the state of Hidalgo. Besides the waters of Espinoza’s concessions, in 1903, a new contract allowed the company to use waters of the Xochimilco and Chalco lakes.²²² In 1907, Remigio

²²¹ Boletín Financiero y Minero de México, “Informe a la Asamblea de la Compañía,” March 13, 1902. According to this report Porfirio Díaz’s son became member of the board of the company. At that time, the total revenue of the company was a total of $132,658.72, with $62,146.31 from irrigation, $47,587.55 from the Pachuca city public lighting, and $22,924.86 from power supply.

Noriega, partner in the company, granted permission to allow the canals from the lake of Chalco to pass through his lands in the Hacienda de Aragón towards the power plant of Díaz’s Compañía Eléctrica e Irrigadora. This operation accelerated the desiccation of the Chalco Lake that had been initiated by the Noriega brothers some years before to expand their agrarian properties. The power plant of Juando now began producing energy at full capacity, utilizing the 2,000 liters per second coming from those lakes.

Things got better for the company as time went by. On May 26, 1904, Congress passed another bill modifying the November 9, 1895 and November 16, 1896 contracts with the company for the use of water from the Tequixquiac Tunnel. That amendment modified Article two of the first contract, and Article one of the second. As a result, the company was exempted from any tax on waters for irrigation or power supply, and was absolved of any related debt to the government.

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223 AHAGN, Notary 3, Ramón E. Ruiz, May 23, 1907.


Although the death of his closest partner and friend, Thomas Braniff, made 1905 a turning point in the entrepreneurial life of Porfirio Díaz, the company continued expanding, and in 1908 the government authorized it to construct a dam and canals at headwaters of the Tetepango Canal. The works began immediately and additional waters were directed to the Tequixquiac tunnel.\textsuperscript{227} But Braniff had distinguished himself with his huge capacity for work, his restless business initiative, and his unparalleled entrepreneurial leadership. In the aftermath of his death, the drainage company, like others in which he and Díaz were involved, gradually disintegrated. After 1908, the board decided to sell the company.

**Monopolization, Political Crisis, and the Sale of the Power Company**

After Braniff’s death the remaining partners began selling his properties. At the time, the political situation was becoming tense, and the monopolization of the economy was in process. The press was spreading rumors about the future of the company and its merger with the U.S., Canadian, and French

\textsuperscript{227} Boletín Financiero y Minero de Mexico, “Informe a la Asamblea de la Compañía,” March 12, 1908.
Mexican Light and Power Company.\textsuperscript{228} The selling of the company remained concealed not only because of its prominent owners, but also of the nationality of its buyers.\textsuperscript{229} Since 1903 this company had begun a process of monopolization of power production in Mexico when it purchased the Mexican Electric Works Ltd.\textsuperscript{230} Two years later, in 1905, it acquired the Mexican Gas and Electric Co. and the San Ildefonso Lighting Company through formation of the Mexican Electric Lighting Company.\textsuperscript{231} In 1907, the new company began to acquire Robert Electric, Co. in Mexico City, and in 1910 acquired the entire capital stock of Díaz’s Compañía Eléctrica e Irrigadora en el Estado de Hidalgo.\textsuperscript{232} The specialized business publication, El Boletín Financiero y Minero estimated the value of the company was $7.5 million pesos ($3.73 million dollars), and added, “when it was known that the Mexican

\textsuperscript{228} El Fomento Industrial, January 15, 1910; Boletín Financiero y Minero de México, January 17, 1910.


\textsuperscript{230} Leticia Campos Aragón, La Electricidad en la Ciudad de México (Mexico D.F.: Siglo XXI, 2005), 116.

\textsuperscript{231} Ibid., 114-115.

Light and Power Company was interested in the acquisition of the company the value of its stocks increased considerably.\textsuperscript{233}

In March 1910 the Compañía Eléctrica was in no hurry to sell, and the chairman of the company, José Sánchez Ramos, reported to the Board of Directors that the power plants of the company were working satisfactorily and that the board resolved to establish a new power plant.\textsuperscript{234} The board did report, however, that the quantity of water collected and distributed by the company had declined due to the drought. They also announced that through the Secretaría de Comunicaciones (Secretary of Communications), in an evident use of the state to support private business, the government was constructing new canals in the lake of Zumpango in order to send more water to the plants of the company. According to the report, even with the mentioned works, the lake of Zumpango would receive a volume of only eight million liters of water, whereas in the past years the volume

\textsuperscript{233} Boletín Financiero y Minero de México, January 11, 1910, and El Fomento Industrial, January 15, 1910. The price of the company in dollars is based in the exchange rate between dollar and peso established by the Law of June 15, 1905.

\textsuperscript{234} Boletín Financiero y Minero de México, "Informe de la Asamblea de la Compañía," March 23, 1910. Sánchez Ramos said that the power plants of Juando, Elba and Cañada were working satisfactorily. Those plants were reaching their maximum capacity and the company could not satisfy the request of the Real del Monte Mining Company to increase the supply of power to 5,000 HP as was indicated in the terms of the contract. Hence, the board of directors resolved to initiate the construction of the power plant of Montelimart, near the town of Tetepango. The plant was to be completed on September 10, and would produce 7,000 HP.
was more than three or four times that amount. At the end of the report, the board announced that the general assembly’s contract for lease of the facilities to the Mexican Light and Power Company, approved on January 28, 1910, had not been signed yet.235 This final comment was ambiguous, because it came after the rumors and speculation in the press.

Although the negotiation between the two companies had not concluded, the value of the company’s stocks again increased upon rumors of a possible deal. It was known that the Mexican Light Company would carry out improvements required to increase the capacity of the old facilities once the stockholders of the Compañía Irrigadora put their bonds on sale. According to a newspaper, the transaction had been made in secret following a very complicated process,

probably because the board did not want to make it public that foreign investors bought the company at a critical moment, when foreign trusts were acquiring the majority of businesses in Mexico.236

On May 13, 1910, the Compañía Eléctrica e Irrigadora en el Estado de Hidalgo transferred its properties and concessions to

235 Ibid.
236 Boletín Financiero y Minero de México, January 17, 1910.
a company with very similar name, the Compañía Irrigadora de la Luz y Fuerza en el Estado de Hidalgo. Three months later, on September 27, the General Assembly of that company changed its name to Compañía de Luz y Fuerza de Pachuca, and elected a new board of directors. Most of the members of the board of this company were also directors of the Mexican Light and Power Company. Finally, in a peculiarly covert transaction, Díaz’s favorite company was sold. A newspaper made the transaction public on November 9, 1910, just eleven days before Madero’s call to start a revolution against Díaz.

The drainage company was the enterprise that converted Díaz into an entrepreneur, but it was also his calling card to the U.S. entrepreneurial class and an instrument to gain their interest in Mexico’s projects. It was also part of the process of unification of the liberal community, because Díaz brought the exiled Manuel Romero Rubio to work with him. It was also a political stratagem that exposed Díaz not only as a new type of politician, but also as a member of a new social class.

\[237\] AHAGN, Notary 25, Juan M. Villela, May 13, 1910. This transaction was published in the Boletín Financiero y Minero de México, “Editorial,” June 25, 1910.


\[239\] Ibid.
Moreover, it was a necessary step to face the flooding problems of the capital of Mexico, and secure its urban expansion and thus the development of the modern Mexican economy connected by important railroad lines.

Finally, the drainage and power companies were landmarks in the development of the modern Mexican corporations that Díaz envisioned during his trip to the U.S., which not only connected him with businessmen but also with Edison’s ideas of power generation. In the process of the development of these companies, Díaz privatized policymaking and began a process of centralization of economic decisions in the presidency in many ways. This evolution was part of the process of the institutionalization of his dictatorship, showing contempt for democracy, and blocking the participation of multiple players in the economic decision-making of the country.
CHAPTER 4: The Porfirian Banking System

The entrepreneurial spirit of the Porfiriato came alive during the second term of the regime (1884-1888), after much of the critical decision-making began to be centralized in the presidency. From then on, Díaz steadily gained enormous political and economic power and personally joined numerous businesses. Even though in 1883 Díaz alleged “he was not a consummate businessman,” he soon became a founding member of large businesses and used his power as president to allocate resources and opportunities to the companies in which he participated to create value. That was the essence of the spirit of enterprise he developed during his regime, and banking was no exception.

In addition to the drainage project and irrigation and power generation, Díaz participated in the creation of the modern banking system. During the Manuel González administration Díaz was founder of the Banco Mercantil Mexicano, a bank that with the Banco Nacional Mexicano initiated in 1881 the modernization of the country’s financial institutions. Due to the privileges given by the González Administration to the French financed Banco Nacional Mexicano, the Mercantil was on

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240 El Siglo Diez y Nueve, April 28, 1883.
the brink of losing an important role in the new banking system. That situation did not please Díaz the entrepreneur, and when he was reelected in 1884 he dismantled the pseudo-legality of the privileges of the Nacional Mexicano and forced the merge of the Nacional Mexicano with the Mercantil to form a single powerful institution: the Banco Nacional de México.

The creation of Banco Nacional de México was not a product of competition or unpremeditated events, but the direct participation of Díaz in the creation of a banking system. This system began ending the ascendancy of the British Banco De Londres, México y Sudamérica. Díaz’s government forced this bank to reorganize using a convoluted process that made the old shareholders to understand the regime’s rules to become a Mexican institution; that is, the bank had to include him and friends as shareholders. Moreover, he supported the expansion of the Banco Internacional Hipotecario in hands of U.S. financiers, Thomas Braniff and his son and made it a privileged institution, and at some point he acquired shares of stock of this bank. The creation of the modern banking system was not a product of chance and involved a series of conflicts of interest to favor Díaz and his regime, but also his son and close friends such as Thomas Braniff.
Post-independence Banking Institutions

Post-independence banking houses were involved in the development of foreign and national loans, financed government undertakings as well as those of business and industry, and issued paper money and promoted national savings to accumulate capital. National and foreign capitalists considered finance and banking to be very attractive fields for investment, and traditional moneylenders were fast to recognize the potential power of modern banking operations in the economy. Some of these pioneering institutions disappeared and many of them were displaced by the new banking system over which Díaz presided.

After independence many family banking houses, moneylenders, and the Banco de Avío and the Banco Nacional de Amortización de la Moneda del Cobre granted credits, made investments and provided banking services until the 1830s, when those institutions closed. In 1864 the Banco de Londres, México y Sudamérica was the first modern institution. The British-owned bank, created during the French intervention and

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242 The Banco Nacional de Amortización de la Moneda del Cobre began operating in the 1830s, and its function was only to replace copper coins with those of gold and silver; see Robert A. Potash, El Banco de Avío de México: El Fomento de la Industria, 1821-1846 (Mexico, D.F.: Fondo de Cultura Económica, 1959); Leonor Ludlow and Carlos Marichal, La Banca en México (1820-1920) (Mexico DF: CONACYT, 1998);
the rule of the so-called empire of Maximilian, was incorporate based on the Commerce Code of 1854. It transferred British investments, controlled major lines of credit and loans, and held the monopoly for the supply of paper money in the country until the Porfiriato.

When the republic was restored after the French invasion, the Banco de Londres faced obstacles to its expansion in Mexico and needed to disassociate itself from the imperial interests of England and France. When Díaz attained power, Mexico had broken diplomatic relations with England because of its role during the French invasion. Nevertheless, the real problem for this bank was its lack of accessibility for Mexican investors and politicians. This problem was solved during the Porfirian regime once it became a Mexican institution.

After Díaz’s first administration, during the administration of Manuel González, measures had been taken to exclude the Banco de Londres from the new banking system. The government was having serious difficulties negotiating the national debt with the British, and sought new foreign loans to relieve González’s bankrupted administration. The first step towards an economic solution was the establishment of a modern financial market in Mexico and the creation in 1881 of two new
The Creation of the Main Porfirian Banking Institutions

The Banco Nacional Mexicano was organized through negotiations with Mexican authorities and orchestrated by the European financier Edouard Noetzlin, with the ultimate goal of creating a state bank in Mexico. Noeztlin was a French-Swiss financier, and member of Geneva’s Jewish community. Noeztlin was an agent of the board of the Bank of Paris, and in 1875 he was designated secretary general of the Egyptian Bank, the institution in charge of French interests in Egypt, including the Suez Canal. British occupation of strategic areas in the Middle East interrupted his work there and displaced the French influence from that region to Latin America and Indochina. This is how Noeztlin came to Mexico in charge of the French Egyptian Bank. Noeztlin’s entree into the Mexican financial arena came during Díaz’s first administration, when he also represented the German agency Bleinchröeder and was able to obtain fresh loans.

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244 Bátiz, 7; Valadés, I, 95-96.

for the Mexican government.\textsuperscript{246} He also expanded his financial activities and persistently pursued a government concession to create a Mexican state bank named Banco Nacional Mexicano.

The Banco Mercantil Mexicano was also interested in becoming a key national bank. Important local investors, including members of the Spanish community and Porfirio Díaz, were shareholders in this bank. The quest for a concession to become a Mexican state bank began a rivalry between the two banks during the Manuel González Administration. Once Díaz left office, on August 16, 1881, the González administration granted Noeztlin a contract/concession to operate a bank. The concession approved the statutes of the Banco Nacional Mexicano that the board adopted in November of that year.\textsuperscript{247} The stockholders of this bank were primarily from Paris, New York and Mexico.\textsuperscript{248} Article Four of the charter established that the concession was granted in return for a government account opened by the bank.\textsuperscript{249} The contract gave the bank permission to operate, and imposed certain conditions for the government. The contract obligated

\textsuperscript{246} CEHMCARSO-CDLIV, \textit{Letter to Antonio Mier y Celis}, July 29, 1897; Valadés, I, 145
\textsuperscript{247} Banco Nacional Mexicano, \textit{Contrato Concesión y Estatutos} (Mexico: Imprenta Francisco Díaz de León, 1881).
\textsuperscript{249} Banco Nacional Mexicano, \textit{Contrato Concesión}.
the government to accept in its transactions, exchange and payment, only the bank’s paper money, and to reject notes issued by other banks, existing or ready to be formed, during the period covered by the concession. The exclusive utilization of this bank’s paper money for government transactions placed it just one step away from being a state bank. 250

Foreseeing the threat of new competitors, the board of the Banco Nacional Mexicano tried to formalize these prerogatives by creating a national banking law. In 1882 a Congressional commission considered a bill that would give the president the authority to issue a banking law. 251 The Senate rejected that bill because members believed that the president would issue a banking law based on the original charter of the Banco Nacional Mexicano that could abrogate important constitutional rights. Congressmen knew that that would give the Banco Nacional Mexicano monopoly control of the nation’s public finances, including the issuing of paper money. 252 The Senate finally decided that the proposed banking law was contrary to Article 28 of the Constitution that prohibited the creation of monopolies

250 Ibid.
252 Diario de los Debates, Vol. IV, Sesión del 29 de Mayo, 1884, 217.
in the production of commodities or services.\textsuperscript{253} It was an argument that the bill could jeopardize the free exercise of professions and, moreover, it would inhibit the establishment of new banks. In the end, the proposal was rejected.

A concession to create a national bank would provide many privileges in the banking system for some investors, as well as their inclusion in the national structure of power. The law would be disastrous for local financiers, moneylenders and owners of commercial houses, the traditional holders of political and economic power. Noeztlin and partners would now seek some of those privileges through enactment of a new Commercial Code, defined and controlled by the president.

On June 14, 1883 Congress discussed a bill for modification of Section X of Article 72 of the constitution.\textsuperscript{254} The bill passed on December 15, 1882, and authorized President Manuel González “to issue new codes, for mining and commerce mandatory throughout the Republic,” including banks as part of commerce.\textsuperscript{255} Senator Benigno Arriaga, in his comments on the process that led to the revision of the Commercial Code, stated that in 1882 Congress received a bill authorizing the president to enact a

\textsuperscript{253} Ibid, 217-221.
\textsuperscript{254} Diario de los Debates, Vol. II, Sesión June 14 and 15, 1883, 224 and 229.
banking law that at that time would have been unconstitutional.\footnote{Diario de los Debates, Vol. IV, Sesión Mayo 30, 1884. 283. Although the initiative for a Banking Law did not pass, it was intended to favor the Banco Nacional Mexicano, and to challenge the Banco Mercantil, which sought intervention from the Supreme Court to block the law.}

Finally, the board of the Banco Nacional Mexicano accomplished the results they wanted. In the end, in April 1884, the president issued a bill for a Commercial Code that safeguarded the bank’s privileges and let them temporarily avoid more rigorous controls by Congress.\footnote{Diario de los Debates, Vol. 1I, Sesión June 14 and 15, 1883, 224 and 229.} This bill was discussed in Congress and, according to several senators, some articles violated basic constitutional principles, by denying the rights of independent professionals and industries to work freely and have their own organizations.\footnote{Diario de los Debates, Sesión del 30 de Mayo, 1884, Vol. IV, 217.} In addition, the new Code established that people would be imprisoned for unpaid debts, something that was considered unconstitutional. Senator Eduardo Garay commented on the revisions to the Commercial Code and the proposal for constitutional changes, claiming that the series of loans that the bank had granted to the discredited González administration were behind the government’s capitulation to Banco Nacional’s interests.\footnote{Ibid.}
Senator Garay was referring specifically to the loan of $30 million that the Congress authorized on May 19, 1884. But he failed to mention the loans that the Bank made to the government on May 23, 1883 for $20 million, and three more in 1884 for more than $8 million. Undoubtedly, these had promoted the approval of a Commercial Code that favored the bank’s interests. Notwithstanding the opposition, the Congress passed the Commercial Code bill proposed by the president on May 31, 1884. Section XIII exclusively addressed banking issues and the Banco Nacional considered the passage of the Code a triumph. The Banco Nacional was authorized to receive all federal taxes from states and municipalities, and the board of directors controlled government loans, and national and foreign public debt, in accordance with conditions and guarantees as determined by the bank.

According to Pablo Macedo and Indalecio Sánchez Gavito, lawyers of the Banco Nacional, with the approval of the Code “the law had spoken and citizens could no longer invoke the Constitution on commercial matters.” The Code was hard on

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260 Loans of May 19, 1884, for the amounts of $5,761,000, $1,288,660, and $1,545,000. Diario de los Debates, Sesión de 23 de Mayo, 1883, Vol. II, 121; and 23 de Mayo, 1884, Vol. IV, 140.

261 Pablo Macedo e Indalecio Sánchez Gavito, La Cuestión de los Bancos, 2ª. Parte (Mexico: Imprenta Francisco Díaz de León 1890), 55.
existing banks, practically enforcing a monopoly, because others had to withdraw their paper money from circulation and to declare their businesses insolvent. If they wanted to continue operating they would have to start from scratch, and from then on, no bank except the Banco Nacional Mexicano would be able to issue paper money.²⁶²

When new congressmen were elected, some senators revealed the reasons why the past Congress rejected the law, and instead decided to pass a banking law in agreement with constitutional principles. The new Congress began the debate about a new banking law, but suddenly abandoned the discussion with no explanation, and the bill died in the Senate. In two decades the topic was not raised again in the Congress. The enactment of such a banking law would have encouraged competition, and would also have established operating rules for the banking system that Noetzlin did not want. Considering that the passage of such a law would have eliminated privileges that the Banco Nacional Mexicano had already achieved through the Commercial Code, the board of the bank wanted no such thing to happen. Apparently the Banco Nacional won a battle between the banks, but not the war.

²⁶² Mexico, Código de Comercio de los Estados Unidos Mexicanos, 15 Abril, 1884 (Pachuca: Imprenta del Estado de Hidalgo, 1884).
The stockholders of the Banco Mercantil would later reverse the bank’s triumphs, thanks to Díaz’s influence.

**Banco Nacional de México**

Less than a month after the approval of the Commercial Code on May 31, 1884, and a few months before Díaz’s new administration, the board of the bank changed its mind. They assumed that Díaz would try to benefit his bank by enacting a banking law that could be damaging to their interests if they continued under the support of González’s corrupt administration. It was then when the board of the Banco Nacional Mexicano modified the contract/concession of 1881. In the new charter the name of the bank was changed to Banco Nacional de Mexico, its capital was increased and the duration of the contract was extended. Many new clauses were incorporated into the charter, and eight of them were identical to several articles of the new code. The same hand that wrote clauses 7, 8, 9, 10 and 12 of the contract/concession, also wrote Articles 961, 962 of the commercial code, including the transitory articles. Some of the differences between the contract and the code revealed internal contradictions within the González

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administration that had inexplicably approved them both. Examples can be seen in comparing Articles 8 Section VI-B of the contract, and 963 of the code. The article in the contract established that the bank would be the official guardian of all deposits of money, titles of credit, gold and silver, and would receive a percentage of their value for managing them. The equivalent article of the code said that the guardian of the deposits would be the Tesorería General de la Federación (the Treasury) and established that those deposits could not be withdrawn even with the consent of the bank. The contract’s clauses also revoked the government’s authority to grant concession to new banks that could issue paper money. Conversely, the articles 954, 955, 956 and 978 of the code established the procedures for the incorporation of new banks into the system, including banks that could issue paper money.

Even with the conflicts between constitutional rights and the code rules, the Banco Nacional de Mexico obtained an informal role as a state bank. The new commercial code eliminated any future competition to the privileges acquired by the bank since its foundation. Both the Banco de Londres y Mexico and the Banco Mercantil Mexicano protested this
concentration of power, but only the Banco Mercantil’s claims succeeded. Díaz was again going to become president.

The Banco Mercantil succeeded in becoming an important bank because since its creation its stockholders were able to maintain Díaz’s political support.\footnote{José Antonio Batiz, coord., Banco Nacional de México: su Historia (1881-1984) (Mexico, D.F.: Grupo Financiero Banamex-Accival, 1994), 12.} Since 1881 the board had resolved to invite President González, and later on Díaz, to acquire its stocks. González did not accept the proposal, but Díaz did.\footnote{Díaz received a total of 100 shares of the Bank. Banco Mercantil Mexicano, Act of stockholders’ meeting of September 2, 1881. Cited in José Antonio Batiz Coordinator Catálogo de los documentos relativos al Banco, intr., Armando Rojas R. (Mexico, D.F.; Grupo Financiero Banamex-Accival 1994); Leonor Ludlow, “Banco Nacional Mexicano y Banco Mercantil Mexicano, Radiografía Social de sus primeros accionistas, 1881-1881,” Historia Mexicana XXXIX, Abril-Junio 1990, No. 4, 979-1028.} According to Francisco M. de Prida, a member of the board, Díaz was invited to purchase shares of the company, but he answered that he was a man of “limited resources.”\footnote{Ibid. According to the incorporation act of December 3, 1881, Porfirio Díaz owned 25 stocks, and the fund was $117,000.} In order to resolve that problem, the board agreed to admit him with a participation of $10,000 pesos that were allotted from the board director’s fund.\footnote{Banco Mercantil Mexicano, Act of stockholders’ meeting of September 2, 1881, in José Antonio Batiz Coordinador Catálogo de los documentos relativos al Banco, (Mexico, D.F.: Grupo Financiero Banamex-Accival 1994), 3.} At that point a member of González’s cabinet, Díaz became shareholder of the Banco Mercantil Mexicano. Bringing him into the company was not only an astute political
decision of the board, but also a bet for the future. Díaz was building a solid political career. Soon he became senator from the capital, governor of the state of Oaxaca, and more importantly, he was mentioned as possible successor to President González. The board of the bank was not only buying influence; Díaz needed a bank close to him if he wanted to be reelected because the country also needed domestic financial support. It was a quid pro quo arrangement.

On September 28, 1881, after the inclusion of Díaz, the board of directors decided on the incorporation of the bank with the name of Banco Mercantil Mexicano. On December 3, 1881, the Banco Mercantil Mexicano, S.A. was legally established, with capital of $2 million divided in 2,000 shares of stock of $100.00 pesos each. The stockholders of the Banco Mercantil

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268 AHAGN, Notary 617, December 3, 1881. Shareholders’ proxies in parenthesis: Nicolás de Teresa (Manuel Romano), Porfirio Díaz (Francisco María de Prida), Faustino Sobrino (García Aguirre), Manuel Ibañez, Empresa de Diligencias Generales (José Gargollo), José María Bermejillo, V. Gassier y Reynaud Sucesores (José Leataud), Pedro Martin, Antonio Escandón y Estrada, Viuda e Hijas de José de Teresa (José María Rosa Bárdena), Benito Arena, José María Prida, Juan Martínez Zorrilla, Hijos de Francisco de P. Portilla, Ramón Peláez, Rafael Ortiz de la Huerta, Genaro de la Fuente, Raymundo de la Mora, Ricardo Sainz, Indalecio Sánchez Gavito, José Mendoza Cortina, Antonio Sánchez Castellanos (Manuel Ibañez), Pedro Peláez (Ramón Balmori Peláez), Pedro Suinaga, Viuda de A. Escalante (José María Bermejillo), Luis G. Lavie, José Fernando de Domec, Mariano Conde e Ignacio Noriega (Indalecio Sánchez Gavito), José Toriello Guerra, José V. del Collado, Francisco Cortina, José Mijares, Remigio Noriega (Juan Noriega), and Romano Hermanos (Manuel Romano). The complete list of shareholders and the number of stocks each one owned can be seen in the incorporation act of the bank of December 3, 1881.

269 AHAGN, Notary 617, Agustín Roldán, December 3, 1881.
Mexicano were more representatives of native economic and political interests than were those of the Noetzlin’s Banco Nacional Mexicano, or the British Banco de Londres.\textsuperscript{270} Only 20% of the ownership of the Banco Nacional was from local stockholders, and the Banco de Londres was really a British-owned bank.\textsuperscript{271} From its beginnings, Banco Mercantil’s founders were affluent entrepreneurs, most of Spanish origin or Barcelonnettes (from the valley of Barcelonnette in France), who invited local politicians to participate in its incorporation. They knew well that the strong and historical relationship between business and political power in Mexico would be the key to make their bank important.

In order to survive the legal aftermath of the revised commercial code, the board of the Banco Mercantil tried to reach an agreement with the board of the Banco Nacional. President González proposed a merger between the two banks and the creation of a strong national bank that would support the government’s financial needs. But initially the Banco Nacional refused the consolidation because the board considered such unification unfair. The Banco Nacional argued that the value of

\textsuperscript{270} Batiz, Sesión Septiembre 28, 1881, 6.

its stocks was higher, as well as total capitalizations, and that its French stockholders would be a minority in the new bank once new members would be part of the board of directors and in the bank management. Nevertheless, the merger of the banks was quickly completed when it became clear that Díaz would reassume the presidency in December 1884.

Political and economic conditions became more favorable for the Banco Mercantil when Díaz ran for the presidency in the elections of 1884. As presidential elections grew closer, Noetzlin changed his mind about accepting the merger of the two banks and equalizing conditions for the members of both institutions. On April 2, 1884, a meeting of stockholders of both banks discussed the conditions for integration of the capital for the new Banco Nacional de Mexico.272 Noetzlin as representative of the board of directors in Paris, and other members of the board of the Banco Nacional, and the board of the Banco Mercantil, agreed that the capital should be integrated in equal shares.273 This cleverly structured merger finally resolved the competition between the two banks, and a very powerful bank emerged. With the merger of the two banks, Díaz re-entered


273 Mexico, Archivo Histórico del Banco Nacional de México, Fondo 1881-1884, Acta de la Reunión de la Mesa Directiva, April 2, 1884.
politics as a banker with 100 shares of stock. But his role in banking did not end there.\textsuperscript{274}

\textbf{Banco de Londres y México}

When Díaz became president for the second time in 1884, he arrived in the office with the support of a leading bank that was not only a vital link with European investors and capital, but also an enterprise that included important Mexican businessmen. While this new administration and a powerful bank were emerging in Mexico, the Banco de Londres was experiencing one of its worst crises. Even though it was founded in 1864 and was one of the oldest in Mexico, the bank was extremely vulnerable. Its political disadvantages due to its past links to the monarchy, the lack of powerful domestic partners, and the new regulations diminished its privileged position. The Banco de Londres concession was based on the earlier commercial code of 1854 that did treat banks like other commercial enterprises, leaving them with no regulations in financial matters.\textsuperscript{275} The Banco de Londres had begun functioning under a monarchical

\textsuperscript{274} Ludlow, “Radiografía social,” 1023.

\textsuperscript{275} Carmen Aguilera, coord., \textit{125 años de la Banca Serfín} (Mexico, D.F.: Banca Serfín, 1990), 19-24. On June 22, 1864, Guillermo Newbold registered the banks’ ledger in the book of commerce of the \textit{Tribunal Mercantil} of México City. The bank began functioning the following month during the French occupation and the regime of “emperor” Maximilian
concession during the French invasion, and lacked political support and local stockholders. After Maximilian’s execution, the bank struggled for its survival for a long period. Moreover, its future was also linked to the development, agreement and closure of debt negotiations with British borrowers and bondholders.276

The Banco de Londres began losing strength with the creation of the Banco Nacional and Mercantil Mexicano in 1881. When the president issued the commercial code of 1884 the bank came close to dissolution. Even though the Banco Nacional de Mexico’s charter prohibited other banks from issuing paper money, Article 970 of the Commercial Code did not ban the government’s acceptance of paper money from other banks. In practice, due to the contradictions between its charter and the commercial code, the bank continued to issue paper money until 1889 as it had done since its foundation. The stockholders assumed they could because there was no legislation about it when the bank opened in Mexico. Instead of seeking clarification of the situation or simply continuing to issue paper money, the bank drove for a prolonged and legally confusing procedure to seek a new concession.

Apparently, it was Limantour, counselor of the board of the Banco de Londres, who suggested the way to get a new concession. The bank’s board decided to buy the concession of an existing bank already authorized to issue paper money, which was a somewhat complicated solution per se, and the intervention of the Banco Nacional de Mexico entangled the process even further. In 1886, the board of the Banco de Londres decided to acquire the concession of a failed bank, the Banco de Empleados or Banco Comercial, which had had authorization to operate since June 12, 1883, that is, before the commercial code. The acquisition of this bank would be essential for the survival of the Banco de Londres. In 1886 members of the board of the Banco de Londres wanted to begin consultation with the stockholders of the Banco de Empleados, with the idea of purchasing this bank’s concession to operate. Even though the Banco Nacional intervened to block the purchase, and offered to acquire the Banco de Empleados too, it was not able to avert the transaction. The new Banco de Londres would be crucial for the British participation in

277 Banco de Empleados, Contrato Concesión y Estatutos, 15 de junio de 1883 (Mexico: Imprenta de Ireneo Paz, 1883). The government granted to Francisco P. de Tavera and Francisco P. Suárez a concession to operate the Banco de Empleados. In June 12, 1883 this concession was transferred to Generals Pedro Baranda, Luis Miranda e Iturbe, and Pedro Miranda. The objective of this bank was to grant loans, to make payments in the name of the government based on short-term loans, and to provide bonds to public officials, employees and retirees of the government of the Federal District.
Mexico, and what the regime wanted with this convoluted path to a new charter was to make the Banco de Londres assume that they needed to have Mexican capitalists if they wanted to succeed.

In the new charter the owners of the Banco de Londres, México y Sudamérica included Díaz’s close friend Braniff, Juan Llamedo and Ignacio de la Torre (Díaz’s son-in-law) as members of the board of directors. The changes included the shortening of the bank’s name to Banco de Londres y Mexico. In 1889, under a contract signed by Díaz, the Banco de Londres, México y Sudamérica acquired the concession. On August 21, 1889 the Banco de Empleados transferred its charter to the Banco de Londres, México y Sudamérica. That charter gave the Banco de Londres a legal address in the country, a new permit to issue paper money, and a new internal organization with mixed access to national and foreign shareholders.

The Banco de Londres y México, Sociedad Anónima was founded with a capital of $500,000 pesos, and several land properties the bank received in payment of debts. The act of

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278 AHGN, Notary 444, Rafael F. Morales, July 1, 1889.
280 AHGN, Notary 444, Rafael F. Morales, July 1, 1889. The bank received an important amount of lands from Martínez de la Torre’s heirs as payment for debts on July 1, 1889, before the notary Eduardo Galán, and on December 28, 1878, before the notary Gil Mariano León.
incorporation established that the new bank was a different and independent corporation from the Banco de Londres y Sudamérica, and was not responsible for contracts, obligations, or settlements that the bank carried in the past.\textsuperscript{281} With this provision, the new Banco de Londres could initiate its activities without the legal and political problems of the old Banco de Londres, but with the benefits of being a bank with British capital.\textsuperscript{282} Although the act of incorporation did not specify the contributions of individual shareholders, a local newspaper reported that the national capital came from the Mexican shareholders and well-known members of the Porfirian elite.\textsuperscript{283} Later Díaz himself would shareholder of this bank, another important source of European capital.

In 1889, as a result of contradictions and confrontations in the interpretation of the commercial code, the Díaz administration reformed it, eliminating all banking activities

\textsuperscript{281} Ibid.

\textsuperscript{282} Economically, the financial link between the two Banco de Londres was not completely severed. The old Banco de Londres y Sudamérica invested one million pesos in the founding capital of the new bank, while the new local shareholders participated with $500,000.

\textsuperscript{283} \textit{El Partido Liberal}, July 3, 1889. Thomas Braniff ($200,000.00), Ignacio De La Torre y Mier ($120,000.00). Other shareholders were S. Knight ($80,000.00), and R. Donde ($100,000.00). The board also designated Henry Campbell Waters as administrator of the bank, who with William Macandrero and Francis John Johnston became the Administration Board. AHAGN, Notary 444, Rafael F. Morales, 31 Agosto, 1889
from its regulation. Article 640 of the new code established that a specific law would regulate banking activities. The Congress would study such a law, and meanwhile, banks would be authorized to function only with the approval of the Secretaría de Hacienda (Secretary of Finance), along with a contract/concession approved by the Congress. Nevertheless the lack of banking law created a predicament for both new and old banks.

Once with the charter in hand, and learning from previous experiences and seeking certainties, the board of the Banco de Londres y México decided to invite Porfirio Díaz to purchase some stock in their bank in 1896. From the Banco de Londres y México’s board of directors Díaz received 250 shares of stock as registered in the bank’s stock ledger. True to his vision of business and power, Díaz became the bank’s shareholder in very confidential transactions, on July 17 and 27, 1896, when José Sánchez Ramos registered the transfer of 250 stocks to Díaz.

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284 Mexico, Código de Comercio, September 15, 1889. Dublán and Lozano Legislación Mexicana 1888-1890, Vol. XIX, 552
285 Ibid. 614
286 Ibid. 614.
287 Aguilera, 125 años de la Banca Serfin, 39.
288 Ibid., Facsimile of the page of the ledger of the bank that contains the donation of stocks to Porfirio Díaz, 39. It says: General Porfirio Díaz,
The Banco de Londres y Mexico thus insured its survival and success and its capital was increased the same year.

The entrepreneurial and political vision of Díaz and skills of Thomas Braniff and his prominent team were producing results. The bank was now expanding its activities and influence in the banking system and the political arena. On August 1896, the Banco de Londres substantially increased its number of shareholders, and many of the new shareholders represented Mexican capital. In the following decade the Banco de Londres would be an important financial institution in real estate and railroad businesses throughout the country.

The survival and growth of the Banco de Londres would not have been possible without the participation of Díaz and José Ives Limantour. Limantour joined the Díaz administration during the economic crisis of the 1890s, when two of Díaz’s closest friends died, leaving two important posts vacant in his cabinet.

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Ibid. On August 7, 1896 the charter of the bank was modified to increase its capital from three million to ten million pesos. On August 11, 1896, this increment was approved in a stockholders meeting. Banco de Londres y México, Concesión y Estatutos (Mexico; Imprenta Díaz de León. 1902). Members: Thomas Braniff, Ignacio de la Torre y Mier, General Manuel González Cosío, Francisco Espinosa, Enrique C. Waters, José Sánchez Ramos, León Signoret, Remigio Noriega, Valentín Elcores, Leon Ollivier, Francisco Suinaga, Delfín Sánchez Juárez, Iñigo Noriega, Faustino Martínez, Graciano Guinchard, Pedro Albaíterio, Manuel Romario Gavito and José Hauser
Carlos Pacheco left his post on March 21, 1891, and died a few months later and Manuel Dublán died on May 31. Limantour replaced Dublán as a Secretario de Hacienda. In 1893, it became his mission to orchestrate the country’s economic recovery from the serious problems that had originated in the early 1890s with the collapse of the international prices of silver and primary crops and had by 1893 produced a recession.\footnote{Mexico, Secretary of Finance. \textit{Report on the Banking System of Mexico}, November 15, 1897 in Charles Arthur Conan, \textit{The Banking System of Mexico}, U.S. Monetary Commission (Washington: Government Printing Office, 1910), 239-248.}

Limantour began the process of economic recuperation with the reform of the financial system, including banking, in order to promote local capital development in the economy. When the new commerce code discontinued control of banking, the banks operated in a legal vacuum, and the regulatory power remained with the Secretaría de Hacienda. Limantour decided to promote a banking law that could increase the number of banks and regulate their operations. Once the banks were not regulated by the code and lacking a specific law, Limantour’s office authorized the operation of many banks, thus permitting almost every state in the republic to open a local bank. To further complicate this situation, once the code was changed, Limantour also authorized
state banks to issue regional paper money. At the same time and looking for new fresh foreign capital, the Secretaría de Hacienda also introduced government bonds in the international stock exchange markets of Switzerland and France, and encouraged Mexican companies to participate in that market.

In 1897, one year after the incorporation of Díaz and other important shareholders in the Banco de Londres, and four years after Limantour took office at the Secretaría de Hacienda, Limantour brought the reform process to a conclusion and the financial system entered a new era with a new banking law. In this process three banks were given privileges. In two Díaz had stocks and in the third his son. Later he acquired or received shares of stock of the third bank.

**The Banking Law of 1897**

On March 1897, the Congress passed a banking law that would diversify the system, and enable some banks to expand their activities and participate more in the economy. The Congress passed the Ley General de Instituciones de Crédito that was not too much different from what the commercial code of 1884 had established, but it included the classification of banks in order to systematize their diversity and number. Banks were

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291 Ibid., 114.
divided in three groups according to functions of Emisión (Banks of Issue), Hipotecarios (Mortgage Banks) and Refaccionarios (Banks making fixed asset loans). The first group was authorized to issue paper money, the second was to originate and service mortgage loans, and the third to extend credit to companies and invest in specific business’s production. Banks were forbidden to operate outside their specified areas.

In 1905, with the growth of financial operations, the banks functioning in Mexico City decided to establish a Oficina de Compensaciones (Clearing House).\(^{292}\) This interbank payment system facilitated the exchange of payments and balances among banks, but particularly between the Banco de Londres y México and the Central Mexicano, which had been created to become the clearinghouse of all state banks.\(^{293}\) In the same year, the banking law was modified to prohibit banks from issuing paper money beyond December 31, 1909.\(^{294}\) Meanwhile, banks were authorized to continue issuance only within their own state limits, and after that date, only three new banks would be authorized to issue paper money. This was relevant because Díaz, close friends, and his son were stockholders in those three

\(^{292}\) Boletín Financiero y Minero de México, October 7, 1905.


\(^{294}\) Boletín Financiero y Minero de México, May 18, 1905
banks: Banco Nacional de México, Banco de Londres, and Banco Internacional Hipotecario.

The Banco Hipotecario was a bank incorporated in 1882 that in the 1900s was in the hands of U.S. financiers Robert Colgate, H.B. Collins, and Braniff as well as Porfirio Díaz Junior, among others. In 1914 president Díaz owned 200 “A” shares and 534 common shares of stock of this bank. Those shares were in deposit at the Crédit Lyonnais bank in Paris.

While many banks were facing restrictions, others had the option to do what they wished. The banking law of 1897 included a temporary article allowing the Banco Nacional de México, Banco de Londres y México, and the Internacional e Hipotecario de México to either modify their charters or continue operations according to their original concessions. These three banks began the new banking era with attractive privileges, not so much because of their national economic significance as for their political influence. Díaz, his son, and Limantour had interests in those banks.

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296 Crédit Lyonnais, *Titres en Depot*.

If Díaz helped some to become part of the privileged business elite, he also caused others to fall from grace. At the beginning of Díaz’s regime, Noetzlin’s familiarity with international financial organizations made him an important negotiator of the Mexican debt with British and French bondholders in Europe. But he also wanted Díaz’s Banco Mercantil going out of business. For years, Noetzlin avoided financial alternatives that would be outside of his direct control and would benefit Mexico more than France. Noetzlin once demanded that Mexico buy French merchant or war ships as a condition to receive loans.\(^{298}\) In order to diminish the importance of Noetzlin as the broker of Mexican international loans, the sale of Mexican Public certificates, and in the Mexican banking system, Limantour began in 1897 a strong campaign to push him out of his assignment. Limantour, with the help of Mier y Celis, began directly negotiating foreign loans and the introduction of Mexican certificates in European stock exchanges. They gradually displaced Noetzlin as intermediary with the Rotschild and Bleinchröeder agencies.\(^ {299}\)

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\(^{298}\) CEHMCARSO-CDLIV, Letter to Eduardo Noetzlin, Mexico, January 12, 1897.

\(^{299}\) CEHMCARSO-CDLIV, Limantour Letter, July 29, 1897.
Limantour also gave to Banco de Londres y México, and the recently reorganized Banco Internacional e Hipotecario, the same privileges that the Banco Nacional had, bringing certain competition to the financial market and favoring their stocks over those of the other banks. He wanted to direct the finances of the nation without allowing extra power to any one bank or nation. The new strategy against the Banco Nacional also included the introduction of Mexican stocks in Germany and debt certificates in France, through the agencies Crédit Lyonnais and the Effectenbank de Frankfurt, without Noetzlin.\textsuperscript{300} Díaz apparently ended the quid pro quo arrangement and let go Noetzlin in a moment when new banks became part of the Porfirian Banking system. Noetzlin was excluded from the introduction of the Mexican certificates in the French market and also from the financing of works on Mexico City’s drainage and Veracruz, Coatzacoalcos, and Salina Cruz port facilities, which were awarded to British financiers and contractors. When Noetzlin learned of Limantour’s actions, he was very upset.\textsuperscript{301} From 1897 to 1899 the communications between the two financiers got rough, and the epistolary relationship disappeared. There was no

\textsuperscript{300} CEHMCARSO-CDLIV, Letter to Edouard Noetzlin, January 25, and February 25, 1899.

\textsuperscript{301} CEHMCARSO-CDLIV, Letter to Eduardo Noetzlin, February 25, 1899.
further exchange of letters between the two former friends and partners at the Société Financière Pour L’Industrie au Mexique.\textsuperscript{302} The last known communication between them was on March 12, 1900.\textsuperscript{303} Noetzlin, the creator of one of the first banking institutions, was barred from Mexico's finances.

The evolution of the Mexican banking business exhibits not only the manipulation of the system, but also collusion between businesses and politics, and a real conflict of interests. Moreover, it reveals the series of government operations needed in reciprocity for the accounts opened by the banks to the González and Díaz administrations. Díaz’s entrepreneurial participation in banking had an effect in the banking system that was mostly for foreigners and a minority’s benefit, including that of his son, his friends, and himself. It was not casual that the banks in which Díaz was stockholder were at the end of his regime in the best conditions to do business. However, he was in the path of making distinctions even among them. With more banks in the system, he was able to gradually end the previous quid pro quo arrangements with the Banco

\textsuperscript{302} AHAGN, Notary 5, Bernardo Cornejo, August 3, 1900.

\textsuperscript{303} That day Limantour sent Noetzlin a congratulatory letter for his daughter’s marriage with Mauricio de Boysoor. On June 21, 1900, Alfonso Bulle sent Limantour a letter informing him that he was coming to Mexico as Noetzlin’s representative and requesting a meeting. The epistolary relationship between the two personalities ended here.
Nacional de México, and to set aside people like Noetzlin, the initiator of the banking industry.
CHAPTER 5 Díaz and the Mining Industry

When Porfirio Díaz assumed the presidency, the mining industry was passing through one of its worst periods, with profound problems reaching far back in the country’s colonial history. Díaz's government updated mining legislation, and allowed small and major private investors to explore and exploit mines all over the nation. Predictably Díaz did not lose the opportunity to get into the business, taking advantage of the changes he promoted. In partnership with former political enemies who were now members of his administration, Manuel Romero Rubio and Carlos Pacheco, Díaz confirmed that businesses were able to do what politics could not. His mining enterprises became a model for his strategy to create a new entrepreneurial class in place of the previous politically fractured elite, that is, to put a new entrepreneurial class on a path to becoming a new unified social class with many privileges.

During the Spanish colonial period, when the revenues of the Mexican mines went exclusively to the Spanish Crown, mining was a very prominent activity. The productivity of the mines diminished over time due to the technologies available at that time, and in the eighteenth century mining became a much less
profitable activity than commerce. The Bourbon reforms were designed to make mining more profitable through measures like tax exemptions, creation of mining banks, democratic participation of miners in diputaciones (mining councils) with jurisdiction in problems related to claims, such as dimensions, boundaries, and labor relations.\textsuperscript{304} Although the production of some mines improved greatly during the latter part of the colonial period, entrepreneurs lost many mine concessions after 1810 when they could not pay their debts, particularly to the church, which was then the primary financial institution.\textsuperscript{305} After the fighting for independence was over, the revenues of the mines went to the Mexican government, but the condition of the industry did not improve. Abandonment, excessive regulation and taxation, and the lack of credit, investment and clear rules of operation impeded the recovery of mining for many years.

In the post-independence period, conditions in the mining industry worsened when the individual federal states were granted the authority to regulate the industry, resulting in diverse patterns in organizational structures and governmental supervision across the country. State control of the extension


\textsuperscript{305} Ibid, 449.
of mining claims and labor contracts often rendered this business unprofitable. Many investors found it difficult to manage given such diversity, variety and complexity in bureaucratic procedures and simply left the business. 306

The Porfirian regime’s response to that situation was true to form. First of all, Congress issued a series of laws attempting to make procedures in the mining industry uniform, and also to centralize key decision-making authority in the presidency. This solution brought investment opportunities for domestic and foreign capital, as well as the involvement of the Porfirian elite, including Díaz himself, in several mining enterprises.

The initial focus of new regulatory legislation was the unification of mining laws, codes and regulations in order to eliminate the inequities and inconsistencies that individual state laws had imposed. Moreover, the regime wanted to modernize procedures for managing the extension, productivity, commercialization, and taxation of mining claims, as well as to permit mining entrepreneurs more freedom to operate their businesses. The standardization of the industry began with an

amendment to section X of Article 72 of the Constitution, similar to those for the drainage project, railroads, the banks, and the Commercial Code that had conferred more power on the presidency for economic decisions. On December 14, 1883, Congress passed a bill authorizing the executive to issue a Mining Code mandatory all over the republic. Eight months later, in August 1884, Díaz began his activities as a mining entrepreneur. Along with Romero Rubio and Pacheco, Díaz signed the act of incorporation for a new mining company, Compañía de las Minas de Cinabrio. After the creation of this company, legislation changed several times to promote investments for the industry.\footnote{AHAGN, Mexico, Notary 617, Agustín Roldán, August 11, 1884.}

On November 22, 1884, the Congress passed a revised Mining Code that became effective on January 1885. Later, in June 1887, the Congress passed a law exempting exploitations of cinnabar, mercury, iron and coal from federal and municipal taxes. The law of 1887 established that those mining products not exempted would pay the federal and the minting tax in a single payment not to exceed two percent of the value of metal extracted.\footnote{Law of June 4, 1887. Dublán and Lozano, Legislación Mexicana 1887, Vol. XVII, 288. See also Law of June 6, 1894, Vol. XVII, 287, that allowed the president to acquire a process for the beneficio (beneficiation or amalgamation) of gold and silver.}

\[\text{\textsuperscript{307}}\text{AHAGN, Mexico, Notary 617, Agustín Roldán, August 11, 1884.}\]
\[\text{\textsuperscript{308}}\text{Law of June 4, 1887. Dublán and Lozano, Legislación Mexicana 1887, Vol. XVII, 288. See also Law of June 6, 1894, Vol. XVII, 287, that allowed the president to acquire a process for the beneficio (beneficiation or amalgamation) of gold and silver.}\]
legal changes imposed by those laws made possible that between April 1887 and September 1888 there would be 2,070 new claims for mines and thirty three haciendas de beneficio (beneficiation or processing plants) in the country.\textsuperscript{309} The development of mining legislation continued, and in June 1892, the Congress passed a Mining law that superseded the Mining Code of 1884.\textsuperscript{310} The law would control the extraction and industrialization of silver, gold, cinnabar, mercury and arsenic, among other metals, and owners such as Díaz were to be able to exploit their mines as private enterprise.\textsuperscript{311} Mining claims would be irrevocable and valid in perpetuity; the extension of the properties would be unlimited; mining property could be mortgaged; the number of miners and administrative employees working in a mine would not be controlled by the state; the use and exploitation of the mines could be carried out only under the proprietor’s permission; and mining diputaciones were eliminated and replaced by mining agents that oversaw mining production. The bill

\textsuperscript{309} Memoria de Fomento, 69.

\textsuperscript{310} Mexican Government, \textit{Ley Minera de los Estados Unidos Mexicanos, 1892 and amendments until 1899} (Mexico: F. P. Hoeck y Co., 1899). Includes the Law of June 4, 1892, \textit{Ley de Impuestos de Minas} (Mining Tax Law) of June 6, 1892; and the \textit{Reglamento de Procedimientos Administrativos de Minas} (Code of Administrative Procedures in mining matters) of June 25, 1892.

\textsuperscript{311} The Mining Code of 1783 still in operation conceded to miners only working rights, and prohibited foreigners from owning mining rights or shares in mines. After gaining independence first the national government and later the states had jurisdiction over mining operations. Memoria de Fomento, 66; Brading, \textit{Miners}, 132.
authorizing the Administración General de la Renta del Timbre (stamp tax administration), of March 1893 ordered the deposit of mining tax revenues in the Banco Nacional de Mexico, in which Díaz had holdings.\textsuperscript{312}

In order to encourage the exploitation of gold and modernize the mining industry, in June 1894 the Congress passed a law authorizing the Secretaría de Fomento to speed the passage of contracts to companies interested in mining.\textsuperscript{313} This law set a minimum capital investment during the first three years, to be duplicated in the following five years. The law of 1894 considered as gold fields all deposits and sediments of that metal, and also those fields where the gold was mixed in higher proportion of value with another metal. The law also required concessionaires to produce four hundred tons of metal weekly within a period of two years, and exempted them from ninety percent of the annual tax for a period of ten years.\textsuperscript{314} The entrepreneurs would be able to import any kind of machinery, tools, material and equipment necessary for the exploitation and industrialization of gold without paying duties.

\textsuperscript{312} Law of March 28, 1893. Dublán and Lozano, \textit{ Legislación Mexicana 1893}, Vol. XXIII, 89

\textsuperscript{313} Law of June 4, 1894. This law was published in June 6, 1894. Dublán and Lozano, \textit{ Legislación Mexicana 1894}, Vol. XXIV, 178.

\textsuperscript{314} According to the Law of Jun 4, 1894, mining production only paid stamp tax.
The development of the mining industry was promoted not only by a series of well-planned and timely laws, but also by the contributions of important entrepreneurs such as Díaz. With those new laws, the state definitively protected mining property, giving entrepreneurs enough security to create new companies, and many new mine owners got into the industry. Díaz and members of his administration made those changes promising enough to participate themselves in the development of the industry. Not only did Díaz founded the Compañía de Las Minas de Cinabrio, S.A. as indicated above, but in 1890 he became involved in another venture, the gold mining Compañía de las Minas de Oro de Cerro Colorado, S.A.\textsuperscript{315}

\textbf{Compañía de las Minas de Cinabrio}

The first of Díaz’s mining companies involved cinnabar, which is a metal from which mercury is extracted. Due to its color it was also used to obtain a vermilion pigment. At the end of the nineteenth century, the demand for this mineral was very high because it was used to produce instruments, medicines and paints for ships. In Mexico, mercury was used mainly in the

\textsuperscript{315} AHAGN, Notary 617, August 11, 1884, and Notary 444, Rafael F. Morales, October 4, 1890.
extraction of gold, and that was the reason for Díaz’s involvement in the business.

The national production of mercury was not sufficient to meet the internal demand, and new discoveries of this material had a secure commercialization in the mining industry. In fact the government had reduced taxes on imported mercury to support gold extraction. The production of cinnabar came from mines in the states of Guerrero, San Luis Potosí and Baja California, and one of cinnabar’s most productive regions in the state of Guerrero was in the municipality of Huitzuco.\(^{316}\) In 1870, a group of miners discovered important cinnabar deposits in the Nananche mine, and from 1874 to 1879 the company Urriza, Thevenet y Arnais produced this mineral.\(^{317}\) Around 1880 its production declined, and the company was not able to resolve its financial problems and sold the properties to the mining entrepreneur Luis Saulny who had been exploring the area for decades.\(^{318}\)

On November 1883, Saulny, as representative of Romero Rubio and local politician Antonio Mercenario, among others, claimed


\(^{318}\) Carlos Sellerier, El Mineral de Huitzuco, 1898 (Mexico: Tipográfica de la Secretaría de Fomento, 1898).
the possession of several cinnabar deposits in the area. Those denuncios (claims) were registered at the local government or Prefectura Política (political prefecture) of the Hidalgo District of the state of Guerrero, and according the law Saulny was then able to develop the mines as proprietor. In August 1884 Mercenario, Romero Rubio, and others signed the notarial act granting Saulny the mines of El Rosario, La Victoria San Pablo and El Porvenir. A mining ownership was customarily divided in 24 barras and according to the clauses of the act Saulny would exploit 16 barras of the 24 of every mining claim. He would manage the finances of the company, and was permitted to sell or transport the products. As main proprietor, because he owned almost sixty six percent of the claims, he received the revenues, and later distributed profits

319 AHAGN, Notary 617, Agustín Roldán, August 11, 1884.

320 AHAGN, Notary 617, Agustín Roldán, August 11, 1884. The first denuncios were filed on November 13, 1883, when Saulny was resident of Iguala. At that time he also claimed the mining fields of La Sagrada Familia or El Rosario, and La Victoria or La Esperanza south of the town of Huitzuco that were adjudicated to him by the government on May 15, 1884. On December 1, 1883, Saulny filed his third claim or denuncio of the San Pablo mine close to the town of Huitzuco that he declared on February 1883. The fourth claim of December 19, 1883, was on the irregular cinnabar field of El Porvenir that the government adjudicated to him, on May 1884.

321 Some companies divided the barras into stocks and sometimes the shares were divided in bonds. Barras aviadoras were those in which the owners had to provide capital to the mining claim to receive profits. The barras aviadas were those in which the owner did not have to provide capital to receive profits of the company. AHAGN, Notary 617, Agustín Roldán, August 11, 1884. José de Jesús Nieto, Luis Martini, Hipólito Thevenet, and Agustín Ponce were also members of the board.
to the rest of the proprietors according to their respective shares.

In August 1884, Díaz, Romero Rubio, Pacheco, and four more partners notarized an act of incorporation for the Compañía de las Minas de Cinabrio, S.A. With this company they would carry out the necessary work to develop the cinnabar deposits of Huitzuco. According to this act of incorporation, Saulny ceded to his partners fifteen barras avionadoras that were distributed among Díaz, Romero Rubio, and Pacheco. Saulny died in 1886, and Romero Rubio became recipient of his shares. The board of the company decided to locate the offices of the company in the town of Huitzuco. Soon the growing importance of this enterprise affected not only the town but also the entire state of Guerrero. Company administrator and partner Mercenario became an important and powerful executive and state politician. As did many other loyal politicians during the Porfiriato, Mercenario effectively used the prominence of his employers and

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322 Romero Rubio was chairman, and Samuel B. Knight was treasurer of the company. Carlos Quaglia, Samuel Knight, Romero Vargas, and Luis Sarré were also members of the board. AHAGN, Notary 617, Agustín Roldán, August 11, 1884.

323 Members: Díaz (2), Romero Rubio (2), Pacheco (2) Carlos Quaglia (2), Samuel B. Knight (1), Romero Vargas (1), Luis Sarré (1), and Saulny (1). Three more barras were assigned to a company’s fund. Each barra was divided in eight parts and for each part was issued a bond or stock.

324 Jacobs, La Revolución Mexicana, 42.
partners, the economic importance of the mine, and a paramilitary group under his command to his own political benefit.\footnote{Ibid.} In 1888 and 1892, Mercenario became municipal president and later won the election for governor of the state. He served from 1893 to 1901.

The production of the mine became an important source of power for Mercenario and income for its partners. That success with cinnabar led the owners to consider something closely related with its production, and even more profitable: the extraction and production of gold. Six years after the creation of the cinnabar company, they bought a gold mine and incorporated a company to exploit it.

Compañía de las Minas de Oro de Cerro Colorado

Mexico was a country rich in gold deposits, but the production of this mineral was never more important than silver.\footnote{Guadalupe Nava Oteo, “La Minería,” Daniel Cosio Villegas ed., \textit{Historia Moderna de México, el Porfiriato: Vida Económica} (Mexico D.F.: Editorial Hermes, 1994), 179-310.} At the end of the nineteenth century the exploitation of silver was declining due to its low prices in the international markets. Silver and gold come together in almost
the same mining fields, and soon the extraction of gold was more profitable than silver.

Traditionally the state of Chihuahua had been a place for gold extraction, but mining was costly because of its orography, which often made gold inaccessible. That was the reason why many mines were abandoned or their owners did not have the financial resources to exploit them. Díaz’s gold company acquired several mines that needed substantial capital to restart their production. The production of gold remained stagnant until the 1890s when silver began its depreciation. In 1896, Robert E. Preston, Director of the U.S. mint, said with respect to the gold standard “Mexico must align with the rest of the world.” Entrepreneurs such as Díaz and Limantour had the vision to see opportunities in the forthcoming global adoption of the gold standard.

The U.S. adopted the gold standard in 1900, and in 1902 The Mexican Herald published an interview with broker Gustavo Struck on the need for Mexico to adopt the gold standard. The same year Charles A. Conant assisted Limantour and other “Yankee

327 Mexico, Comisión Monetaria, Datos para el Estudio de la Cuestión Monetaria en México, II (Mexico: Oficina Impresora de Estampillas, 1903), 85.
Money Doctors” advised the Mexican currency commission “to smooth the transition to gold.” In 1904, Congress authorized the president to reform monetary laws, which led to the adoption of the gold standard on March 25, 1905. This was an evident conflict of interest since Limantour was instrumental in conducting Mexico’s adoption of gold standard, and the measure became a significant incentive for gold producers like him or Díaz who enacted the law.

Despite the increase in demand, it was impossible to improve without major investments in the modernization of mining facilities. In order to improve the extraction and production of gold facilities and profitability, the gold and silver industries required important changes on two levels. On one hand, it would be necessary to modernize relevant legislation and operating regulations, and to facilitate the investment of new capital. Moreover, additional productivity could only be

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achieved with significant improvements in technology, energy supply, machinery, equipment, capital involvement, and administrative procedures for extraction, processing and transportation.

One of the early mining entrepreneurs in the state of Chihuahua was Alexander R. Shepherd, a former Governor of the District of Columbia who began looking for gold in the region of Batopilas in the 1880s.\textsuperscript{333} He and the Becerra brothers (Agustín, José María and Buenaventura) and their company Becerra Hermanos practically owned the region of Urique and Batopilas in the state of Chihuahua.\textsuperscript{334} Juan N. Becerra moved to the region in the mid 1800s and incorporated the American and Mexican Silver Mining Company.\textsuperscript{335} The Becerras were prefectos políticos of the region and had alliances with the Terrazas, and Buenaventura was godson of Porfirio Díaz.\textsuperscript{336}

Shepherd incorporated the Batopilas Mining Company and the Batopilas Consolidated Mining Company, and he built a tunnel to


\textsuperscript{334} Leonidas Hamilton, \textit{Mining Districts and Mines of Chihuahua for Border States of Mexico} (Chicago, 1882) 151. \textit{Boletín de Agricultura y Minería e Industria}, Año 4, No. 1, July 1894.


connect his mines located on one side of the craggy mountains of Chihuahua in Batopilas, at the bottom of the Copper Canyon, with the processing plant that he planned to construct at the Hacienda of San Antonio on the other side. In 1885 he finished the tunnel, which he named after Porfirio Díaz.\textsuperscript{337}

Many companies came to Chihuahua following in the footsteps of Shepherd and the Becerras, and in the year that he opened the tunnel there were ten companies working in the area.\textsuperscript{338} The Becerra Brothers discovered the Mine of Cerro Colorado in 1888, which was reputed to be the largest gold mine in the world.\textsuperscript{339} After 1889 they were looking for partners in London and Paris to develop the extraction of minerals from this mine and from other parts of the Batopilas and Urique region in Copper Canyon, but José María Becerra died in London with no deal reached.\textsuperscript{340} By 1896 there were seventeen more companies and four haciendas de

\textsuperscript{337} El Minero Mexicano, October 29, 1885.

\textsuperscript{338} El Minero Mexicano, August 20, 1885: Compañía Consolidada de Batopilas Chihuahua, Compañía Minera Santa Eulalia, Compañía Beneficiadora de Chihuahua, Compañía Beneficiadora de San Francisco y Esmeralda, Compañía Nortemexicana en Cosihuirtachic, Compañía Minera Santa Eduvigés, Compañía Minera Corralitos, Compañía Minera de Tecolote, Santa Bárbara, and Compañía de Veta Grande de Parral.

\textsuperscript{339} Frederick Schwatka, In the Land of Cave and Cliff Dwellers (New York: Cassel Publishing Company, 1893), 304 and 307.

\textsuperscript{340} Boletín de Agricultura, July 1894. Schwatka, In the Land, 309.
beneficio working in the area of Batopilas.\textsuperscript{341} The original concessions of the mines located in the Batopilas area, District of Andrés del Río in Chihuahua, were under control of the Sociedad Becerra y Caballero, which developed only the San Gabriel mine.

In 1890, Porfirio Díaz and a group of important members of the Porfirian elite decided to participate in the gold mining industry in Chihuahua, and a new company became part of that important group of gold producers, La Compañía Minera de Oro de Cerro Colorado.\textsuperscript{342} This mine included the mining fields of San

\textsuperscript{341} Diario de la Bolsa de México, “The Mining Region of Batopilas,” Reproduction of an article from the Gaceta Minera de Chihuahua, February 27, 1896. Those companies were the Batopilas Mining company, Compañía Minera La Gloria, Señores Caballeros y Larriva, Compañía Minera Cuauhtémoc en Cerro Colorado, Becerra Hermanos, Compañía Minera Pastrana, Jesús E. Valenzuela y Socios, Enrique Valenzuela, Refugio Salazar y Socios, Luis Muss y Socios, Juana de Arco, Compañía Minera de Santo Domingo, Arturo Shepherd y Socios, Francisco D. Merchant, Felipe Z. Valdés, Carlos P. Félix, and Jesús H. Gaxiola. The haciendas de beneficio that supported the Batopilas Mining Company were San Miguel and San Antonio; the plant of La Gloria belonged to the Compañía Minera de la Gloria, and that of Hernán Cortés to the Compañía Cuauhtémoc.

\textsuperscript{342} AHAGN, Notary 444, Rafael F. Morales, October 4, 1890. Members of the company were (shares in parenthesis): Porfirio Díaz (5), Carlos Pacheco (15), Manuel Romero Rubio Romero Rubio (2), José Y. Limantour (4), Governor of Mexico City Guillermo de Landa y Escandón (5), railroad businessman Salvador Malo (10), Díaz’s friend and partner José Sánchez Ramos (5), British businessman Samuel B. Knight (2), son-in-law Isidoro de la Torre (2), ambassador to the U.S. Matías Romero (2), Society Remigio Noriega y Hermano members of the Spanish community (10), the Society Becerra Hermanos (322), Francisco M. de Prida (6), Félix Cuevas (5), Delfín Sánchez Juárez (140), José de Teresa y Miranda (30), Carlos Guaglia (1), Luis Jacoby (5), Enrique Vallejo (19), Antonio Ortiz Hermano (2), Rafael de Arrillaga (3), Juan Lozano (2), Juan Lamedo (2), Ulises Bassetti (2), Antonio Basagoliti (16), José Arce (3), Joaquín Durand (1), Eduardo Zozaya (3), Saturnino A. Sauto (10), Manuel González Cosio (1), Esteban Fernández (1), Roberto Nuñez (1), Pedro A. González (1), María Portal de Paz (1), Vicente Alfaro (1),
Gabriel, with six pertenencias (mining areas): Santa Elena, with six pertenencias, El Bazar, with an area of three pertenencias, La Gloria, with $2\frac{1}{4}$ pertenencias, and the hacienda de beneficio Nueva Australia. The mines of La Gloria and Nueva Australia were largely abandoned. The hacienda de beneficio was also very old and required important improvements to operate more efficiently. For example, the railroad that transported minerals to the plant had to increase its capacity and speed, and the machinery of the beneficiation plant had to change to steam power to increase its productivity. In short, the mine was in

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Adolfo Schmidtlein (2), Agustín Hoth (2), Luis Salazar (1), Empresa de Diligencias (5), José Gargollo (5), Feliciano Chavarría (1), J. Natalio Pliego Pérez (2), Ricardo Hornedo (1), Roberto Ducoing (1), Pablo de Lascurrán (1), Carlos R. Camacho (1), Roberto Santa María (1), Fernando Zetina (1), José María Velázquez (3), Teodoro Quintana (1), Demetrio Salazar (1), Tomás Salazar (1), Adela Díaz Covarrubias de Barreda (1), José Hipólit Ramírez (1), Rafael Chousal (1), José Busquet (10), Luis Pliego Pérez (3), Cristina Yundorff de Balling (1), Manuel M. Loera (2), R. Sotomayor Hermanos (5), Agustín Arroyo de Anda (1), Fernando Altamirano (1), Joaquín D. Casasús (1), Gumersindo Enríquez (1), Julio Pinal (1), Lorenzo de Castellanos (10), Fernando López (1), Justino Fernández (2), Luis Velasco Ruiz (1), Francisco Romero (1), Telésforo García (10), Vicente Alonso (5), Jorge Goribar (1), José María Saldivar (3), José V. Del Collado (5), Agustín Cerdán (10), Carlos Rivas (1), Francisco Bulnes (1), Pedro Díez Gutiérrez (8), J. Antonio Pliego Pérez (3), María del Jesús del Villar de Espinoza (3), José M. Almazán (1), Enrique A, Velasco (1), José Pedro Dueñas (2), Rafael Dondé (10), Luis Pombo (5), Julio Aspe (1), Emilio Pardo (2), Pedro Peláez (5), Miguel Rul (4), Luis Méndez (1), Tomás Cortina (5), Sebastián Camacho (5), Faustino Martínez (3), Francisco Ramírez y Salomón (1), Juan González Asunsolo (3), Manuel Angel Velasco (2), Indalecio Sánchez Gavito (1). Total 800 shares

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343 A pertenencia is a mining area unit equivalent to one hectárea (2.471 acres)
shambles and needed a great deal of investment to function profitably.\textsuperscript{344}

**Politics, Friendship and Business**

In the mining business President Díaz had the opportunity to revitalize a basic Mexican industry and bring various friends and former political enemies together such as Pacheco, Romero Rubio, and Limantour as well as other politicians, entrepreneurs and representatives of domestic capital. The plan to build companies with many small investors was not, however, successful in the short term. Lack of finances, problems with management, the deaths of main associates, and the coming of the revolution took a toll on Díaz’s mining enterprises.

Romero Rubio was originally in charge of the cinnabar mines, but he died in 1895. Mercenario, whom he had counted on to oversee the mines at Huitzuco, took over. Mercenario became governor of Guerrero three times and he had to move to the state capital, but he requested fourteen leaves of absence to take care of the businesses at Huitzuco. During the first decade of the 1900s there were signs of anti-reelection rebellion in almost every part of the country and the state of Guerrero was

\textsuperscript{344} CEHM CARSO, Compañía de las Minas de Cerro Colorado, Informe a la Mesa Directiva, 1893.
no exception. In fact, soon after his last reelection in 1901 Mercenario was forced to resign, and he sought refuge in the state of Colima.\textsuperscript{345} Notwithstanding lasting discontent, Díaz visited the state in May 1910.\textsuperscript{346} The motive was to inaugurate a road from the town of Balsas to the state capital, Chilpancingo, but also to have a firsthand impression of the situation in the states of Morelos and Guerrero, and particularly in Huitzuco, since his mine was located there. He wanted to demonstrate that both states were under his control, but this would prove to be one of his last trips outside Mexico City.

Díaz did not stop at Huitzuco after all, however, because it was becoming the epicenter of the Maderista political movement in the state of Guerrero. Instead, and after the inauguration of the road, he returned to the capital. A year later the revolutionaries led by Madero forced him to leave the country. Neither Mercenario nor Díaz ever returned to Huitzuco. When Díaz resigned, Mercenario was elected senator for the state of Colima, where he was living as an exile. Ironically, as senator he signed the congressional decree that declared Madero

\textsuperscript{345} Jacobs, \textit{La Revolución Mexicana}.

\textsuperscript{346} Mexico, Universidad de las Américas Puebla, Sala de Archivos y Colecciones Especiales de la Biblioteca Franciscana, Centro Interactivo de Recursos e Información y Aprendizaje. Telegrama No. 1043, Destinatario Gobernador de Guerrero, April 25, 1910.
president on November 27, 1911. He died days later, and the mines at Huitzuco were left in the hands of revolutionaries.

In the case of the gold mine in the state of Chihuahua, the Becerra brothers were in control of the mines. Due to their age, Buenaventura’s son-in-law John Nesbit, a British engineer, was managing many of their businesses. When Buenaventura died in 1907, Nesbit’s son became prefecto político of Urique, thus becoming a Porfirian politician as had Mercenario in Guerrero. The rest of Díaz partners in the gold company were investors in search of fast profits associated with the dictator. The mine of Cerro Colorado was in shambles when they bought it and too remote for these privileged investors to visit it. The mine bonds never arrived to the Mexican stock exchange and they were unable to attract fresh capital. When the revolutionaries arrived in 1911 many people abandoned the town. The mine was abandoned without producing anything highly profitable, and although some descendants of the Becerra family continued to live in the town, it remained more or less isolated until the 1970s.

Díaz did more than just participate in the mining industry through his gold and cinnabar mines with his partners Romero Rubio and Pacheco. He also invested heavily in the stock market,
purchasing shares in the most important mines and industries in the country, most of them in the hands of foreigners. During his exile in France he survived with his family thanks to the rent on his investments.

**Díaz’s Investments in the Mining Industry**

After the adoption of the gold standard, gold mines became attractive investments for stockholders. According to his usual practice, Díaz invested in mining and, according to a 1914 report, he was receiving in Paris dividends of his stocks of mines in the state of Hidalgo and in the District of El Oro, such as La Compañía Real del Monte, San Rafael y Anexas, Oro Nolán, and Las Dos Estrellas. These companies were the most important mining businesses of their time and they became very prosperous as a result of the legal changes promoted by his government. Members of the Porfirian elite, Braniff, Pimentel y Fagoaga, de Landa y Escandón, the Limantours, and forthcoming temporary president, Francisco León de la Barra, were partners in these very profitable companies.

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One of the richest deposits exploited during the Porfiriato was in the mining district of El Oro, a region encompassing parts of the states of Mexico and Michoacán. Compared with the deposits in Chihuahua, the mines of El Oro and Hidalgo were accessible, very productive and lucrative. At the end of the nineteenth century the region of El Oro acquired special importance due to its rich deposits of gold. In 1885, two mines were extracting gold and silver in the state of Michoacán: the San Rafael, and the Compañía Minera de El Oro. John B. Frisbie and Frank Hiscock owned these mines, which exported all their production to the United States. At the end of the 1890s, the district experienced explosive development thanks to the changes made by Díaz. In 1903, an editorial in the Boletín Financiero y Minero mentioned that although mining production had previously been almost dead, or a ship without direction, since 1900 it had gradually improved thanks to the intervention of new entrepreneurs.

At the turn of the twentieth century the Compañía Real del Monte in the state of Hidalgo was at one of its worst lows. In the state the number of mines did not increase, but the quality

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348 El Minero Mexicano, May 21, 1885.
349 Boletín Financiero y Minero de México, January 9, 1903.
of ore did. The most productive mines were the Real del Monte and the San Rafael, both owned by Braniff, and the Maravillas y Anexas owned by Romero Rubio. There were also other important mines, such as La Cruz y Anexas de Zimapán mines owned by Braniff, and La Blanca y Anexas, owned by Guillermo de Landa y Escandón and mining entrepreneur Guillermo Brockman. 351

The adoption of the gold standard sparked interest in many old mines, but many of them required critical improvements to increase their productivity. In the 1890s, Braniff and his mining company Real del Monte became owners of the Compañía Minera San Rafael y Anexas La Soledad y Sorpresa. Braniff and the new partners invested their capital in major technological upgrades, including connection to the electricity supplied by the Necaxa dam and later by Díaz’s Compañía Eléctrica. These mines became the most productive in the area and consequently

351 AHAGN, Notary 444, Rafael F. Morales, July 8, 1890. The founders of the Compañía Aviadora de las Minas de la Maravilla y Anexas were: Manuel Romero Rubio, Samuel B. Knight, Francisco Rivas Góngora, and Casimiro de Collado, among others.
among the most expensive stocks on the exchange. Díaz had 200 “A” shares of San Rafael y Anexas.

In the district of El Oro, in 1898, a French engineer named Francisco J. Fournier acquired two mines, the Estrella 1 and the Estrella 2, and founded the Compañía Minera Las Dos Estrellas en el Oro y Tlalpujahua to exploit the fields. According to the company’s act of incorporation, five members subscribed five hundred shares of stock and issued two thousand five hundred shares for sale. The associates were Fournier, Guillermo de Landa y Escandón and Guillermo Brockman. Fournier received an additional one thousand shares of stock as payment for his mines La Estrella 1 y La Estrella 2, becoming the owner of the half of the company’s stock. By 1902, the Compañía Las Dos Estrellas, together with the mines of El Oro, Esperanza, British Gold Mines of Mexico, Mexico Venture Syndicate, Mina Mexico, and Mina de El

352 AHAGN, Notary 543 and 62, Agustín Pérez de Lara, June 12, 1899, Members were Alejandro M. Escandón as representative of the Compañía Minera Real del Monte, Félix Cuevas, José Ives Limantour, Julio Limantour, Pablo Escandón, Francisco León de la Barra, Ángel Lerdo de Tejada, Pablo Escandón, Samuel B. Knight, Nicolás Álvarez, Mariano Muñoz, José Manuel Vértiz, Mariano Yañez, and Manuel Mora.

353 Crédit Lyonnais, Titres en Depot.

354 AHAGN, Notary 190, Francisco S Carvajal, September 19, 1898,

355 Members were (shares in parenthesis): Francisco J. Fournier (100), José Luis Requena (100), Antonio Pliego Pérez (100), Hammer Charles Sandifer (100), Guillermo Brockman (50), and Guillermo de Landa y Escandón (50).
Carmen, produced one quarter of the national production of gold.\textsuperscript{356}

The Compañía Las Dos Estrellas became the main mining company in the District of El Oro, and the shareholders saw the value of their stock increase dramatically. In 1901, the price of a share of Las Dos Estrellas was forty pesos. The next year the same stock would cost $390 pesos. By the end of 1903, that stock would cost $2,250 pesos.\textsuperscript{357} In less than three years, the Compañía Las Dos Estrellas had become one of the most profitable companies in the mining industry.

In 1903, the company acquired several mining deposits in the municipality of Tlalpujahua in Michoacán, including Constelación, Ojo de Agua, and Sin Nombre, and later the Borda Antigua y Anexas.\textsuperscript{358} In 1904, the revenues of Las Dos Estrellas equaled those of La Esperanza and El Oro Mining Company combined, and in 1909, revenues increased thirty percent over the previous year. In 1908, the Compañía Minera Las Dos Estrellas introduced its stock in the Paris stock market.\textsuperscript{359} \textsuperscript{360}

\textsuperscript{356} Boletín Financiero y Minero de México, September 25, 1902
\textsuperscript{357} Average value of the company’s stocks in the Mexican Stock Exchange in 1901, 1902, 1903 corresponding to the months of November and December from the Boletín Financiero y Minero de México.
\textsuperscript{358} Boletín Financiero y Minero de México, July 16, 1912.
\textsuperscript{359} Boletín Financiero y Minero de México, May 13, 1908.
\textsuperscript{360} AHAGN, Notary 3, Ramón E. Ruiz, July 7 1908.
Later on, Francisco J. Fournier founded another mining company, the Compañía Minera de Oro Nolán, and a power company Compañía Industrial del Oro. Fournier’s mines were negotiated in the French stock market; this was a very convenient situation for the dictator during his exile in France. Díaz owned 200 “A” shares of Las Dos Estrellas and eleven “A” shares of Oro Nolán.

The rapid development of Fournier’s two mines encouraged many entrepreneurs to invest in the district of El Oro. At the turn of the twentieth century there were twenty mines in the district of El Oro. By 1911, there were sixty-two new mines in the District. Many of those mines were not in actual

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361 Boletín Financiero y Minero de México, April 1, 1907. José R. Aspe, Antonio Pliego Pérez, Patricio J. Nolán and Íñigo Noriega were associates. AHAGN, Notary 3, Ramón E. Ruiz, October 7, 1903. The purpose of this Compañía Industrial was to support Las Dos Estrellas with power from other companies, or to produce power using any source of water available. One of the primary activities of the new company was to supply sufficient hydraulic power for the generating plant, and the amount of water eventually supplied was twenty thousand cubic meters. This company later became the Mexico Mines of El Oro Limited.

362 Crédit Lyonnais, Titres en Depot.

363 Fifteen mines were in the state of Mexico, and five in the state of Michoacán. In the estate of Mexico: The mines of La Esperanza y Anexas en el Oro, El Alacrán, Socavón de San Fernando, Sirio El Oro, Compañía Minera de Oro Nolán, British Gold Mines, Buen Despacho en el Oro, Bella Mañana, Providencia de Zacualpan, San Luis El Moral y Anexas, Mexico Venture Syndicate, Real de Arriba de Temascaltepec, La Reforma, Victoria y Anexas, and Santiago y Anexas Tlalpujahua. In the state of Michoacán: the mines of Luz de Borda, San Rafael y Anexas, Providencia de Borda, Machorro y Anexas and El Ángel.

364 There were forty-four mines in the state of Mexico, and eighteen in the State of Michoacán.
production, but some investors paid high prices for the stocks, thinking that the mines would be as productive as Las Dos Estrellas and Oro Nolán. The business press called these speculative movements “crazy transactions,” and this had a negative effect on the public’s confidence in the stock exchange.

Many investors still did not trust the stock exchange, particularly during the recession of 1907, and in efforts to reassure the exchange’s clients, the Boletín Financiero y Minero de Mexico offered extensive analysis of the economic situation. According to the editors, the 1907 crisis was due to several factors: the lack of foreign capital, the decline of prices for national goods in the international market, explosive growth of the economy followed by financial speculation, and an unfavorable balance of trade in the international markets.

Díaz as mining entrepreneur did not have the fast success of his counterparts from France or the U.S., even though his Compañía de las Minas de Cerro Colorado tried at one point to acquire mines in productive El Oro. He ultimately invested in

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365 Boletín Financiero y Minero de México, January 7, 1904.
366 Boletín Financiero y Minero de México, January 20, 1904.
367 Boletín Financiero Y Minero de México, January 8, 1908.
368 Nava Oteo, 179-310
other companies buying shares of stock of the most important mines in hands of foreigners. At the end of his regime foreigners owned the most profitable businesses in the country, such as mining, oil, railroads, rubber, and power generation, including the power generation plant Díaz had once owned.
CHAPTER 6: The Search for Domestic Capital: Agriculture for Export, Brokerage, and the Stock Market

From the beginning of his regime Porfirio Díaz had focused on the advance of a domestic entrepreneurial class, yet at the same time Mexico-based entrepreneurs had to contend with the shortage of national capital for domestic ventures. By the turn of the century, the limitations and contradictions inherent in this strategy had become sharply exposed. As early as his visit to the U.S., Diaz was made bluntly aware that U.S. and other foreign financiers and investors would direct their capital toward projects that were in their own, and their national interests, and that Mexico’s economic evolution would be dependent on this plan.

The result increasingly was an export-led economy, focused on the production of raw materials for U.S. and other foreign markets and growing economic dependency on foreign finances. As new railroads and steamships carried growing quantities of products such as minerals, rubber, tobacco and oil overseas, locally based entrepreneurs, including even Díaz himself, could find it difficult to carve out profitable roles for themselves.³⁶⁹ Ironically, those difficulties were compounded by
subsidies and tax exemptions that the state offered international investors in order to lure them to Mexico. In these circumstances, Díaz the political leader and Díaz the entrepreneur shifted his approach. Consistent with his long-established efforts to build and give continuity to a national capitalist class, Díaz became directly involved, with decidedly mixed results, in an effort to build export industries and strengthen financial institutions, brokerage and notably the stock market. At the same time he began to shift some of his investments into international monopolistic corporations to protect his family legacy. This change in focus was accompanied also by a transition in political and economic leadership. As the Díaz generation began to die off, the president had to face building alliances and partnerships with new groups of entrepreneurs becoming involved in less personalized corporate investments.

At the end of 1880s, Díaz, with his usual partners, Carlos Pacheco and Thomas Braniff, launched a company to produce a fiber called ramie for worldwide markets. This effort ultimately failed, the victim both of a lack of sufficient

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capital for an enterprise that had limited appeal to potential
U.S. investors and perhaps equally important the deaths of his
partners, whose contributions were critical to so many of the
president’s projects. His involvement in the development of
brokerage institutions was more consistent with his effort to
use and generate internal capital to support domestic ventures.
While more successful than the ramie enterprise, this effort
also suffered from the demise of some of his key allies and
business associates.

In 1889 Díaz became involved in an agricultural company to
produce and industrialize ramie, an Asian plant, to manufacture
a new kind of textile. In this venture, important members of the
elite and such banking institutions as the Banco Nacional de
Mexico followed Díaz’s entrepreneurial leadership. Later Díaz
with Braniff and José Sánchez Ramos incorporated a company to
buy and sell stock certificates of Mexican industrial and
agricultural companies and advise on investments. These
companies barely began operations before Pacheco died, and
Braniff suffered a debilitating illness and died in 1905. Both
companies were liquidated after their deaths. After such members
of his close entrepreneurial group passed away, Díaz invested
heavily in the stock market. Now Díaz’s investments began to
depend upon financial institutions such as the stock exchange rather than on more fragile factors like life span. During exile in France his stock dividends would be crucial to his subsistence.

**The Compañía Agrícola e Industrial de Ramié, S.A.**

During most of the Porfirian regime agriculture for local consumption steadily declined. The concentration on agricultural production for export undermined basic domestic farm production, sharpening rural poverty and inequality to the point that it would become the basis for rebellion. From 1885 the country had to import the staple grains of Mexicans’ diet, while production for export boomed. The enforcement of the law of colonization and surveying companies led to the seizure of private and communal land, increasing the landless rural population and the concentration of land in few hands.

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In 1895, in a country of more than ten million inhabitants, 90% of Mexicans were peones or farmworkers. In 1900 this number went down to 82.4%, with only 17.6% of Mexicans being individual rural property owners.\(^\text{373}\) Few landowners, particularly those who owned larger amounts of land and had irrigation available, were farming crops for internal consumption.\(^\text{374}\) Many of them entered the more productive and profitable specialty of raising crops for export, taking advantage of the new railroads, cheap farm labor, and the low value of the peso in the international market.

The Porfirian regime actively fostered agriculture for export, and many farmers and politicians began producing coffee, tobacco, henequén, and guayule among other crops, and soon they replaced beans and corn, staple crops for centuries, from their fields.\(^\text{375}\) From 1901 to 1910 corn imports went from 24,685 tons to 229,874 tons.\(^\text{376}\)


\(^\text{374}\) 97.79% of the haciendas in Mexico had from 1,000 to 500,000 hectares, Ibid., Cuadro 102, 243.


In this context, and thanks to the particular interest of the Porfirian regime, ramie became an important Mexican agricultural export to farm. Ramie enjoyed high demand in the European market because its fiber had multiple uses.\textsuperscript{377} With a texture similar to wool or silk, the fiber was used in fabrics for tablecloths, handkerchiefs and cloth. When interwoven with linen, it could be used to make canvas and waterproof fabrics for sails, bags and fishing nets.

The demand for ramie fiber extended to France, Germany, England, Belgium, and the United States, and its commercialization was an important business at the end of the nineteenth century.\textsuperscript{378} Ramie processing factories were established in Germany and France around 1880.\textsuperscript{379} Ramie was best suited to warm climates and with increasing demand, investors turned to Mexico as a potential source of supply.\textsuperscript{380} In 1885 a


\textsuperscript{378} The demand for ramie fiber was an important incentive to increase its production, and was one of the motives behind the French colonization of Asia and Indochina.

\textsuperscript{379} The processing of the plant was a manual operation that required excessive labor for the production of a single pound, and with the cost of labor in Europe its production was prohibitive. The plant becomes productive after the first year, requires four to reach full maturity and may produce for ten or fifteen, and cannot tolerate temperatures below zero degrees Celsius.

\textsuperscript{380} \textit{El Minero Mexicano}, March 6, 1890.
variety of the plant was raised successfully in Oaxaca. In 1890, when visiting his home state, Díaz had the opportunity to observe the production and potential for industrialization of the fiber. A press account said that:

General Díaz was quite attentive to all kinds of working industries in his home state, and he did not want to miss an opportunity to send a filament yarn of the plant to the World Exposition of New Orleans, and asked Governor General Mariano Jiménez to send to this exposition not only the raw material, but also a fabric made with the yarn of Ramié.

Carlos Pacheco, who owned 160,000 acres in Veracruz, decided to make it the experimental site for the cultivation of ramie. He did not have the financial support to do it, but investors showed interest in the expansion of the ramie industry, and on August 27, 1889, in a meeting of the board of

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381 In Oaxaca Zapotecs named this shrub Chichicastle. Revista Acervos, “Reproducción de una nota aparecida en el Periódico Oficial del Gobierno Libre y Soberano de Oaxaca el 28 de Febrero de 1885,” Año IV, t.v. no.17, pg. 1 Número 11, Enero-Marzo, 1999. Ibid., no.33, pg.1.
382 Ibid.
383 Glen Andrus, “Men and Affairs of Modern Mexico: The Development of Tropical Agriculture,” The National Magazine, Vol. XVII (Oct. 1902, March 1903), 485-492. Pacheco acquired in 1866 those properties through the surveying company Compañía Descubridora de Terrenos Baldíos associated with Díaz, and when he was Secretario de Fomento. The information about the Díaz and Pacheco’s surveying company is scarce, but is known that did not last long. See Robert H. Holden “Priorities of the State in the Survey of the Public Land in Mexico, 1876-1911,” The Hispanic American Historical Review, Vol. 70, No. 4 (Nov., 1990), pp. 579-608.
directors of the Banco Nacional de México, Felix Cuevas invited his associates to consider the purchase of holdings in a new company. Coming from the member of the board who had a close relationship with Díaz, who was also a shareholder, his recommendation was taken seriously. Supported by Díaz and Carlos Pacheco, Cuevas’ proposal was to develop a company called the Compañía Agrícola e Industrial de Ramié, S.A. The board approved the proposal without discussion, and the bank was ready to buy shares of stock of this company. The meeting minutes noted that, “It is a pleasure that the bank could participate in this industry.”

One month later, in September 1889, the Compañía Agrícola e Industrial del Ramié, S.A. took shape. According to its acts of incorporation the company was established for:

the exploitation of ramie, the propagation and development of its filament yarn in the republic and specifically on the ranch of Presidio Motzorongo, located in the municipalities of Zongolica and Orizaba in the state of Veracruz.... The life member and honorary

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384 Banco Nacional de México, Act of the meeting of the board of August 27, 1889. The board approved the petition on September 3, 1889.
president of this society will be General Porfirio Díaz.\textsuperscript{385}

The company included Díaz’s partners in the mining business: Romero Rubio and Pacheco, and the brother of Sebastián Lerdo de Tejada, the president deposed by Díaz. Angel Lerdo de Tejada’s participation in this company seemed to announce the closure of differences between liberals. Pacheco took the lead in this business, as the minister in charge of the Secretaría de Fomento. He was owner since 1886 of large landholdings in the state of Veracruz in the ranch of Motzorongo specified in the act of incorporation of the company. The shareholders also included other Díaz cronies, such as Braniff and, as we have seen, a financial institution that Díaz helped to create, the Banco Nacional de México.\textsuperscript{386}

\textsuperscript{385} AHAGN, Notary 444, Rafael F. Morales, 28 de Septiembre, 1889.

\textsuperscript{386} Ibid. The shareholders of this company were Porfirio Díaz (40), Banco Nacional de México (100), Carlos Pacheco (30), Manuel Romero Rubio (40), Thomas Braniff (40), among others. Manuel Dublán (30), Francisco M. de Prida (50), José de Teresa y Miranda (50), Ignacio de la Torre (40), Pablo Macedo (50), Joaquin D. Casasús (10), Angel Lerdo de Tejada (50), Félix Cuevas (50), Gral. Jesús H. Preciado (7), Teodoro A. Dehesa (50), Valentín Uhink (40), Alberto Campero (10), Emilio Pardo (30), Manuel A. Buenrostro (50), M. Yañez y Compañía (100), Pedro Peláez (50), Bermejillo y Hermano (50), Pedro del Valle (40), Esteban Benecke Sucs. (60), José V. Del Collado (30), Suinaga Hermanos (25), J. Ollivier y Compañía (30), Sommer Hermann y Compañía (40), Enrique C. Waters (40), Ricardo Sainz (25), Luis Méndez (30), Empresa de Diligencias (40), Luis García Teruel (50), Miguel Rul (60), Vicente Alonso (30), Ignacio de Noriega (30), Juan Llamado (40), Manuel Fernández Leal (5), Eugenio Chavero (10), Nicolás Alvarez (10), Francisco Sosa (10), Saturnino Islas (10), Estanislao Velasco (10), José Ma. Gaona (5), A. J. Campbell (30), Velázquez, Gayol y Compañía (20), Antonio Escandón
One year later, in 1890, the Secretaría de Fomento started an intense campaign to promote the culture of ramie in Mexico. That year mechanization of production started, when P. A. Favier, chairman of the board of the French Ramie Society, reported the use of machinery to improve its production.\textsuperscript{387} One of the machines to process ramie arrived in Mexico in 1891.\textsuperscript{388} In an appendix to Díaz’s State of the Union address, Secretary Pacheco gave a special report on the production of ramie. He said that as an incentive for its development, the government would grant exemptions and other prerogatives to investors.\textsuperscript{389}

In December 1890, less than a month after the President’s address, congress passed a bill supporting the development of the industry.\textsuperscript{390} The law authorized the president:

\begin{itemize}
\item (40), Agustín Rovalo (10), Sauto Monozoro y Compañía (40), Sebastián Camacho (50), Julio Polack (20), Lavie y Compañía (40), James Sullivan (40), Samuel Lederer (150), Justo Maiz (100), Carlos R. Ruiz (15), Pedro M. Gorozpe (10), José María Becerra (100), Luis Terrazas (30), Andrés Horcasitas (10), Indalecio Sánchez Gavito (10), José Antonio Pliego Pérez (30), Eduardo Martínez Baca (5), Tomás Salazar (30), Dolores Zetina (10), Ricardo Honey (40), J. G. Lebb (30), J. Ance y Compañía (10), Telésforo García (50), Gral. Hermenegildo Carrillo (10), Cristóbal Ortiz (10), Gral. Juan B. Tristie (30), Pedro Diego Gutiérrez (40), Carlos Diego Gutiérrez (30), Francisco Bulnes (30), Jesús E. Valenzuela (50), José Valenzuela (10), Manuel de Herrera (10), Luis Jacoby (30), Rafael Donlé (40), Francisco Monsalve (10), Vicente A. Vila (10), Agustín Cerdán (40), José María Romero (10), Enrique Rodriguez M. (5).
\end{itemize}

Total 3,000 stocks.

\textsuperscript{387} El Economista Mexicano, December 1, 1890.

\textsuperscript{388} El Economista Mexicano, April 4, 1891.


to carry out contracts with agricultural and industrial companies committed to the development of Ramie, granting them tax exemptions and privileges.\textsuperscript{391}

The law exempted companies with a minimum capitalization of ten thousand pesos from most taxes, as well as import fees for tools, machinery and materials to process ramie. Other fibers like henequén that could be industrialized in the same way would also be exempted.\textsuperscript{392}

Díaz traveled to Motzorongo to visit the ramie project in February 1891 and on the first part of the trip from Mexico City to the town of Córdoba he traveled on the train of Braniff, who was then director of the Ferrocarril Mexicano.\textsuperscript{393} The last thirty some miles, from Córdoba to Motzorongo, he rode on the agricultural railroad line owned by Pacheco.\textsuperscript{394} Díaz’s entourage included governors, members of the Supreme Court, diplomats, former president González and Romero Rubio.\textsuperscript{395}

\begin{footnotesize}
\begin{itemize}
\item \textsuperscript{391} Ibid.
\item \textsuperscript{392} El Economista Mexicano, April 4, 1891.
\item \textsuperscript{393} The National Financier-El Financiero Mexicano, February 21, 1891.
\item \textsuperscript{394} Law of May 19, 1888. Dublán and Lozano, Legislación Mexicana 1888-1890, Vol. XIX, 114. The Banco de Londres y México y Sud-America financed the construction of this railroad. Pacheco guaranteed the loan with stocks of several companies, one sawmill and a mortgage on the project’s properties.
\item \textsuperscript{395} El Financiero Mexicano-The National Financier, Reproduction of a note published in the newspaper El Mensajero from Veracruz, Suplemento Mensual, March 1891, 175. Roeder, 16.
\end{itemize}
\end{footnotesize}
Although the advertised purpose of this trip was to inaugurate the ramie project, there was another hidden reason. The old dictator wanted to disprove the rumors circulating in the papers that he had serious health problems. When Díaz got out of the train, he rapidly walked in front of the press to meet Pacheco. He showed great vitality on this trip, but several months later, persistent rumors on his health generated a fall of the prices of Mexican securities on the European stock exchange, showing how the country’s economic stability was linked to him in the minds of investors.

Pacheco’s enormous ranch had a two-story hotel, two buildings designated for a ramie processing plant, and a small sugar mill. One of the buildings also housed the machinery to produce the filament yarn and another for manufacture of cloth. The small mill was dedicated to the production of both sugar and alcohol. The hotel was a large building of steel and wood in “American style,” with thirty-eight rooms and a big restaurant on the main floor. In the basement of the hotel there was a storage facility for sugar, alcohol and wine. The ranch had its

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396 El Financiero Mexicano—The Nacional Financier, August 15, 1891.

own power plant that supplied electricity for all the facilities and inside the hotel.\textsuperscript{398} El Financiero Mexicano reported:

a display awaited the travelers. On a series of wood planks covered with cotton fabrics linen, cotton and ramie from the state of Tlaxcala were laid out. There were also a series of graphics describing the procedures and time for the manufacture of each textile, from the cultivation of the crop to the final product. According to a press report, at the front of the exhibit, and below a picture of the President of the Republic there was a complete collection, never seen before, of ramie items. In that collection anyone could watch the processing of the plant, from the sowing of the crop until the extraction of the filament yarn, and the production of fabrics, textiles, including all kind of fabrics of linen, cotton and wool.\textsuperscript{399}

Two months later, the same newspaper commented on the crop:

The Mexican Company organized for the development of ramie has had satisfactory results, because in some regions the plant can be harvested six times during a yearly period. Also, we have reason to expect such success in twenty-two states of the republic.\textsuperscript{400}

\textsuperscript{398} The National Financier-El Financiero Mexicano, March 1891, 175.
\textsuperscript{399} Ibid.
\textsuperscript{400} El Economista Mexicano, April 4, 1891.
The experimental project seemed to have everything lined up to succeed and expand.\footnote{The Board of Trade and Journal, "General Trade Notes," Great Britain Board of Trade, Vol. 10, No. 57, (April 1891), 447.} The Ramie experiment would serve as an incentive to farmers throughout the country.\footnote{There were several farms in San Luis Potosí and Michoacán (Apatzingán, Rio and Tacámbaro) expecting results from Motzorongo's experiment. See, Monthly Bulletin of the Bureau of American Republics, Vol. 4, (July 1896-June 1897), 1016.} But due to the fact that both the company, and the expansion of the ramie industry itself, depended originally upon the participation of Pacheco, the business was very vulnerable. Pacheco was only fifty-two years old, but after Díaz’s visit to his ranch his health deteriorated. The man who survived the amputation of one arm and one leg in combat died a few months later, in September 1891. The project remained incomplete and the executors of his last will and testament handled Pacheco’s properties.\footnote{José Benigno Zilli Mánica, Braceros Italianos para México, (Tuxtla Gutiérrez, Gobierno del Estado de Chiapas, 1986), 19-21.} They found out that the Pacheco properties at Motzorongo, and the assets and shares of stocks of several companies were collateral for the repayment of several Banco de Londres credits.\footnote{In the Banco de Londres credit application for the construction of the railroad Pacheco guaranteed the loan with stocks of several companies, one sawmill and a mortgage on the project’s properties. According to this transaction, he owned 530 stocks of the Compañía del Ferrocarril Interoceánico de México, Acapulco y Veracruz; two certificates of the same company (one for 1,140 stocks, and another for 1,390 stocks), and 87 stocks of the Negociación de Mármoles Mexicanos. For more information about this transaction see AHAGN, Notary 444, Rafael F. Morales, December 14, 1889.}
Apparently the Ramie Company was not able to assume Pacheco's debts as well as his assets in railroads, factories, and farming lands, or to buy other privileged lands like those that were in the hands of already established landholders. In 1903, Pacheco’s agricultural empire, built by indigenous people and Italian braceros, was gone.\textsuperscript{405} The executors sold estates and other assets owned by Pacheco to The Motzorongo Sugar Company of Chicago, and N. Pérez and Company.\textsuperscript{406}

In 1904, the executors sold, to the company Ferrocarril Veracruz-Pacífico, Pacheco’s railroad, which was once considered key for the expansion of the ramie industry.\textsuperscript{407} The business was finished. Díaz had never shown a similar interest in the nation’s agricultural economy, except perhaps in his more general efforts to expand the property rights of landowners at the expense of traditional communal rights and traditional crops.

\textsuperscript{405} José Benigno Zilli Mánica, Braceros Italianos para México: La Historia Olvidada de la Huelga de 1900 (Chiapas: Gobierno del Estado de Chiapas, 1886).


\textsuperscript{407} CEHM CARSO-CDLIV, Letter from Algernon Joy, 11 de Agosto, 1904.
Finance and Investment Companies: The Sánchez Ramos y Compañía

As we said before, one of the greater problems that Mexico faced was a lack of native capital to develop productive activities, including agriculture. Mexicans used the Porfirian banks, and some obtained capital by selling their holdings on international stock exchanges, but still there were locally based projects in need of resources.408 Díaz decided, like many other entrepreneurs of his time, to explore the financial world of brokerage, and with Braniff and Sánchez Ramos incorporated the Sánchez Ramos y Compañía. In addition to his desire to build his personal wealth through brokerage, he also had a broader interest in developing a modern national financial infrastructure using foreign investors.

Although Mexico could be considered a natural market for U.S. investors, they were often reluctant to invest in the country and particularly in projects not needed for the expansion of their own economy. It was not until after major U.S. financial and railroad industry barons invested in Mexico that other U.S. entrepreneurs began doing business in the

country, and more importantly, many tourists became investors.\textsuperscript{409} In the early 1880s there were not formal brokerage institutions to encourage capitalists interested in investing in domestic industries. At the end of the decade the Mexican Stock Exchange became a financial option for investors, and from 1890 to 1905 six brokerage firms appeared including Díaz’s Sanchez Ramos Company. From 1888 Díaz passed several laws to give companies a structure favorable to trade their stocks, and to encourage the creation of new industries and brokerage firms.

As we have seen, foreign investment, particularly from the United States, was a priority for the Díaz regime from the start. In his vision of modernization he welcomed initiatives to improve commercial and industrial relations between the two countries.\textsuperscript{410} General John B. Frisbie, as we saw in chapter two, was one of several intermediary entrepreneurs interested in promoting businesses in Mexico, and in 1879 he participated in an expedition to Mexico organized by politicians, merchants and manufacturers from the U.S.\textsuperscript{411} Frisbie argued that U.S. capital would be more advantageous for Mexico than the Europeans,

\textsuperscript{409} William Schell Junior, \textit{Integral Outsiders: The American Colony in Mexico City, 1876-1911} (Wilmington, Scholarly Resources Inc., 2001), 79–83, 117.
\textsuperscript{410} Díaz y de Ovando, \textit{Crónica de una Quimera}, 15.
\textsuperscript{411} Ibid, 87.
because Europeans go back to their countries taking with them the profits made in Mexico, in opposition to Americans who rapidly embark on new enterprises with their profits because they prefer to live in Mexico.\footnote{Ibid, 189.}

After his first visit, Frisbie persevered in doing business in Mexico, and brokered many major projects, notably railroads. In the 1880s, he solicited approval from the Mexican government for a pioneering company dedicated to attracting U.S. capital to the country. In 1882, the Senate granted him and his partners William Gale and B.F. Weckes a concession to operate a company that became the Compañía Internacional de Préstamos y Comisiones Fiduciarias. This company would give loans and credit and carry out diverse financial activities, including the promotion of foreign investment.\footnote{Diario de los Debates, Sesión del 13 de Diciembre, 1882, Vol. 1, 361.} Later, as mentioned in chapter five, Frisbie became a pioneer in the development of the important mining district of El Oro.\footnote{El Minero Mexicano, May 21, 1885.} He also established several businesses in Guerrero.

Following in Frisbie’s footsteps, in December 1890, a group of Mexican entrepreneurs received a concession to operate the Compañía Panamericana de Bancos e Inversiones that became the
second of several companies promoting foreign investment in Mexico. In 1899, Díaz, Braniff and José Sánchez Ramos created their own brokerage company that was the third company created in Mexico with that objective.

A fourth company was created in 1900 to bring European investments to Mexico, when Braniff, Noetzlin, and Limantour, incorporated a company in France named Société Financière pour L’Industrie Au Mexique. In 1900, Díaz’s son along with Bernardo Reyes Junior, son of a potential successor of Díaz, among others, created the fifth Mexican financial company, the Compañía Técnica y Financiera Mexicana. The last financial company created during the Porfiriato was the Asociación Financiera Internacional, incorporated by important members of the Porfirian elite in 1905.

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415 Diario de los Debates, Sesión del 17 de Diciembre, 1890, 1° y 2° Periodos, 300. Members of this company were J. Morris, F.A. Manzanares, José Castillo, C.H. Dietrich, and J.H. Hampson of the Pan-American Banking and Trust Company. See Law of December 17, 1890.

416 AHAGN, Notary 3, Ramón E. Ruiz, June 5, 1899.

417 Boletín Financiero y Minero de México, September 13, 1900.

418 Boletín Financiero y Minero de México, July 7, 1905. According to this note, the Mexican government approved the constitution of the Asociación Financiera Internacional. Its objective was to make known internationally which properties and national businesses were available for development in Mexico, as well as to promote and facilitate the introduction of foreign investments in the republic. José Luis Requena, Sebastián Camacho, Pablo Martinez del Río, and Joaquín D. Casasús incorporated this company, among others.
Porfirio Díaz was no passive sponsor of the development of the brokerage and financial advisory industry. He, along with Braniff and José Sánchez Ramos, met at the office of the notary public Ramón E. Ruiz to sign the act of incorporation for the company Sánchez Ramos y Compañía, Sociedad Particular on June 5, 1899; the three associates held equal shares in the company, whose objective was to buy and sell stock certificates of Mexican industrial and agricultural companies. In addition, the company could acquire land to exploit natural resources and develop it for commercial purposes.

The joint participation of these three men consolidated not only their social, economic and political capital, but also their entrepreneurial skills. But Díaz and Braniff were aging. In the company’s act of incorporation, the passage of time can be clearly noted in Díaz’s handwriting. While Braniff’s signature was short and straight, the dictator’s shaky signature is noticeable. Based on the vigor of the signatures, apparently the strength was on Braniff’s side.

In 1899, the two old friends worked jointly with Sánchez Ramos to create the new Sánchez Ramos y Compañía. In the company’s act of incorporation, the partners included a very unusual clause, a provision for the dissolution of the company
in case of the death of one of its principals. This was the last enterprise in which Díaz, Braniff and Sánchez Ramos did business together. In 1900, one year after the foundation of the Sánchez Ramos society, Braniff sent his will to the notary public Agustín Pérez de Lara.\textsuperscript{419} It was a bad signal. He was suffering from atherosclerosis and then in 1904, critically ill, he authorized his wife and one of his sons, who was a minor, to carry out any business without his legal consent.\textsuperscript{420} He passed away on January 22, 1905, and according to the clause of incorporation, that same day the remaining partners considered the corporation dissolved.\textsuperscript{421}

The first and only acquisition of this corporation was an agricultural export company, Cafetal El Faro, dedicated to coffee production. Díaz later sold his stocks in the company to Sánchez Ramos in exchange for real estate.\textsuperscript{422} Perhaps considering retirement, in 1907 his wife, Carmelita Díaz, bought a tract of land in Mexico City’s select neighborhood around Paseo de la

\begin{itemize}
  \item \textsuperscript{419} AHAGN, Notary 543 and 62, Agustín Pérez de Lara, November 15, 1900.
  \item \textsuperscript{420} AHAGN, Notary No. 543 and 62, Agustín Pérez de Lara, June 4, 1904. In May 12, 1905, Thomas Braniff signed a notarial act with the same notary giving legal authorization to his youngest son, who at the time was a minor, to acquire by himself some properties in the state of Veracruz.
  \item \textsuperscript{421} AHAGN, Notary 3, Ramón E. Ruiz, March 7, 1906.
  \item \textsuperscript{422} AHAGN, Notary No.3, Ramón E. Ruiz, December 21, 1908.
\end{itemize}
Reforma. Braniff’s death and the liquidation of this company seemed to presage a new era for Díaz. Not only he had lost his most important friends and partners, but also larger social and political changes threatened the stability of his regime and the political and economic system he had built. On the very same day that Braniff died, the first bloody riots of the Russian Revolution prompted stark headlines on the front pages of major Mexican newspapers.

The Stock Market and the Mexican Stock Exchange

The vulnerability of companies to the span of human life made Díaz consider more permanent investments and the development of a brokerage firm, but also to use the modern stock exchange to facilitate the activities of those firms, and profit from his shares of stock. Once the Mexican Stock Exchange took shape he acquired several shares of stocks of companies that were profitable in Mexico and internationally.

Raising capital for capital-intensive businesses beyond bank loans and foreign investments was not a need from 1876 to 1890. Frisbie’s first Mexican brokerage firm was dedicated

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423 AHAGN, Notary No. 3, Ramón E. Ruiz, June 21, 1907.
424 Notes appeared in El Imparcial, Mexican Herald, El Mundo, El País and El Diario del Hogar.
basically to attract foreign capital to companies in the country. From 1890 a public system to raise fresh capital, especially for domestic industries, became a necessity, because foreign industries had their own sources of capital, and affluent members of the elite such as Díaz were seeking not only to develop their own brokerage abilities, but also looking for investment opportunities.

Establishing a stock exchange was of course entirely consistent with Díaz’s commitment to economic modernity, but could be seen as well as a crucial tool to build and sustain a national capitalist class interested in developing more domestic ventures. In practical terms, Díaz was also apparently interested in providing for his own retirement and his family’s future, and in particular anxious to insulate his wealth from political upheaval or life span of partners. As Mexico developed a modern industrial base, other elements of a commercial industrial economy were established: brokerage houses and a specialized businesses press. Stock trading surged.

Individual brokers began operating in Mexico in 1854. The Secretaría de Fomento chartered the first brokers based upon the old Commercial Code of 1854.\textsuperscript{425} El Reglamento y Arancel de

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\textsuperscript{425} Article eight of the Código de Comercio of 1854 gave authority to the Secretaría de Fomento to certify brokers.
\end{flushright}
Corredores (brokers’ code) of 1854 regulated their activities and service fees.\textsuperscript{426} El Minero Mexicano was the nation’s first business newspaper.\textsuperscript{427} Almost twenty years later, in 1873, El Minero Mexicano began publishing information about the price and performance of mining stocks in the market, as well as news of the companies’ partners, meetings and projects.\textsuperscript{428} The objective of specialized business newspapers was to stimulate companies’ transparency, develop critical economic thinking among its readers, and raise investments.

At the end of the 1880s, the most important economic activity was mining, and the Mexican stock market began by selling those stocks. The Economista Mexicano published the first stock prices in reports certified by the firm Bolsa Mercantil de México.\textsuperscript{429} From 1887 the reports the Bolsa Mercantil de Mexico began appearing in different newspapers. According to

\textsuperscript{426} Law of July 13, 1854, “Reglamento y Arancel de Corredores.” Juan R. Navarro, Legislación Mexicana 1854, (Mexico: Juan R. Navarro, 1854), 59. This stockbrokers’ code established their professional tariffs, and graded them in four categories: stock, mercantile, maritime, and transportation.

\textsuperscript{427} El Minero Mexicano, April 10, 1873.

\textsuperscript{428} In 1882, El Financiero Mexicano had appeared on the scene, and two years later La Semana Mercantil. Other business newspapers were El Economista Mexicano that began in 1886, and the last was El Boletín Financiero y Minero de México that began in 1899.

\textsuperscript{429} El Economista Mexicano, January 22, 1887.
the Directorio Comercial de México, Mexico’s business directory, in 1890 there were one hundred and fifteen registered brokers.  

**Corporations Law, the Stock Exchange and Díaz’s Investments**

The development of the Mexican stock market depended upon a series of changes in laws and regulations. In April 1888 Congress approved legislation that regulated anonymous stock companies, specifying the conditions under which they were permitted to operate in the country.  

The law ordered companies to have a name, duration, administration, capital stock, and assets of value, as well as clear procedures for distribution of dividends and dissolution of the companies, and they had to determine the value and number of shares into which the capital was divided.  

For the first time in Mexico, the law mandated organizational structure regardless of the specificity of the company’s activities, and required transparency of shareholder responsibilities, internal organization and external activities. But ultimately the Ley de Sociedades Anónimas of 1888 resolved

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430 Directorio Comercial de México (Mexico: Editores Propietarios Armstrong & Co. Imprenta y Librería de Aguilar e hijos, 1890).  
the issue of transparency, in a system of permanent conflicts of interest, by establishing the conditions under which stockholders could remain anonymous.

After 1891, the leading business paper, The Mexican Financier, began stressing the need for a stock exchange in Mexico City, making the point that major international cities had stock exchanges:

This important city and commercial center does not have a Stock Exchange for secure trading of shares, and frequently a broker has to spend several days to buy and sell just a few securities."433

The Stock Exchange received an impulse when the Congress authorized the president to grant for five years contracts/concessions to companies that could develop new industries in the country. This Ley de Industrias Nuevas (new industries law) exempted new industries from federal taxes for ten years, and from tariffs on construction materials, machinery and tools during the process of construction.434

With the main purpose of trading mining companies’ securities, but also expecting the stock market to grow with the

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433 The Mexican Financier—El Financiero Mexicano, March 21, 1891.
arrival of new industries, in September 1895 a group of brokers founded the first Mexican stock exchange. One month later, on October 21, brokers inaugurated the headquarters of the Mexican Stock Exchange, with Sebastián Camacho representing Mexico City’s municipal president. Nicolín Echanove, a member of this new organization, delivered the inaugural speech, saying that the creation of a Mexican stock exchange had become necessary when the volume of transactions made it impossible for brokers to work in their homes or private offices. Echanove called them the godfathers of the project, as they had promoted the idea within their own circle of clients and independent commercial houses. In this phase the Exchange would trade only securities of mining companies because this was the most active sector at that time. Unfortunately, the Exchange’s dependency on mining would prove to be one of its weaknesses, and a major obstacle to its continued operation.

The Stock Exchange began operating with fifty brokers, the same number of agents active in previous commercial and

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435 Diario de la Bolsa de México, November 6, 1895. The founders of this Exchange Manuel Nicolín y Echanove, and Manuel Algara, Camilo Arriaga, Francisco de A. Llerena and Luis G. Necoechea. The newspaper of the Stock Exchange was the Diario de la Bolsa de México.
traditional brokerage houses.\textsuperscript{436} Later the stockbrokers formed the Sindicato de Agentes de la Bolsa (stockbrokers union).\textsuperscript{437} This first Mexican Stock Exchange did not last long; it suspended activities a few months later, in April 1896. According to an editorial in the Diario de la Bolsa de México, this was due to “the enormous and persistent decrease and fall of the most important stocks of the mining industry that had given life and dynamism to the stock exchange.”\textsuperscript{438}

The decline of the mining industry was not the only cause of that suspension because new industries’ promotion did not work, and brokers were also aware that the Stock Exchange would require that firms provide reliable information about their activities, their board members, and their profits and losses, something that many Mexican corporations might be reluctant to do.\textsuperscript{439} This would have shown the domination of important industries by the privileged elites. Such measures were also

\textsuperscript{436} Diario de la Bolsa de México, November 8, 1895. The following members integrated the board: Manuel Nicolín, Francisco A. de Llerena, Hugo Scherer, Nicolás Álvarez, and Francisco Cortina Icaza.

\textsuperscript{437} Diario de la Bolsa de México, November 8, 1895. Members of the stockbrokers union were Carlos Poniatowski as president, Julio Aspe treasurer, Francisco J. de Vertiz secretary, and Luis Uhink and Agustín Quintanilla committee members.

\textsuperscript{438} Diario de la Bolsa de México, April 26, 1896.

\textsuperscript{439} Ibid. The intent was to align company operations more closely to the interests of the investors and keep them better informed, thus helping to avoid abuses of intermediaries and increase profitability for investors.
unacceptable to mine owners, because at the end of the nineteenth century many companies made their reports based on speculation about exploration, deposits and exploitations, rather than actual actions. This reluctance was compounded by the fact that at that time the mining industry was not seeking external financing since it could rely on profits and later on banks for additional capital.

In 1897, the Porfirian government gave new impetus to the Stock Exchange. On November 29, Congress passed amendments to the Ley de Sociedades Anónimas of 1888 and specified more precise procedures whereby railroads, mining and public works companies could issue bonds and other obligations, with and without special guarantees. Companies could issue new stocks to acquire additional capital, and they could issue obligations for amounts in excess of their annual working capital. In order to increase the number of locally based industries, develop investments, and expand capital markets, in December 1898 President Díaz received a new authorization from Congress to issue contracts/concessions according to a new Ley de Industrias

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440 Law of November 29, 1897. Dublán and Lozano, Legislación Mexicana 1897, Vol. XXVII, 383. The law allowed those obligations to be considered as assets, and companies could determine the number, interest, conditions, terms and procedures for their amortization.
Nuevas. 441 This new law reduced the initial capital to be invested, and extended the duration of contracts/concessions and companies’ privileges to ten years. One year later Díaz began his brokerage company with Braniff and Sánchez Ramos in order to capture investors.

Although the first attempt to create a Stock Exchange failed and the project was put on hold, in 1900, a stock market was in operation using business newspapers to inform the public of the price of shares of sixteen banks, one hundred and nineteen mining companies, and thirty-seven diverse industrial enterprises. Ten years later, the stock market listed thirty-six banks, seven banks in process of incorporation, one hundred and four industrial and commercial business organizations, and two hundred fifty two mining companies. 442 In the absence of a formal stock exchange, the Boletín Financiero y Minero de México contributed notably to the development of Mexico’s stock market, publishing essential information about the development of industrial activities and the evolution of governmental economic policies. It also issued reports about securities trades and


442 Boletín Financiero y Minero de Mexico, 1900-1910.
stock prices, as well as the status of the most important national and foreign companies active in Mexico’s open market.

In the re-establishment of the stock exchange, the earlier generation of brokers, including Amilien Lacaud, the editor of the business newspaper El Boletín Financiero y Minero de México, collaborated with a new group of dealers who emerged with the new industrial era.\textsuperscript{443} Mexican stockbrokers were persons well connected in the business world, and because they were partners in important companies they were always involved in blatant conflicts of interest. Some were members of the Porfirian elite, and many were members of the boards of mining companies. Amilien Lacaud, Carlos Casasús and the brothers Joaquín and Ángel López Negrete are examples of these stockbrokers-entrepreneurs.\textsuperscript{444} In 1906, this group of brokers restarted the project of the Mexican Stock Exchange that had been suspended in 1901, and on January

\textsuperscript{443} Members of the group of brokers who restarted the Stock Exchange were Luis Uhink, Amilien Lacaud, Agustín Quintanilla, Hugo Scherer, Carlos Casasús, brothers Joaquín and Ángel López Negrete and Julio Aspe. Aspe later founded Colegio de Corredores (Stockbroker Association) to train their members as professional brokers.

\textsuperscript{444} Amilien Lacaud was in Queensland of Australia, and Almoloya y Anexas, and also representative of the Union Assurance Society of London, a fire insurance company. Stockbroker Carlos Casasús served on the board of the Banco de Morelos, and the Almacenes Generales de Depósito. Brothers Ángel and Joaquín López Negrete were associated in several companies like the Banco de Durango, the mining company Angustias Dolores y Anexas in the town of Pozos, Guanajuato, and the coal company La Agujita in Ciudad Porfirio Díaz. Moreover, Ángel was representative in the United States for the Colonia de la Condesa, an important land development company in Mexico City. See also CEHMCARSO-CDLIV. \textit{Letter from Fernando Pimentel, May 7, 1904}.
1, 1907, they incorporated the Bolsa Privada de México or Private Stock Exchange of Mexico.\textsuperscript{445} They initially conceived of this organization as a corporation, but later decided that this was inappropriate for their activities, and on June 18, 1907, the stock exchange was incorporated as a Sociedad Cooperativa Limitada (Limited Liability Cooperative).\textsuperscript{446}

Unfortunately, the rebirth of the Mexican stock exchange coincided with one of the country’s worst economic declines. The economic crisis of 1907 was devastating for many businesses that could not survive the competition for national and international capital. In this crisis, companies concentrated in the hands of the Porfian elite were the only beneficiaries of the Stock Exchange. Their companies were the most lucrative and produced attractive profits for those who had invested in them. According to the information of the Mexican Exchange, since 1886 the stocks of companies held by the elite had commanded the highest

\textsuperscript{445} Boletín Financiero y Minero de México, November 6, 1907.

\textsuperscript{446} Ibid. Members of the cooperative were Agustín Quintanilla, Alfredo Guzmán, A. Morales Manzo, H. Andragnez, Francisco Javier Vértiz, and Joaquín López Negrete. Comisión de vigilancia (Vigilance Committee) A. Ceuy, P. Northey, A. Pérez, and B. de la Barra. The companies interested in selling their stocks on the Exchange paid an annual admission fee of twenty-five pesos. The exchange worked one hour daily, from 12 o’clock to 1 p.m. and the Boletín Financiero y Minero de México became its official channel of communication.
prices on the market, particularly in the reorganized mining industry.\textsuperscript{447}

Besides his brokerage firm, Díaz himself invested heavily in the stock exchange, and he was an active participant in both national and international stock exchanges. Díaz invested also in bonds issued by Russia, Japan, Spain, Germany, England, Argentina, Austria, Cuba, and Brazil, as well as in railroad holdings like the Canadian Pacific.\textsuperscript{448} Nationally, Díaz’s personal investments included holdings in successful companies owned by members of the elite, particularly in those that were monopolies in which his son, and his partners Braniff and Sánchez Ramos were associates, such as the Compañía Manufacturera El Buen Tono, the Fábrica de Papel San Rafael, and the mining companies Las Dos Estrellas, the Compañía Minera de San Rafael y Anexas, and Oro Nolán.\textsuperscript{449} Table No. 1 below shows the owners of the companies in which Díaz invested:

**Table No. 1. Diaz’ Investments: Companies and Shares**

<table>
<thead>
<tr>
<th>Company</th>
<th>Owners</th>
<th>Shares</th>
</tr>
</thead>
</table>

\textsuperscript{447} El Economista Mexicano, December 17, 1886; Boletín Financiero y Minero de México, February 4, 1902; October 26, 1906; June 14, 1907; February 12, 1910; and December 12, 1914.


\textsuperscript{449} Ibid.
<table>
<thead>
<tr>
<th>Company Name</th>
<th>Founders</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compañía Minera Las Dos Estrellas en El Oro y Tlalpujahua</td>
<td>Francisco J. Fournier, Harmer Charles Sandifer, Antonio Pliego Pérez, Hugo Scherer, Guillermo Brockman, Guillermo de Landa y Escandón, and José Luis Requena.</td>
<td>200 “A”</td>
</tr>
<tr>
<td>La Compañía Manufacturera de Cigarros sin pegamento El Buen Tono</td>
<td>Tomás Braniff, Porfirio Díaz Junior, general Manuel González Cosío, Francisco Pérez Vizcaíno, Ernesto Pugibet, Hugo Scherer, Emilio Velasco, Henry C. Waters, José V. Del Collado, Rafael Dondé, Indalecio Sánchez Gavito, and Andrés Elizaguirre.</td>
<td>200 “A”</td>
</tr>
<tr>
<td>Las Fábricas de Papel San Rafael</td>
<td>Tomás Braniff, Oscar Braniff, Porfirio Díaz Junior, Enrique Tron, Juan B. Ebrard, José Spitalier, Fernando Pimentel y Fagoaga, Isidro Sternefeld, and Mauricio Honnorat.</td>
<td>200 “A”</td>
</tr>
<tr>
<td>Banco Internacional e Hipotecario de México</td>
<td>Thomas Braniff, Porfirio Díaz junior, H.B. Hollins, Robert Colgate, José Yves Limantour, Ricardo Honey, Andrés Aldasoro, Eduardo N. Brown, Thomas P. Honey, , José María Cervantes Milanés, José G. Escandón, Emilio Pardo, and Héctor Diaz Mercado.</td>
<td>734 Common</td>
</tr>
<tr>
<td>The Compañía Minera San Rafael y Anexas</td>
<td>José Y. Limantour, Julio M. Limantour, Félix Cuevas, Alejandro M. Escandón of the Compañía Minera Real del Monte (Braniff), Pablo Escandón, Ángel Lerdo de Tejada, Samuel B. Knight, Francisco León de la Barra, Santiago J, Prado, Luis Elguero, José Manuel Vértiz, Mariano Yánez, Manuel Mora, Mariano Muñoz, and Nicolás Álvarez.</td>
<td>200 “A”</td>
</tr>
<tr>
<td>Compañía Minera de Oro Nolán</td>
<td>Fernando Pimentel, Jacinto Pimentel, Patricio J. Nolán, Hugo Scherer y Compañía, Ramón Alcázar, Pedro Peláez, Juan Azurmendi, Hauzer Zivy y Compañía, Eugenio Levy and Sinforiano Sisniega.</td>
<td>11 “A”</td>
</tr>
</tbody>
</table>

During the first decade of the Porfirian regime, Díaz granted foreign investors several contracts or other concessions to develop business plans they already had in mind. In the last two decades Díaz experimented with banking and brokerage in order to channel funds from national and international investors to domestic companies of his choosing. In seeking to raise capital, he found his businesses hit by the death of two
partners. In the case of the Ramie industry, Díaz put in action a bank in which he participated and everything seemed to work perfectly until Pacheco’s death. Later, Díaz became involved with a brokerage firm and continued his search for capital, but Braniff’s death undermined these efforts. In the stock exchange Díaz found the opportunity to invest in institutions less fragile than life. As stockholder he invested heavily in the often-monopolistic businesses that expanded during his regime. He also invested in several bonds of other countries, which paid him important dividends. That was a good decision, because those investments were crucial in the dictator’s survival as an exile, and also for his family, who lived comfortably in Paris until the early 1930s.
CHAPTER 7. Toward the Mexican Revolution: Monopolies and the Madero Interests

Elite creation and economic dependency were the Díaz regime’s two principal hallmarks, but also the source of its main conflicts with the domestic elite. At the end of his regime the loyal group of entrepreneurs began to crumble and important national businesses, oligopolies and monopolies were coming under control of foreign companies. That fostered resentment. In the beginning, monopolies and oligopolies were an outcome of the process chosen by Díaz of elite creation. At the end, Díaz used his political power to make his son part of monopolies and oligopolies, but this was also an effort to keep his entrepreneurial legacy alive. Díaz’s participation in this process was an extension of his entrepreneurial career, and the construction of his legacy had an unexpected role in Madero’s rebellion.

Elite Privileges, Oligopolies and Monopolies

The Porfirian elite had the opportunity to build highly profitable companies and to open business opportunities to others, but they also used their power to eliminate competition and further their own control. The monopoly of political power evolved into an economy of monopolies organized using the same
networks of privileged people that had formed the basis for the development of entrepreneurship within the new capitalist class.

Beginning in the 1890s, the press began to publish discussions comparing the development of monopolistic business practices in Mexico to those already well developed in the United States.\textsuperscript{450} In editorials and news reports, Mexican journalists commented that monopolistic practices associated with the U. S. were crossing the border and consolidating power over the entire production of certain goods and services. In February 1902, the Economista Mexicano published an account that claimed that certain industrial groups in the U. S. wanted to eliminate national and international competition by promoting protectionist policies that isolated the Mexican market.\textsuperscript{451} The article went on to assert that these budding monopoly capitalists, closely linked to Díaz, were concentrating economic decision-making in fewer hands, thus increasing the political power of “small entrepreneurial groups.”\textsuperscript{452}

In December 1902, an article in the New York Times, entitled “Trust-Ridden Mexico,” noted that almost all of

\textsuperscript{450} Ralph Roeder, Hacia el México Moderno: Porfirio Díaz vol. II (Mexico City: Fondo de Cultura Económica, 1995) 10. According to Roeder, the Monitor Republicano was the first newspaper that began discussing the problem of monopolies in the economy.

\textsuperscript{451} El Economista Mexicano, 22 Febrero, 1902

\textsuperscript{452} Ibid.
Mexico’s industries were controlled by trusts and monopolies.\textsuperscript{453} The report alluded to the production and industrialization of lead, silver, textiles, soap, sugar, tobacco, and cotton.\textsuperscript{454} In fact, the monopolies also included the production of glass, meat, paper, steel, dynamite, cigarettes, railroads, onyx, oil, guayule, and a fiber from the agave plant called henequen.

The creation of the most important monopolies dates to the late 1880s. The Compañía Industrial de Orizaba began to assert control over Mexican textile production by absorbing three leading companies, the Fábrica de Hilados y Tejidos San Lorenzo en Nogales, Los Ceritos en Orizaba, and the Fábrica de Estampados de Río Blanco en Tenango.\textsuperscript{455} A few years later, in 1894, the Fábricas de Papel San Rafael established a monopoly over paper production;\textsuperscript{456} and in 1897 the company San Ildefonso, Fábrica de Tejidos de Lana, S.A. established control over the

\textsuperscript{453} The New York Times, December 13, 1902
\textsuperscript{454} Ibid. On cotton see The New York Times, October 30, 1902.
\textsuperscript{455} Thomas Braniff, Enrique Tron, Signoret y Honnorat y Compañía, and Ollivier y Compañía were, among others, owners of this firm. AHAGN, Notary 444, Rafael F. Morales, 15 Junio, 1889.
\textsuperscript{456} Thomas Braniff, Porfirio Díaz Junior, Fernando Pimentel y Pagoaga, Julio Limantour, and Enrique Tron were, among others, owners of this firm. AHAGN, Notary 444, Rafael F. Morales, March 1, 1894.
production of wool textiles.\textsuperscript{457} From that point forward a series of monopolies were established involving a range of products.

In 1898, the Compañía Industrial Jabonera de La Laguna monopolized the production of glycerin.\textsuperscript{458} In 1901, with the consolidation of this company with the Compañía Nacional de Dinamita y Explosivos, S.A., the production of dynamite was monopolized.\textsuperscript{459} In 1899, the Compañía Manufacturera de Cigarros sin Pegamento El Buen Tono became dominant in the production of cigarettes and tobacco products, and there were attempts to consolidate this company with two others.\textsuperscript{460} In 1900, the Compañía Fundidora de Hierro y Acero de Monterrey monopolized steel production.\textsuperscript{461} In 1901 the Compañía Mexicana de Petróleo
monopolized the production of oil. In 1901, Almacenes Generales de Depósito México y Veracruz, S.A. monopolized the export, import and storage of goods in Veracruz, the most important commercial port in Mexico. In 1906, the Compañía Bancaria de Obras y Bienes Raíces, S.A. monopolized the production of cement and other construction related business. As we saw in chapter three, a monopoly in the production and supply of electricity was established around 1910. All those businesses were in the hands of members of foreigners and the Porfirian elite.


462 According to a report of the Compañía Mexicana de Petróleo published in the Boletín Financiero y Minero de México, November 20, 1914, the company began operations in February 1901. The Mexico Petroleum Company established in California was supplying oil to Mexican railroads since 1898. In 1906, the Compañía de Vapores El Aguila, S.A. became its first competitor, thanks to the connection of its owner S. Pearson and Son with Diaz. However, it was not until 1912 that its production became significant, and members of the board incorporated the Compañía Mexicana de Petróleo El Aguila. AHAGN, Notary 62, Agustín Pérez de Lara, Febrero 12, 1905. Also see the act of October 5, 1906, of the same notary. Owners of this firm were, among others, S. Pearson and son, John Benjamin Body, Emilio Velasco, and Henry Pratt Stuart. See also, AHAGN, Notary 62, Agustín Pérez de Lara, September 12, 1904. In this act is mentioned that Pearson and Son Limited legalized its documents in Mexico on August 19, 1902 before the same notary. According to a report published in the Boletín Financiero y Minero de Mexico in October 7, 1908, the notarial act was registered in the Registro Público de la Propiedad on August 26, 1908. According to an editorial published in Boletín Financiero y Minero de México in August 29, 1912 S. Pearson and Son Limited transferred its shares and properties to Compañía de Petróleo El Aguila.

463 Committee members were Julio M. Limantour, Enrique Tron, Enrique C. Creel, Porfirio Díaz Jr, Juan B. Brittingham, Auguste Genin, Ernesto Pugibet, and Tomas Reyes Retana. AHAGN, Notary Public 1, Rafael Pérez Gallardo, November 1, 1901.
Other companies that were in the hands of the Porfirian elite and worked as oligopolies were mentioned in the Economista Mexicano. In 1889, sugar producers organized a group that controlled production until the end of the Porfirian regime. By 1903, the Unión Azucarera Mexicana constituted by owners of seven haciendas from Morelos, Puebla, and part of the state of Veracruz, controlled sixty percent of Mexico’s sugar production. With the Asociación para Venta de Azúcar and the Compañía Azucarera del Pánuco, this group produced most of the sugar in the country. Unsurprisingly, Díaz’s son and son-in-law, and members of the Escandón family, were members of the Asociación para Venta de Azúcar. Julio Limantour and members of the French community such as the Scherer family were members of the Compañía Azucarera del Pánuco. Although control of particular industries or businesses could often be a matter of

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464 El Economista Mexicano, April 26, 1902
465 El Economista Mexicano, January 31, 1903.
466 El Economista Mexicano, May 31, 1902, February 14, 1903, and April 12, 1902. The group publicized its activities in a newsletter called El Hacendado Mexicano y Fabricante de Azúcar. This newsletter was the official periodical of the Unión Azucarera Mexicana, and reported about the production and industrialization of sugar, coffee, tobacco and cotton.
467 AHAGN, Notary 3, Ramón E. Ruiz, September 5, 1899. Members of this asociación or group were Porfirio Díaz’s son, and Díaz’s son-in-law Ignacio de la Torre y Mier, as well as Pablo, Manuel and Eustaquio Escandón, Guadalupe Escandón y Escandón, and Felicitas Juárez viuda de Delfín Sánchez.
468 AHAGN, Notary 62 and 543, Agustín Pérez de Lara, September 24, 1906. In this company participated, among others, Julio M. Limantour and Hugo Scherer Junior.
contention, such conflicts never reached the point of major confrontation.

**Railroads, a Multinational and State Monopoly**

As we have seen, the initial period of railroad construction financed by external capital was instrumental in the early development of Mexican industrial capitalism. For Porfirio Díaz railways “played a great part in the peace of Mexico.” At the end of the regime the railroad system was a complex network of lines and many small lines began a process of consolidation. In the process of monopolization the Porfírian regime decided to consolidate railroad companies under the control of the state, because petroleum companies such as Standard Oil, El Aguila, Speyer and Co., and other small companies began taking control of the railroad companies in order to insure oil exploration, and the transfer and sale of their products, placing the transportation of other goods and manufactures at risk.

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471 *El Economista Mexicano*, October 4, 1902. According to the U.S. consul, sixty five percent of U.S. capital invested in Mexico was in railroads, and
At the same time, Mexican railroads faced serious challenges. The shift in value of the peso versus the dollar, the increasing debts of American railroad companies in the U.S., and the construction of the Panama Canal created considerable risk for the survival of the Mexican railroad system. In 1907, in order to stabilize the rail network, the state intervened to create a monopoly. The Porfirian elite wanted control of the railroads because their businesses were so dependent upon them, but no individual or entrepreneurial group in the nation had sufficient capital to acquire such a complex system. The solution was to involve U.S. entrepreneurs and the state in the creation of the monopoly Ferrocarriles Nacionales de México.

Taking advantage of the link between their personal interests and those of the state, railroad entrepreneurs welcomed the government’s participation in the consolidation of the railroad system in a step of unprecedented business integration. First, the government acquired fifty percent of the Ferrocarriles Nacionales de Mexico. Later a consortium headed by the Americans J. P. Morgan, James Stillman, George Baker, William Rockefeller, E. H. Harriman, Speyer and Co., Jay Gould, and Jacob Schiff, along with some British partners, became the

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only the Interocéanico-Veracruz, Mexicano-Veracruz and Nacional-Tehuantepec were not in hands of U.S. companies. El Financiero Mexicano, 20 Junio, 1903.
The government’s purchase prompted the consolidation of American railroad interests.

On December 26, 1906, Congress issued a decree authorizing the president to incorporate a company that would consolidate properties and acquisitions of the Ferrocarril Central and the Nacional, the country’s main railroads, in the hands of U.S. railroad men. On May 28, 1908, a state company, Ferrocarriles Nacionales de México, was incorporated having Secretary of Finances Limantour as its first director.

The state-controlled railroad system was an unexpected move from a regime that had placed private interest above public participation in the economy. But in fact it was a complex mix of public resources and private interests, and the move was entirely consistent with the larger role of the Porfirian state in supporting and protecting national business development. The

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472 Hart, Empire and Revolution, 126-130.
473 Jaime Gurza in El Economista Mexicano, September 2, 1911. According to Gurza, the company Ferrocarril Central acquired the Ferrocarril de Monterrey al Golfo company and the Ferrocarril de Coahuila al Pacífico, as well the Mexicano del Pacífico. On the other hand, the Ferrocarril Nacional acquired the Ferrocarril Internacional Mexicano, and the company of the Ferrocarril Interoceánico acquired the Ferrocarril Oriental.
474 AHAGN, Notary 47, Manuel Borja Soriano, March 28, 1908. Members of the board of directors were, among others, José I. Limantour, Ignacio León de la Barra, Enrique C. Creel, Clay Arthur Pierce, William H. Nichols, Guillermo de Landa y Escandón, José Signoret, Joaquín D. Casasús, Pablo Macedo, Ernesto Pugibet and Ricardo Honey.
state would secure national control of railroads, and by doing so would privilege the common private interests of entrepreneurs consolidating the industry.

Later on, the new state railroad company also acquired the Ferrocarril Internacional Mexicano and the Veracruz al Pacífico railroads, but some small railroads managed to remain private because of the importance of their board members.\textsuperscript{475} In the midst of this process of consolidation, a new railroad company that was not included in the new monopoly appeared. On May 30, 1908 the Compañía del Ferrocarril Al Istmo was incorporated, with Porfirio Díaz’s son as member of the board.\textsuperscript{476} The company acquired holdings of the Compañía del Ferrocarril de Veracruz al Pacífico that was already merged with Ferrocarriles Nacionales, and thanks to that Díaz’s son became a board member of Ferrocarriles Nacionales.\textsuperscript{477} The now state-controlled monopoly guaranteed the presence of national railway companies’ owners, including Díaz’s son.

If some entrepreneurs viewed private monopolization of railroads as a threat to capitalist businesses, other viewed

\textsuperscript{475} Jaime Gurza in \textit{El Economista Mexicano}, September 2, 1911.
\textsuperscript{476} \textit{Boletín Financiero y Minero de México}, Report of the meeting of the board of the Compañía del Ferrocarril de Veracruz al Istmo, August 12, 1908.
\textsuperscript{477} \textit{Boletín Financiero y Minero de México}, “Ferrocarriles Nacionales, Report of the meeting of the board,” September 17, 1911.
state monopolization as a threat because the Porfirian state and a group of its allied elite controlled political power and hence the monopoly. In those circumstances, the government promoted the idea that behind the state control of the business was an economic nationalism and intermediation between groups. In 1911, Jaime Gurza analyzed the situation of the railroads in the U. S., their control by trusts, and the threat that this appeared to represent for the Mexican economy in a series of articles published in El Economista Mexicano. The articles highlighted the monopolization that was developing in Mexico and how this could affect transportation, commerce and competition, and by extension the particular economic interests of members of the entrepreneurial class. Gurza stated, “in order to avoid the control of the railroads by a few merchants and entrepreneurs and to insure equal access for all to the railroad system, the government was obliged to have a more direct influence on it.”

Railroad men turned to this monopolist solution to solve the increasingly chaotic business, to keep their participation in anonymity, protecting them from growing anti-foreigner sentiments, and due to the increasing complexity of the railroad network. Moreover, it would solve predatory speculation, costly

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478 El Economista Mexicano, September 2, 1911.
479 Ibid.
effects of competition, the increment of railroad lines, technical differences such as the width of gauges, prices and subsidies, as well as disagreements among railroad men.

With this state monopoly, Díaz seemed to reject the notion of laissez faire at a moment of increasing social consciousness. He declared to Creelman that he was planning to create a national system of education carried on by the national government and to promote state regulation of oil fields. At the end of the regime, in other words, there was some evidence that Diaz was developing the state as an enforcer of the common good. “The rich,” he said, “are too much preoccupied in their riches and their dignities to be of much use in advancing the general welfare.” The irony is that if at the beginning of the Porfiriato modernization and laissez faire came with railroads, at the end of the regime railroads announced the “basic premises of what is known as Progressivism.” As Walter Benjamin stated, “Every epoch, in fact, not only dreams the one to follow but, in dreaming, precipitates its awakening.”

481 Ibid.
Díaz’s Entrepreneurial Legacy: The Rise of Díaz Junior

Despite his bad health, Díaz did not plan for political succession, even though Porfirio Díaz Junior was frequently mentioned in some circles as a possible successor. In fact, President Díaz seemed considerably more interested in securing the entrepreneurial position of his son, and thus securing his own entrepreneurial legacy, than he was in engineering a political succession. In the process of consolidation of companies to build monopolies, Porfirio Junior was always in the right place at the right moment. At the end of the regime he was part of sugar, railroad, dynamite, rubber and oil monopolies. He was becoming the most important Mexican entrepreneur in foreign controlled companies.

Porfirio Díaz’s son continued in his father’s footsteps in his professional life. He took advantage of his position as son of the dictator and acted, very much in his father’s mold, as a power broker with entrepreneurs who wanted contracts and grants from the government. At the same time he developed partnerships, as his father had, with many wealthy and privileged men who were active in industry and other areas of the economy. His participation in two companies shows how his

484 As we have seen, Porfirio Díaz Junior collaborated with Thomas Braniff in several companies, and upon Braniff’s death, the thirty-one year-old Díaz
businesses became the source of conflicts with national entrepreneurs like the Maderos. One was of dynamite, and another was the production of rubber from guayule.

**The Díaz Family and the Maderos: Two Sides of Business**

**Success**

During the first decade of the twentieth century, three elements of industrialization grabbed foreigners’ and elites’ attention: dynamite, rubber and oil. In those industries, Díaz’s son was an essential accessory, and local entrepreneurs like the Maderos began suffering displacement and threats of ruin to their businesses. In this stage, opportune Díaz’s passing of laws granting government contracts/concessions consolidated his son’s participation in the main monopolies of the country.

The Maderos held a significant social position in northern Mexico due to the significant and traditional entrepreneurial activities of Evaristo Madero, the head of the clan. He was Junior was his partner in the most important companies in the country. He was also a partner of Fernando Pimentel y Fagoaga in the Banco de Hidalgo and the Compañía Guayulera Nacional, and he incorporated several companies individually as well. In 1900, he took advantage of the law promoting new industries and applied for a concession to create a company to manufacture shoes, in association with Rodolfo Reyes. In 1905, Col. Díaz contracted to represent a company producing malt, receiving a commission of two percent of the company’s annual revenues for mediation services.

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governor of the state of Coahuila and was considered part of President González’s political group from 1880 to 1884. Evaristo had singular skills in creating successful enterprises. Although he did not receive privileged treatment from the regime or gain important political positions, he nevertheless managed to build a large business empire—involving both legal and illegal activities.486

Given Evaristo Madero’s strong opposition to Díaz’s first reelection in 1884, the families decided, or were forced, to remain out of politics.487 Following Díaz’s return to power, the Maderos remained on the fringe of Mexico’s politics while the Porfirian elite began taking over local and national politics and businesses. Although they remained outside politics the Maderos tried hard to gain a foothold in the new entrepreneurial economy. Evaristo’s first son, Francisco, and his brother Ernesto built important entrepreneurial careers, and all the Madero companies were highly profitable and had good market value. Some members of the Madero family served on the board of

486 Ibid., 160.

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several banks, including the Banco Central that Limantour made the bank to integrate all the states’ banks in the country.

The Maderos’ businesses were not disturbed until the turn of the century, when they became involved in guayule production and dynamite, and when Francisco I. Madero challenged the authority of Díaz. Members of the Madero family founded or participated in multiple businesses, including agriculture, banking, manufacturing, mining and processing plants. The Maderos became closer to Díaz’s interests when the dictator promoted the development of new industries such as dynamite, oil and rubber. Dynamite was essential for modern mining exploitation; oil and rubber for the development of a new fuel and a transportation system: the automobile.

The Maderos had the following companies: Agricultural companies such as the Compañía Ganadera La Merced, Compañía Agrícola La Laguna, and the Hacienda de Parras. Moreover, Evaristo Madero and sons were the largest producers of guayule, a raw material for crude rubber in Mexico. They had banking businesses such as in the Banco Central Mexicano, Banco Mercantil de Monterrey, Banco de Nuevo León, and Banco de La Laguna, as well as industrial companies such as the Compañía Industrial Jabonera de La Laguna, Compañía Nacional Explotadora de Carbón y Coke, La Estrella, Hilados y Estampados, Compañía Fundidora de Fierro y Acero de Monterrey, and the Compañía Metalúrgica de Torreón. Their mining companies included Santa María de la Paz, Matehuala, Angustias, Dolores and Anexas en Pozos, Santa María de la Paz, La Purísima Concepción y Anexas, Catorce, Nueva Quebradilla y Anexas o Compañía Minera y Beneficiadora El Edén, Compañía Exploradora y Beneficiadora de Minerales de Zacatecas, and Ramón Corona de Naica, and the Carbonifera de Sabinas. Francisco’s son Gustavo A. Madero was an associate in the state company Ferrocarriles Nacionales, and his other sons Ernesto and Evaristo in Banco de Nuevo León, Banco de La Laguna, Compañía Carbonifera de La Laguna, Compañía Metalúrgica de Torreón, and Compañía Carbonífera de Sabinas. These findings are based on notarial acts, or reports of the companies published in the Boletín Financiero y Minero de México and other publications specializing in business.
Dynamite and the Compañía Nacional Mexicana de Dinamita y Explosivos

In the creation of a dynamite corporation the interests of foreigners, Díaz’s son and the Maderos coincided. Dynamite production was essential for the Maderos due to their involvement in the mining industry. The facilities were in a region in which they had an important influence, and produced materials required for the production of dynamite. The Maderos were not part of the first board of directors of the Compañía Nacional Mexicana de Dinamita y Explosivos, which included Díaz’s son and John B. Brittingham, a U.S. entrepreneur well known in northern Mexico and associated with the Terrazas.\(^{489}\) Brittingham and French entrepreneur Auguste Genin were the initial promoters of this business to produce the explosive that had not prospered before because they did not have domestic intermediates or Díaz’s approval. That is the case of Alfred Nobel.

In 1881, Nobel created a society in Mexico to commercialize his invention. In September of that year, he consolidated two of his companies and a French financier society to create the Sociedad Anónima Mexicana de la Dinamita Nobel. In November 1881 Congress granted Nobel the right to commercialize his invention in Mexico for a period of ten years, but it did not happen and the company concession lapsed. Nobel had failed to understand that even with a unique invention, he would need political and marketing support within the Mexican entrepreneurial and political elite to industrialize it.

Another company that failed after Nobel's initial endeavor was the Mexican Powder Company. On November 30, 1892, Porfirio Díaz granted George G. Loope the right to establish one or more factories to produce dynamite and import glycerin. Because importation of glycerin was so costly, the company decided to produce glycerin locally and it bought land near the rail track of the Ferrocarril Nacional Mexicano, a mile and a half from the railroad station at Bartolito, near Mexico City. In the meantime, in 1893, a company led by Loope had been incorporated to industrialize dynamite in Mexico: The Mexican Powder Company. However, the company encountered many problems in

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building the factory.\textsuperscript{491} The place where the company was planning to start was in Rio Hondo, 20 kilometers west of Mexico City, on property that belonged to Díaz’s son-in-law, Ignacio de la Torre y Mier.\textsuperscript{492} But Torre y Mier did not permit them access to the river either to use its waters or dump their residues, arguing that it would cause serious damage to his land and crops. After it encountered other serious production problems, the government cancelled the company’s concession in October 1900.\textsuperscript{493}

The Nobel and Loppe companies did not prosper for many complex reasons. Although financial and technical factors contributed to their failure, the major problem was political. Without political connections, particularly with Díaz, and with no members of the elite as partners to facilitate governmental authorizations and development, neither company could prosper and grow in Porfirian Mexico.

The erection of a Porfirian powder company began with a connection to the cotton industry, U.S. entrepreneurs, and Díaz’s son. Glycerol or (Glycerin) and nitrocellulose (nitrogen) are both basic components of nitroglycerin and dynamite. The

\textsuperscript{491} Mexico, Archivo General de la Nación, Mexican Powder Company, Legajo No.1, Expediente del 1 al 7, C1, Exp. 7. 1900.

\textsuperscript{492} Ignacio de la Torre y Mier owned the Hacienda de los Leones and Jesús del Monte in the area.

\textsuperscript{493} AGN, Mexican Powder Company. Legajo No.1, Expediente del 1 al 7, C1, Exp. 7, 1900.
multiple uses for cotton provoked the interest of some agriculturalists, such as the Maderos, to become cotton growers. Thanks to cotton and soap, the Maderos soon became involved in dynamite.

La Laguna, in the states of Coahuila and Durango, where the Maderos had ascendancy, was a propitious region for cotton production. The area was irrigated by the Nazas River and produced abundant material for the local soap industry, including glycerin. The Compañía Jabonera de Torreón, La Unión (owned by French entrepreneurs León Signoret and William B. Mitchel) and the powerful Compañía Industrial y Jabonera de La Laguna (owned by U.S. entrepreneur John Brittingham and Juan Terrazas, member of the Terrazas family from Chihuahua) all prospered there. Francisco, Evaristo and Emilio Madero participated actively in the latter company, which, as we shall see, would link their ventures with to those of Porfirio Díaz.494

494 The Compañía Industrial y Jabonera de La Laguna was the result of consolidation of several companies, such as La Esperanza owned by Patricio Milmo, and La Nacional owned by Brittingham and Juan Terrazas. In 1898, La Alianza, S.A. and La Favorita from San Pedro de la Colonia in Coahuila became part of the group of La Esperanza, and later of the Compañía Industrial Jabonera de La Laguna, S.A. Guadalupe Villa Guerrero, "La Industria Algodonera no Textil: el Caso de la Compañía Industrial de La Laguna," Beatriz Rojas, coord. El Poder y el Dinero: Grupos y Regiones Mexicanos en el Siglo XIX. (México, D.F.: Instituto Mora. 1994), 291.
In 1897, a new dynamite company appeared when the government granted Genin the right to produce explosives. Familiar with procedures to create companies in Mexico, Genin first looked for land and decided that northern Mexico would be the best place to develop the industry. That site offered both plentiful cotton from which to produce nitroglycerin, and acceptable partners. In 1898, Genin, Brittingham, and the governor of Durango invited Porfirio Díaz to visit the location where the dynamite production company would have its facilities. The same year, following established political ritual, they consulted with Díaz and planned to incorporate the Compañía Industrial y Jabonera de la Laguna, which would produce the explosives. According to the new industries law of 1898, the government granted Genin the right to produce glycerin, classifying the enterprise as a new industry. In January 1900, a few months before Loppe’s concession lapsed, Genin was

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497 AHAGN, Notary of Lerdo, Durango José Zurita, October 4, 1898, cited by Notary 5, Bernardo Cornejo, October 11, 1901.
authorized to expand the terms of his original contract. In January 12, 1900, the government granted the Compañía Industrial Jabonera de la Laguna the right to produce glycerin. On January 31, the company solicited a governmental permit for expansion of its contract, now to produce nitroglycerin and dynamite.

The government originally did not consider glycerin production a new industry, and thus it did not gain a ten year exemption from federal taxes or tariffs for imported materials and machinery, because since 1898 the Compañía El Lucero had been producing glycerin in the state of San Luis Potosí. It was then that the company of La Laguna engineered an unusual contract with El Lucero to avoid paying taxes and to receive privileges granted by the Ley de Industrias Nuevas. The agreement was that El Lucero would renounce rights on the production of glycerin, if the Compañía Industrial y Jabonera de La Laguna renounced the production of stearin and acid used in the manufacture of candles by the Lucero Company. With the agreement with El Lucero acquiring its original rights and a

governmental grant to produce glycerin, the Compañía Industrial y Jabonera de La Laguna became a new industry. The company then began the construction of its plant in Gómez Palacio, Hacienda de Noé, Partido de Mapimi, Durango, and another plant in the city of Torreón, Coahuila.

All the components to produce dynamite were present in 1900, but not Díaz Junior. He became member of the company in October 1901, and one month later Porfirio Díaz granted a contract/concession to the Compañía Nacional Mexicana de Dinamita y Explosivos S.A. The company still lacked both capital and the patent that would allow it to produce dynamite, but that problem was resolved in the same year when the Société Financière pour L’Industrie Au Mexique agreed to participate in this business. Later, three companies were consolidated to create it: Société Financière pour L’Industrie Au Mexique, Société Centrale de Dynamite and La Compañía Industrial Jabonera de la Laguna. The major partners in this merger were John

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503 AHAGN, Notary José Zurita Lerdo, Durango, October 4, 1898, cited by Notary 5, Bernardo Cornejo, July 15, and October 11, 1901. Members of this company were Julio Limantour, Saturnino A. Sauto, Enrique C. Creel, Pragedis de la Peña, and Tomás Reyes Retana. In 1902 the president of the board was Saturnino A. Sauto. Other members of the board were Enrique Tron, Enrique C. Creel, Jorge P. Col, Eugenio Ituarte, Auguste Genin, Luis Gurza, Ernesto Pugibet, Tomás Reyes Retana, and Eugenio Ituarte. The advisory board of Paris included Calixte Carrady, Paul D. Built, Paul Cretenier, and Blas Batanero de Montenegro. The company would receive technical support from
Brittingham, Julio Limantour, and Enrique Tron, and Porfirio Díaz Junior Francisco and Ernesto Madero were removed from the board of directors.

According to this contract, the Compañía Nacional Mexicana de Dinamita y Explosivos should have started operations on June 30, 1903. The Compañía Industrial Jabonera de La Laguna transferred the rights to fabricate dynamite to the new company, and Genin sold the company the rights and patent to fabricate explosives that he had acquired from the government in 1887. They created with this operation one of the most important Mexican monopolies in Mexico.

The development of this company once again illustrated the process through which the Porfirian elite controlled industrial development by engineering combinations of local investors, international capital and governmental concessions. Foreign investors, Díaz’s son and some members of the Porfirian elite began having more ascendancy in the control of important business than entrepreneurs such as the Maderos who had limited political power.

the Société Centrale de Dynamite, a French corporation linked to Alfred Nobel. The capital stock of the company was $140,000 divided in 14,000 shares of $100 each.

504 AHAGN, Notary 5, Bernardo Cornejo, October 11 Octubre, 1901, and April 21, 1902.

505 AHAGN, Notary 5, Bernardo Cornejo, November 11, 1901.
Perhaps thinking of this incident, Francisco I. Madero wrote in his book La Sucesión Presidencial:

With respect to the people who opposed Díaz’s policies, he always tried to seduce them, offering important positions in his administration or giving them the means to be wealthy effortlessly; only with the unyielding ones, those that stand firm and have refused to give in, has he been ruthless.\(^{506}\)

In this company, the entrepreneurial activities of Díaz and the Maderos came together, but Díaz’s son initially seized the bigger piece of the cake. Predictably enough, once Díaz was forced into exile and Madero won the presidency, Francisco and Emilio Madero became members of the board of the Compañía Industrial Jabonera de la Laguna, the first step to take control of the dynamite company.\(^{507}\) Many members of the board had abandoned the country with Díaz.

**Rubber Production**

The development of the rubber industry followed a pattern much like that which characterized the establishment of the dynamite industry. At the turn of the century, Rockefeller’s


\(^{507}\) *Boletín Financiero y Minero de México*, December 9, 1911.
International Rubber Company was as important a producer of guayule, the raw material for rubber production, as the Maderos. The International was looking for a consolidation with provider groups such as the Maderos and Porfirio Díaz Junior in order to create a monopoly. Díaz was an associate of the Compañía Guayulera Nacional and as he did in other businesses such as dynamite and railroads he would have accepted a consolidation. It was only a matter of time.

Since Díaz saw himself as the entrepreneur president, when Madero ran for the presidency he attacked him not just as a political leader, but also as a businessman. Díaz tried to ruin Madero’s business through the creation of the monopoly and making his son part of it. He had Madero jailed on a “fictitious charge of cutting rubber-plants in a strip of land in litigation.” According to the International, those lands belonged to them, but because that claim had no legal base yet, Díaz added more charges against Madero. With these subterfuges Díaz won the election without Madero’s participation, but after fighting broke out he threatened to ruin the Madero family business on charges of financially supporting the revolution.

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508 Electrical World, Vol. LVI, No. 2, December 1, 1910, 1275
The federal government placed an additional heavy burden of taxes upon the Maderos’ properties of guayule and rubber production, which was devastating to men doing business on as large a scale as they were.\textsuperscript{510} Later, Díaz ordered the Banco de Nuevo León and Banco Mercantil de Monterrey to call in all Madero family loans, and many partners asked the Maderos to leave their partnerships or accused them of breach of trust.\textsuperscript{511} To preserve their wealth, the Madero family began putting up for auction many of their properties.\textsuperscript{512}

Taking advantage of this situation, and encouraged by Díaz, the Rockefeller syndicate’s International Rubber Company began negotiating the purchase of the extensive rubber holdings of the Maderos.\textsuperscript{513} Evaristo, the head of the Madero clan, was eighty-four years old, and frightened by the situation, he was ready to sell. The situation changed dramatically when his grandson became president after the end of the revolution’s first stage of fighting. Suddenly, the Rockefeller Company was on the brink

\textsuperscript{510} \textit{Electrical World}, Vol. LVI, No. 2, December 1, 1910, 1275.


\textsuperscript{512} \textit{Electrical World}, Vol. LVI, No. 2, December 1, 1910, 1275.

\textsuperscript{513} Ibid.
of losing its rubber holdings because the Maderos wanted to buy
the International possessions.

When Madero became president in the fall of 1911 the
country still suffered from regional unrest, and there were
various elite plots against his government. To calm U.S.
investors or property holders, he immediately sent his brother
Evaristo back to Cornell University, where he was studying
before the uprising, and his father Francisco and brother
Gustavo as emissaries to New York. Supreme Court Justice James
W. Gerard, who was a property holder in Mexico, received them at
the Union Club to talk about the problems that President Madero
was facing after inauguration. Ironically the meeting was at the
same club Díaz once visited in 1883.514 The Maderos were also
there to negotiate, with the International Rubber Company, the
purchase of the Rockefeller rubber properties in Mexico.515
Francisco I. Madero, the entrepreneur, began taking control of
his family businesses at the same time he was assuming control
of the country as president. The Maderos seemed to want to
control the production of guayule once Madero was in the
presidency. He was killed, however, before he got control of
either.

514 The New York Times, June 18, 1912.
In addition to his economic motivations and personal interest in removing the dictator, the man who challenged the last reelection of Porfirio Díaz and initiated the Mexican Revolution with the Plan de San Luis, also embodied the resentment of Mexican entrepreneurs against an authoritarian system of privileges upon which the modernization of the country depended for decades. The Madero dynasty had built an important industrial emporium, and the dictator never took into consideration their political weight.

**Mexican Oil**

The Maderos participated in thirty-two mining companies, and with the introduction of railroads their Compañía Carbonífera de Sabinas and Compañía Nacional Explotadora de Carbón y Coke were evolving satisfactorily. Mexican entrepreneurs were also supplying coal to the market through several other companies: the Compañía Carbonífera de Río Grande (Braniff), the Compañía Mexicana de Carbón de Piedra and the Compañía Carbonera La Agujita, both owned by the Pimentel family. At the turn of the twentieth century most railroads and industries still utilized coal as fuel, and coal-mining

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516 Mario Cerutti, *Burguesía*, 69.
production increased until the arrival of oil. The use of oil as fuel menaced the importance of coal for transportation.

Early in the twentieth century the situation started to change and coal production began suffering its effects. The elite with the support of Porfirio Díaz and foreign investors began seeking to participate in the world’s most critical fuel of the century. The news about the use of petroleum as fuel had arrived in Mexico around 1885.\textsuperscript{517} A few years later, when oil became cheaper than coal, some railroad companies began converting to it. But at the time petroleum production was insufficient, and railroad machinery needed to be converted. Hence, the changeover did not occur until the first decade of the twentieth century.

The first petroleum company that began selling oil in Mexico was the Waters Pierce Oil Company in the 1880s.\textsuperscript{518} Around 1898, the California branch of Edward L. Doheny’s Mexican Petroleum Company signed a fifteen-year contract with the

\begin{footnotesize}
\begin{enumerate}
\item \textit{El Minero Mexicano}, December 10, 1885.
\item The Waters Pierce Oil Company began in the 1880s selling U.S. oil to Mexico, and had a U.S. monopoly of oil until Doheny began selling oil to railroad companies in the 1890s. According to an internal report, from February 1901 the Mexican Petroleum began explorations at El Ébano, and by May 14, was producing fifty barrels a day. As with other concessions, the government granted the company the right of free importation of necessary machinery and material, and exemption from any tax except the stamp tax, for a period of ten years. It was not until 1904 that this monopoly became an oligopoly with Pearson’s participation in the industry.
\end{enumerate}
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Ferrocarril Central Mexicano to supply six thousand barrels of oil per day.\textsuperscript{519} In 1901 Doheny’s company received the first government concession to extract oil at El Ébano, Veracruz. He tried to break Pierce’s monopoly and persuaded Edward N. Brown to use oil as fuel in the Ferrocarril Interoceánico and other companies managed by this railroad entrepreneur. In 1904, Brown wrote to Limantour, telling him that Doheny, whose company controlled El Ébano, said that 3.75 barrels of oil were equivalent to one ton of ordinary coal, and four barrels were equivalent to one ton of Fairmont coal.\textsuperscript{520} In calculating the price of the petroleum, plus the cost of converting the engines, plus interest and a five-year agreement, the total cost of the same quantity of energy generated by oil would be 12.5\% less than that generated by coal. After four years, the savings would increase to 14.5\%.\textsuperscript{521} This calculation was not favorable for coal producers. Those entrepreneurs, including the Maderos that did not change to oil, were entering a path of decline.

After learning of the importance of oil as fuel, many entrepreneurs such as Pearson wanted to challenge the supremacy


\textsuperscript{520} CEHMCARSO-CDLIV, Letter from Edward N. Brown to José Ives Limantour, September 27 and 28, 1904.

\textsuperscript{521} CEHMCARSO-CDLIV, Letters from Edward N. Brown to José Ives Limantour, September 27 and 28, 1904.
of Doheny’s Mexican Petroleum monopoly. Even when more independent companies appeared, soon Pearson began controlling them. On September 8, 1898, Atenor Sala and Díaz’s nephew Félix Díaz incorporated the Díaz and Sala Company to exploit petroleum deposits in the district of Macuspana, Tabasco.\(^{522}\) Three months later, Porfirio Díaz Junior joined the company.\(^{523}\) On September 1899, Porfirio Díaz Junior left the company to be part of the more important Ferrocarriles de Veracruz Railroad Company, which was incorporated in November 1900.\(^{524}\) Later, the remaining members of the Díaz y Sala Company signed a contract with Weetman Pearson and Son Company to explore for three years the soil and subsoil of their properties.\(^{525}\)

The incorporation of Díaz Junior to Pearson’s oil companies began in 1901 when the Congress authorized President Díaz to:

grant permits to those companies interested in exploring the subsoil of vacant national lands, as well as lakes, salt and fresh lagoons under federal jurisdiction, for

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\(^{522}\) AHAGN, Notary 62 and 543, Agustín Pérez de Lara, May 8, 1905.

\(^{523}\) AHAGN, Notary 1, Rafael Pérez Gallardo, December 10, 1898.

\(^{524}\) AHAGN, Notary 1, Rafael Pérez Gallardo, September 19, 1899. AHAGN, Notary 62 and 543, Agustín Pérez de Lara, November 3, 1900. The first members of the board of the new company were J. B. Body, J. Levi, and Guillermo de Landa y Escandón.

\(^{525}\) AHAGN, Notary 62 and 543, Agustín Pérez de Lara, May 8, 1905.
the purpose of discovering sources or deposits of oil, or hydrogen carbide gas that could be present.526

The passing of the 1901 law sparked the exploration for oil, and many members of the elite began their participation in the industry.527 Porfirio Junior, meanwhile, developed a relationship with oil magnate Weetman Pearson. Pearson’s interests covered the entire state of Veracruz, and the region of the Isthmus of Tehuantepec, which had important oil deposits.

The law of 1901 granted exploration and exploitation contracts/concessions in its effort to benefit investors, but those violated several articles of the Civil Code of 1884 concerning property rights. Railroad expansion helped to make oil exploration less conflictive because the companies acquired immense lands all over the country through which to pass their

526 Law of December 24, 1901. Dublán and Lozano, Legislación Mexicana 1901, Vol. XXXIII, 448. Besides granting the right of exploration wherever the railroad tracks had to pass, this law of exploration gave oil companies extremely favorable conditions, eliminating property rights. Oil companies could solicit expropriation of any land, based on approved plans of the exploration area. Using the plans as the basis for expropriation, petroleum companies did not need a sales agreement with the owners of the land. With the concession for exploitation and expropriation, they could pass the lines wherever they wanted, giving the owners only small compensation for the problems it could cause. Finally, if the owners did not agree or resisted the companies’ offers, a District Judge would resolve the dispute, without right of appeal.

527 In 1903, the Pimentel brothers, involved also in coal production, founded the Compañía Petrolífera del Pacífico. Later, in 1908, Félix Díaz (dictator’s nephew), together with Pimentel brothers, founded the oil company denominated Compañía Petrolífera de Isla del Toro. AHAGN, Notary 3, Ramón E. Ruiz, 16 Abril, 1909.
lines without affecting other properties. On the other hand, railroads added to demand when they began using oil as fuel, requiring the exploitation of more and more fields.

In 1902, Pearson notarized in Mexico the papers of S. Pearson & Son Limited. This company was incorporated in the U.S. with President Taft’s brother as member.⁵²⁸ Pearson was becoming one of the most privileged entrepreneurs in the country after Braniff and shortly after June 10, 1904, when Porfirio Díaz granted Pearson’s company the concession to explore and extract oil in national lands, Pearson became partner of Porfirio Díaz Junior⁵²⁹ Ten days after the passing of the law, Díaz’s son and S. Pearson & Son created the petroleum Compañía de Petróleo San Cristóbal. Pearson was chairman and Porfirio Junior a member of the board.⁵³⁰ Five months after the passage of the law, Díaz’s son’s company Ferrocarriles de Veracruz-Mexico signed a contract that allowed Pearson the exploration of petroleum deposits in the lands belonging to his company.⁵³¹ The same year the company S. Pearson & Son Limited formed the railroad company Ferrocarril

⁵²⁸ AHAGN, Notary Public 62 and 543, Agustín Pérez de Lara, August 19, 1902.
⁵³⁰ AHAGN, Notary 62 and 543, Agustín Pérez de Lara, June 20, 1904. Other members of this company were manager John B. Body, R. McDonald Bird, and Carlos Landa y Escandón.
⁵³¹ AHAGN, Notary 62 and 543, Agustín Pérez de Lara, November 29, 1904.
Nacional de Tehuantepec and based on its contract/concession this company began to explore petroleum deposits on national lands. In 1907, the Veracruz and Tehuantepec companies managed to remain private when the government acquired almost all railroad companies in the country, because there were links between important members of the regime, the railroad business, and petroleum.

Although the participation of Díaz Junior in the San Cristóbal Company was modest, because Pearson controlled 84 percent of shares, this partnership introduced the dictator’s son to the business of the twentieth century. Later this company was dissolved to consolidate Pearson petroleum businesses in one big company. In 1906 Pearson incorporated a new oil company called the Compañía Mexicana de Vapores El Aguila. On August 31, 1908, he incorporated the Compañía Mexicana de Petróleo El Aguila. According to a news report, the company’s capital was

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532 AHAGN, Notary 62 and 543, Agustín Pérez de Lara, September 12, 1904. In 1905, this company acquired also the rights to explore petroleum deposits on lands owned by Manuel Romero Rubio, which would be exploited by a new company that they created later. AHAGN, Notary 62 and 543, Agustín Pérez de Lara, March 31, 1905.

533 AHAGN, Notary 62 and 543, Agustín Pérez de Lara, February 12, 1906. The board of directors was S Pearson and son, John Benjamin Body, Henry Pratt Sturt and Emilio Velasco.

534 AHAGN, Notary 25, Juan M. Villela, August 31, 1908.
$100,000 pesos. In 1909 the Compañía Mexicana de Vapores El Águila transferred part of its properties to the Compañía Mexicana de Petróleo El Águila. This operation took until 1912, when the Compañía de Petróleo El Águila received the total properties and assets of the former company. In the same year, Pearson incorporated the Eagle Oil Transport Company Ltd., to build tankers and transport oil to the ports of international consumers. In a few years Pearson had built an important corporation challenging the U.S. Doheny’s monopoly. The date of Díaz Junior’s last association in the Compañía de Petróleo El Águila is unknown, because the consolidation of Pearson’s companies took effect during the first moments of the Revolution of 1910, but in 1911 Díaz Junior was director of the company according to the Mexican Year Book of the Secretaría de...

535 Boletín Financiero y Minero de México, October 20, 1908. According to this note, the stock capital of this company was $100,000 divided in 1,000 shares of hundred pesos each, and the members of the board of directors were Pearson, John B. Body, T.J. Ryder, and Eduardo Sayer.

536 Boletín Financiero y Minero de México, August 29, 1912.

537 Boletín Financiero y Minero de México, April 15, 1912. Lord Cowdray, Thomas B. Bowning, Mayor W. A. Adam, B. Clive Pearson, Clive Bowning and John Pundy notarized this company in London.
Fomento. According to the Boletín Financiero y Minero, this company included important members of the Porfirian elite.

Gustavo Madero was part of a very small oil company, the Compañía Petrolera San José de las Rusias, and he represented the anger of many oil businessmen over the role of Díaz’s son in the process of creation of monopolies. During the revolution many believed that Madero received the support of U.S. oil companies in order to destroy Pearson’s oil interests linked with Díaz and his son. Gustavo Madero led negotiations with the Standard Oil Company and the Waters Pierce Oil Company to gain their financial support for his brother’s revolution. Although such support did not materialize, the role of monopolies in motivating the revolution was real. Francisco Madero wrote in La Sucesión Presidencial that “the result of

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539 Boletín Financiero y Minero de México, December 22, 1911. See more information in the reports of the board of the company in Septiembre 1911. Members of the board were Enrique C. Creel, C.W. Hayes, Thos, J. Ryder, Fernando Pimentel y Fagoaga, Luis Elguero, Luis Riba, Francisco Díez Barroso, Lord Cowdray, Guillermo de Landa y Escandón, John B. Body, Salvador Cancino, and Alec. P. Anderson.


541 In 1912, The U.S. Congress began an investigation to probe an oil trust’s participation in the revolution. The investigation was directed to determine the participation of Standard Oil in contributing to Madero’s finances and destroying Pearson’s monopoly. The New York Times, August 31, 1912.

[Díaz’s] policy has been the formation of monopolies of paper and dynamite, and making the prices of articles of iron and steel more expensive, to the detriment of the entire nation and benefit of the few.\textsuperscript{543}

At the end of the regime the situation of monopolies was in its climax, and a small group of foreigners and members of the elite were gradually controlling the economy of the nation with the approval of the dictator. This concentration of economic and political power was creating resentment among some members of the elite, expressions of popular nationalism and the need for a change; Madero embodied all those elements in his search for democracy. In the James Creelman interview in which Díaz announced that Mexico was prepared for democratic change, Díaz said: “I believe democracy to be the one true, just principle of government, although in practice it is possible only to highly developed peoples.”\textsuperscript{544}

Circa the 1910 elections Díaz was coming to a crossroads. The maker of a new social class told Creelman that he had not found a successor that could fit his friends’ expectations or would accept his advice and support, and he did not trust anyone

\textsuperscript{543}Francisco I. Madero, \textit{La Sucesión Presidencial en 1910} (Mexico, D.F.: Editorial Nacional 1997), 238. Braniff was controlling the monopolies of paper and steel together with Pimentel and Limantour.

\textsuperscript{544}Creelman, “President Díaz,” 234.
not chosen by him. On the other hand, the Maderos did not belong to his closest group of friends, and later he considered Francisco a “communist.” In a 1910 telegram he said of Madero: “There are Madero’s communist plans. I have a proclamation promising that he will distribute among poor people the lands belonging to the rich.”

In the process of deciding his path, Díaz was reelected and missed the chance to provide to capitalism a stable transition to the new era. When the Revolution broke out, he realized his error and negotiated such a transition with Madero. It was too late, because resentment of those who were not privileged had produced a revolution that would not end before destroying much of Díaz’s work.

After examining the evolution of the last three important monopolies of the regime, it is easy to assume that Porfirio Díaz senior’s goal was more than to participate in those businesses to leave his son in a good economic position. Using Díaz’s power to grant timely contracts and concessions, Díaz’s son became member in the most important monopolies, and was on the brink of being part of the guayule-rubber monopoly when the

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545 Mexico, Universidad de las Américas Puebla, Sala de Archivos y Colecciones Especiales de la Biblioteca Franciscana. Centro Interactivo de Recursos e Información y Aprendizaje. Acevos Digitales, Correspondencia Presidencial de Porfirio Díaz, Telegramas. Telegrama No. 4490, November 18, 1910.
revolution started. The monopolization process of the last part of the Porfirian regime accentuated the polarization of the entrepreneurial class and brought disagreements between national and foreign entrepreneurs that broke the social and economic hierarchical structure that was the foundation of the Porfirian Regime.
CONCLUSIONS

Over three decades the Porfirian regime transformed Mexico’s economic organization and changed traditional Mexican society. The regime rearranged class and gender roles and transformed political relations, but also built a mighty government that brought foreign finances, new legislation, improved communications, and greater exploitation of natural resources. Investments, industrialization, and business, as well as domestic and international trade expanded, and after many years of political instability Mexico began working as a cohesive nation with laws. It developed a hierarchical society with modern capitalist classes and new power relations between the government and citizens that brought inequality and rebellion at the end of the regime.

Modernization became a process of centralization of political and economic decisions in the presidency, which led to dictatorship, group privileges, and corruption, as well as economic dependency on foreign investments, ingenuity and commerce. These conditions rearranged the social ladder and established a new national identity, but did not improve the situation of the majority of Mexicans or develop the nation’s democratic institutions.
During the Porfiriato, business activities and industrial expansion echoed power relations. The modern Porfirian state generated a strong executive branch, which subsequently evolved into a long-term presidency that for decades centralized major economic and political decisions and practically privatized policymaking. For thirty years the Mexican Congress granted the presidency the authority to enact laws. It approved contracts and passed laws, codes and regulations, as well as governmental grants, charters, concessions and subsidies, low or no taxation and exemptions on import duties for privileged national and foreign entrepreneurs, many of them friends or loyal followers of the president. The political and legal system legitimized reelections, thus establishing an indissoluble bond between the person, the presidency, and modernization.

A generation of power brokers and foreign financiers used the long-lasting existence of the regime to acquire great wealth and political power. Moreover, groups and individuals used their personal relationships with Díaz, and the immense resources of the state, to fulfill their lucrative interests and achieve political and economic hegemony. In the Porfiriato, the concept of a regime for the few acquired an infamous significance. Believing they were irreplaceable and superior to the rest of
the population, Díaz and the elite took over the control of every state, region and locality of the country.

During the Porfiriato new economic activities, the arrival of modern financial institutions and the structure of corporations permitted entrepreneurs from the capital, states or foreign countries to operate anywhere. This process brought the consolidation of diverse groups of economic power in a new social class that also became crucial support for the regime. Corporate management, financial institutions and the stock exchange encouraged the development of free enterprise and a market economy thanks to the ubiquitous influence of investors and owners.

Railroads, corporations, and centralized governmental authority spread throughout the country the new social and economic configuration of the regime, law and order. As soon as national and international entrepreneurs found out that the president was acquiring major constitutional powers and would take personal advantage of the resources that modern capitalism released for entrepreneurs, investments, exploration, production and movement of goods flooded the nation. Porfirian modernity became a new ideology that justified Díaz’s permanence in power,
his errors and corruption, and influenced many contemporaries as well as historians to consider him a good dictator.

All the realities and abstractions of Porfirián modernity materialized in cities, particularly in the capital. Mexico City became the stage where centralization, modernity and conspicuous consumption had their foremost expression. It became the modern image of the regime. The constant interest of Porfirio Díaz in improving and transforming the colonial setting of Mexico City began before he came to power, but materialized when he created a company to resolve the valley’s drainage problems, which allowed the growth of the urban area, the expansion of the real estate business, and reinforced the city’s status as a railroad hub. Díaz promoted the interests of realtors in developing businesses in the city and modernizing the image of the capital.

The drainage system was the first activity that sparked the centralization of important economic decisions in the presidency. Díaz travelled to the U.S. to pursue this project, and later achieved the control and management of water resources in the country. Díaz’s interest in the drainage system provided him with an excellent image as a businessman wanting to be in touch with the American democratic political and economic conventions. Although the trip did not provide the kind of help
he needed at once, the corollary of it was his involvement in U.S. insurance companies and the influx of financial resources, industry and entrepreneurs from the U.S. The U.S. business and political community saw him as a modern politician, but also as an entrepreneur with an open mind for new projects and foreign investments. The endorsement of U.S. politicians and entrepreneurs was essential for his successive reelections, and the economic expansion during his regime. After the drainage project, presidential control of economic sectors became a regular practice during his regime and gave him important personal control of businesses. Additionally his first company was a learning exercise in technological and financial issues, as well as in political, diplomatic, and commercial connections. Díaz involved in this project friends and political antagonists as a form of extending his network of support, and as a procedure to make central to modernization the control of business opportunities in pursuit of a goal of creating a more or less unified economic elite.

Díaz later took advantage of his position as president and the power vested in him over national waters to use the drainage system for an enterprise of power generation. In this enterprise Díaz combined Braniff’s experience with Thomas A. Edison’s ideas.
in an emerging business activity crucial for industrial development. Braniff became one of Díaz’s closest friends and was a partner with him in several endeavors. Their common businesses and long-lasting friendship accomplished something that diplomatic relations and trips could not. Braniff became a privileged entrepreneur who represented the ideal foreigner of the Porfiriato.

Díaz also used his presidential power to become partner in the most important national banks. Knowing the historical role that commercial houses and lenders had in politics in the early years of the nineteenth century, he was involved in the creation of banks that became the support of capital-intensive industries, but also of his government. The intervention of Díaz in major banking institutions permitted him not only to solve disagreements among them and appease them, but also to be in a business where as shareholder he could know the movements of Mexican and foreign financiers. At the turn of the nineteenth century, he was member or shareholder of the three most important national banks that, of course, were favored by the Porfirian banking law with special privileges.

When the Congress passed another law authorizing the Executive to issue federal mining and commerce codes, the
president was prepared to become a mining entrepreneur in association with two members of his cabinet, Carlos Pacheco and Manuel Romero Rubio, who in the past had been irreconcilable enemies. In this case, he demonstrated that businesses could bring people together in a way politics could not. After the creation of his companies of gold and cinnabar, he presided over several changes in mining laws that favored the inflow of capital to this industry and maximized profits. He also authorized the adoption of the gold standard.

Díaz’s ramie enterprise followed the footsteps of previous enterprises. Besides receiving Congressional authorization to grant contracts providing tax exemptions and privileges to develop the industry, he also received the support of banks, the government, and major entrepreneurs to enter into a business held by his secretary and friend Pacheco. He moved people and resources around in a project that benefitted an official and a crony while the majority of peasants and agricultural producers were forgotten by his regime, and primary crops such as corn and beans had to be imported.

At the end of his regime, Díaz became a business promoter and financial advisor with two of his closest friends, Braniff and Sánchez Ramos. The firm did not last, because Braniff, like
Pacheco and Romero Rubio, died, leaving Díaz with unfulfilled goals and companies to be dissolved. Playing the role of power broker, facilitator or intermediary was something that he knew how to do very well, but he was too old to continue doing it alone and in activities that required his presence. That is when Díaz became a stock investor in companies that were profitable and received privileges during his regime. His companies’ stocks and the sale of possessions and other holdings helped him live comfortably while in exile. Díaz’s strong dictatorship did not mean a powerful and rich state. The dictatorship promoted cronyism, monopolies, and foreign dependency, but it did not achieve political continuity. Díaz did not arrange for a succession and the Porfirian regime arrived at a dead end.

The only succession that Díaz envisioned was to put his son in positions of economic power that at the time meant being part of important foreign and national monopolies. At the turn of the twentieth century, Díaz seemed to be more interested in his entrepreneurial legacy than in his political succession, a poor set of priorities for Mexico. Díaz left the decision about a successor to those that would outlive him. He famously said to Creelman that Mexico was ready for democracy, but he also said, in a contradictory interview, that he could not cease to serve
his country while he lived.\textsuperscript{546} During the elections of 1910, Díaz confirmed that he wanted to die in the office of president. Regardless of who might follow in the presidency after him, he wanted his son to be in a position of economic power and political influence. Perhaps Díaz thought that becoming a mighty entrepreneur was more important than to be a politician. The aftermath of the fraudulent 1910 elections and Madero’s call for an uprising forced him to take a decision earlier than he anticipated, and he opted for exile.

In the frenzy of modernization, Díaz and the ruling elite introduced foreign finances and businesses, imposed authorities and abused power, leaving no social benefit and only a minimal share of their earnings in the country. Many of the entrepreneurs of the regime, including Díaz, sold their businesses to foreigners when the economic and political systems arrived, respectively, at the point of monopolization and crisis. The outcome of Porfirismo’s modernization was sour. Workers began iconic strikes against the U.S.-owned mining company at Cananea, and in the textile factory of Rio Blanco owned by Thomas Braniff, both businesses especially favored by the regime.

\textsuperscript{546} Creelman, “President Díaz,” 234.
Mexican workers and peasants did not enjoy benefits or paid holidays and their organizations were considered benevolent societies. Strikes and acts of rebellion were considered criminal acts, especially when properties of the members of the Porfirian elite were disturbed. From 1900 to 1910 migrant flows to the U.S. grew at unprecedented rates, wages dropped with the adoption of the gold standard in 1905, and from 1906 miners, peasants and laborers were killed and jailed to end strikes. Both local elites and new and displaced entrepreneurial groups aspired to access the political system. Many entrepreneurs were excluded from big business or elections, and others, like Francisco I. Madero, were prosecuted and jailed; attempts to share in modernization carried heavy penalties. The Maderos felt first hand the sting of giving their work of years to the Americans and privileged members of the national elite.

Díaz’s government gave everything to foreigners and entrepreneurs and demanded little from them. Mexico became open ground for capitalist ventures without the complications of investment risks, high taxation, organized labor, worker’s benefits, high wages, or strict regulations. It was a place for foreigners to profit without leaving any local public benefit.

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and for domestic entrepreneurs to start businesses with no capital but with governmental concessions to sell to foreign entrepreneurs. At the turn of the twentieth century, social and political problems like these festered as the dictator grew senile and his generation of entrepreneurs was fading away. Madero’s impression was that Díaz was “truly decrepit, he has very little vitality.” The international economic crisis of 1907 shut down the flow of new capital to the country and contributed to the collapse of the Porfirian regime. In 1910, just a few months after the celebration of the independence centennial, a social uprising began. Unable to protect the privileged classes from themselves or itself from self-indulgence, the Díaz regime begot a revolution.

Díaz had the opportunity to leave the country with important resources in his baggage. Thanks to the Stock Exchange, he had accumulated holdings of several companies as well as properties, foreign debt certificates, and other resources to survive the rest of his life. Moreover, just before the Revolution, he sold his power plant to the Americans and left many other of the country’s best industries in hands of European and American financiers and corporations.

Díaz left a legacy of economic dependency, the rule of caciques, and the misuse of political power to achieve personal lucrative interests. Modern governmental conflicts of interest and corruption are still a matter of concern in the country to this day. Governing with an entrepreneurial mind was a peril to the poor and the entrepreneurial class alike. Díaz failed to find the way to ensure a succession because there were no real institutions to make the system continue. Entrepreneurs not favored by the regime detested privileged businessmen and cronyism, Mexicans hated foreigners’ concentration of economic power, workers and some local leaders became anti-elite agitators, and many peasants became anti-landlord rebels.\textsuperscript{549} All of them became revolutionaries when they took up arms to attain the modern progress that the Porfiriato denied them.

The Madero revolution began as a rearrangement of political forces and social classes within Mexican capitalism. The demands of the middle and working classes for representation, working and civil rights, and democracy occurred at a moment when conflict within the bourgeoisie was prominent in the social environment. In a regime that only paid attention to the creation of the bourgeoisie, and in an economy based on foreign

capital, the only way to change the regime was a Revolution. By killing Madero in a coup in 1913, remnants of Díaz’s regime eliminated the last possibility of an institutional transition. The organizers of the coup, Generals Victoriano Huerta, Bernardo Reyes, Félix Díaz, and Ignacio de la Torre y Mier, among others, did not know that if they did not succeed in controlling power, they would endanger the existence of the capitalist system in Mexico as a whole, but with the triumph of a revolution that their behavior helped deepen, the state would soon control the main monopolies of the country, such as railroads, paper, dynamite, electricity and oil.

Due to their internal contradictions, Madero vs. Díaz and later Madero versus the remnants of the Porfirian elite, the Mexican bourgeoisie annihilated itself at the very pinnacle of its social, political and economic power. Most of the members of the Porfirian elite had to leave the country shortly after Díaz, and after the death of Madero there were not many entrepreneurs or sympathizers of foreigners within the revolutionary ranks. No member of the Porfirian elite became an important leader of the revolution or of the emerging governments. The rural and working class leaders and members of the middle class built a new state
with significant power. Some foreign companies survived, but after the revolution most foreign monopolies disappeared.

The Madero revolution started as an alliance of social classes, but in its leader's absence soon became the first social revolution of the twentieth century with an exiled bourgeoisie. But though the bourgeoisie was in exile, ironically, according to the New York Times, "not one of those who prospered and grew rich in the shadow of his [Díaz's] greatness was with him when he died" in Paris, July 2, 1915.\footnote{The New York Times, "Porfirio Diaz Dies an Exile in Paris: No Friends at His Bedside," July 3, 1915.}
APPENDIX: DOCUMENTS, CONGRESSIONAL BILLS, NEWSPAPERS, PERIODICALS, AND ARCHIVES


The following governmental documents have information on congressional bills, dates of approval and terms of companies’ contracts and concessions. This material will provide information on connection between governmental grants and tax exemptions accorded to particular entrepreneurs and corporations. This information will establish a clear bond between policymaking and corporations belonging to members of the elite or Porfirio Díaz.
Governmental Documents

Congressional records, 1876-1911; Código de Comercio, 1854; Código de Comercio, 1884; Legislación Mexicana 1854-1897; Ley de Sociedades Anónimas, 1888; Ley de Fomento de Industrias Nuevas, 1898; Memoria de la Secretaría de Fomento, 1892-1897; Memoria de la Secretaría de Hacienda 1892, 1895, 1896, 1897, 1907, 1909, 1910; Memoria de la Secretaría de Relaciones Exteriores, 1877; Memoria de las Obras del Desagüe del Valle de México, 1902; Memoria del Congreso. Diario de los Debates Cámara de Senadores, 1881-1904; Reglamento y Arancel de Corredores, 1854; U.S. Department of State, Dispatches from United States Consuls in Mexico City to the State Department, 1880; Mexico, Secretary of Finance of the United States of Mexico, Report on the actual condition of Mexico, and the increase of Commerce, January 15, 1879. Secretaría de Hacienda y Crédito Público, Boletín con la Colección Oficial de Disposiciones Dictadas en el Año 1897. Tomo XII.

Newspapers and other periodicals

El Siglo Diez y Nueve; The New York Times; El Economista Mexicano, 1891; Mexican Herald, The Mexican Financier; México Industrial; Boletín Financiero y Minero de México; El Minero Mexicano. Taylor Frank H, Una Invasión Pacífica de los Estados

**Archives and Libraries**

Acervo Histórico del Archivo General de Notarías del Distrito Federal, Mexico; Archivo General de la Nación, Mexico; Acervo Histórico de Porfirio Díaz, Mexico; Biblioteca Francisco Xavier Clavijero, Archivo Porfirio Díaz, Universidad Iberoamericana, campus Santa Fe, Mexico; Archivo José Ives Limantour, Biblioteca Centro de Estudios de Historia de México, CARSO, Mexico; Biblioteca Nacional de Mexico; Biblioteca Melchor Ocampo, Senado de la República, Mexico; Biblioteca del Banco Nacional de México; Hemeroteca Nacional de México; Library of the University of Texas at El Paso.
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