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Border Businessmen: Small- and Medium-Size Foreign Entrepreneurs in Northern Mexico, 1848- 1930

Recent examinations of the role of foreign investment in underdeveloped nations have focused on the activities and impact of huge, multinational corporations based in the United States and Western Europe. These giants, however, did not dominate the economic landscape until the beginning of the twentieth century. During the nineteenth century, individual British and North American entrepreneurs cut a swath across Latin America. Even after the multinationals came to rule the export sectors of the Third World, they did not monopolize foreign investment. Numerous small- and medium-size foreign enterprises sought to take advantage of the wide range of economic opportunities in mining, agriculture, and commerce. It is the purpose of this study to investigate these small- and medium-size enterprises in one part of the developing world, northern Mexico, during the period 1848 to 1930, when foreign capital and capitalists poured into the area to exploit its rich natural resources.

The study will determine the extent and composition of small- and medium-size enterprises and formulate a typology of them. Then it will examine the relations between the businessmen who operated these enterprises and their hosts: What was the nature of their business environment (especially as compared with that of the larger companies)? What were their relations with local elites and government? And to what extent did they assimilate into local society? The study will also assess the economic impact of these enterprises: To what extent did they stimulate local economies? How did they treat their labor force?

The number of foreigners in Mexico during the period under study never surpassed one percent of the total population. In the seven northern states together in 1910 there were fewer than 30,000, about one quarter of all foreigners in the country. But in four northern states--Chihuahua, Coahuila, Sonora, and Tamaulipas--foreigners made up more than one percent, with Sonora having the highest percentage of foreigners, 3.5 percent. Ten years of revolution decreased the number of foreigners both in absolute and relative terms. Chihuahua, Durango, and Sonora experienced drastic reductions in the number of foreign residents, and only Tamaulipas and Sinaloa added to their foreign population. By 1921 there were only 22,106 foreigners left in the North. In the succeeding decade, however, the number of foreigners in the North increased by 183 percent, Chihuahua experiencing a rise of 366 percent and Durango 548--so that a total of 40,632 foreigners lived in the seven northern states in 1930.[1]

Sheer numbers, of course, were no measure of the foreigners' importance. By 1902 small- and medium-size investors from the United States alone had sunk $US 18,947,023 into northern Mexico. Foreigners owned millions of acres of land; small- and medium-size foreign landowners held title to two to three million acres in Chihuahua in 1910.[2] No fewer than 89 foreign merchants conducted business in

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[1]México, Secretaría de Economía Nacional, Dirección General de Estadística, *Quinto censo de población de 1930* (Mexico City, 1932-36).

[2]Mark Wasserman, *Capitalists, Caciques, and Revolution: The Native Elite and Foreign Enterprise in Chihuahua, Mexico, 1854-1911* (Chapel Hill, 1984), pp. 106-108; John R. Southworth, *The Official Directory of Mines and Estates of Mexico* (Mexico City, 1910).

Chihuahua in 1909, (and this after a severe depression from 1907 to 1909). Although almost half were located in the state's two major cities, Ciudad Chihuahua (24) and Ciudad Juárez (16), all 23 districts had resident foreign merchants. Six of these businesses had at least one branch store.[3] Small- and medium-size mineowners swarmed all over the North. Some mining camps, like Santa Eulalia in Chihuahua, were virtually monopolized by foreigners.[4] From 1895 to 1907, 40 foreign entrepreneurs obtained concessions for industrial establishments in Chihuahua. For the 21 for which information is available the combined capital amounted to 641,000 pesos.[5] Of the nineteen foreign-owned industrial concerns listed in 1906 in Chihuahua only two had an annual production of more than 35,000 pesos and only two employed more than thirty.[6] In 1909, 38 foreign-owned industrial firms operated in Chihuahua, only five with an annual production of more than 35,000 pesos. Flour milling and clothes manufacturing drew most of this investment, but foreigners engaged in everything from printing to candymaking and from brickmaking to distilling mezcal.[7] Foreigners were so numerous in the Laguna region of Coahuila that residents joked that the Laguna "was owned by the Spanish, run by the Americans and the Europeans, and enjoyed by the Mexicans".[8]

Even with the loss of foreigners and the widespread economic damage done by ten years of violence, foreign residents continued to have enormous impact. For example, in 1925 seventy-three foreigners had invested 500,000 pesos in mercantile and industrial establishments in Chihuahua City alone. Some categories of enterprise in Chihuahua were almost all foreign-owned: 62 percent of the capital invested in wholesale groceries, 96 percent of hardware, and 78 percent of clothing manufacture.[9] Furthermore, very little foreign property had been expropriated by 1930.[10]

Before moving to establish a typology and analyze the relations of these foreign entrepreneurs with their host society, and their impact on it, a short history of their presence in the North is in order. It is necessary to discuss these aspects with the notion that they changed over time in accordance with political and economic conditions.

Merchants from the United States conducted a busy trade with northern Mexico between Mexican independence and the Mexican-American War. On the eve of the latter conflict, over a million dollars worth of goods flowed over the Camino Real form Santa Fe to Chihuahua City.[11] During the same era, the commerce of Mazatlán, the port of Sinaloa, was dominated by English and Spanish merchants, joined later by Germans, and foreign merchants also established themselves in the port of Guaymas and the interior hub of Sonora, Hermosillo. The California gold rush of 1849 renewed the influx of foreign merchants into the Pacific ports.[12] The first substantial foreign investment in mining took place during the 1860s and 1870s, and by the mid- 1860s U. S. citizens had poured a million dollars into Sonoran mines.[13] By 1873, they had sunk two million into Chihuahuan mines.[14]

[3]Chihuahua, Secretaría del Gobierno, Sección Estadística, *Anuario Estadístico del Estado de Chihuahua, 1909* (Chihuahua City, 1913), pp. 93-132.

[4]Robert T. Hill, "The Santa Eulalia Mining District, Mexico," *Engineering and Mining Journal* (hereafter *EMJ*), 76 (1908), pp. 158-60.

[5]Chihuahua, Secretaría del Gobierno, Sección Estadística, *Anuario Estadístico del Estado de Chihuahua, 1907* (Chihuahua City, 1909), pp. 85-87.

[6]Chihuahua, Secretaría del Gobierno, Sección Estadística, *Anuario Estadístico del Estado de Chihuahua, 1906* (Chihuahua City, 1908), pp. 140-43.

[7]*Ibid.*

[8]William K. Meyers, "Interest Group Conflict and Revolutionary Politics: A Social History of La Comarca Lagunera, Mexico, 1888-1911" (Ph.D.dissertation, University of Chicago, 1979), p. 140.

[9]Chihuahua, Secretaría del Gobierno, Sección Estadística, *Boletín Estadístico, 1925* (Chihuahua City, 1927), pp. 68-82.

[10]Frank Tannenbaum, *The Mexican Agrarian Revolution* (Washington, D. C., 1930), pp. 512-17.

[11]Max L. Moorhead, *New Mexico's Royal Road: Trade and Travel on the Chihuahua Trail* (Norman, 1958).

[12]Stuart F. Voss, *On the Periphery of Nineteenth-Century Mexico: Sonora and Sinaloa, 1810-1877* (Tucson, 1982), pp. 35-44,48.

[13]*Ibid.*, p. 181.

[14]J. C. Huston, U.S. consul, Chihuahua City, to Assistant Secretary of State, October 4, 1873, United States, National Archives, Record Group 59, General Records of the Department of State (hereafter USNARG 59), Consular Despatches, Chihuahua City.

These pioneer businessmen struggled in the first fifty years after Mexican independence with civil wars, Indian raids, banditry, and political chaos. The work of decades could be wiped out by an Apache raid or by a forced loan levied by the jefe of a local political faction. In fact, many foreigners left Chihuahua during the French occupation and the civil wars that followed. In the 1870s much of the North was literally in ruins, and those foreigners hardy enough to stay were harrassed constantly by governments and rebels alike, both always short of funds.[15] The 1880s brought the railroads and peace. The Mexican Central and Mexican National lines were completed in 1884. The Apache wars were ended by the defeat of Victorio in 1880 and Geronimo in 1886. By mid-decade, Porfirio Díaz had consolidated his rule in the North, at least to the extent that he had reached working arrangements with local elites in Sonora, Chihuahua, Coahuila, and Nuevo León.[16]

A measure of tranquility and order brought a massive influx of foreign investment into northern Mexican mining and, to a lesser extent, agriculture. It was slowed only by the depressions of 1891-1896 and 1907-1909, and by the Revolution after 1912. Sonora and Chihuahua received the largest inflow of non-railroad investment. The years around the end of the century marked the entry of huge foreign mining companies into the region, when giants such as the American Smelting and Refining Company (Asarco) and Greene Consolidated Copper quickly came to dominate the mining industry. There was still ample opportunity for other enterprising foreigners, but the Revolution gradually chased most small- and medium-scale foreign entrepreneurs from Mexico.[17] Many continued to conduct business until after the fall of Madero, but the advent of heavy fighting and two United States interventions between 1914 and 1916 forced the majority of North Americans to leave the country. The onset of World War I sent others back to their homelands.[18] Despite the destruction and disruptions from the violent decade of the Revolution, an even larger number of foreigners came to Mexico in the 1920s to rebuild.

There were four types of small- and medium-size foreign entrepreneurs operating in northern Mexico from 1848 to 1930: resident merchants, resident landowners, resident miners, and promoters or speculators. Resident merchants, mostly Americans and Germans, were the first foreign businessmen to arrive in the region. They came initially to trade along the Santa Fe Trail and the Camino Real, and in the west coast ports of Sonora and Sinaloa in the two decades before the war with the United States. A new wave flooded into the North after the completion of the major north-south railroad lines during the 1880s allowed them to take advantage of the reviving mining economy.

Foreign landowners came in two surges coincident with the two railroad construction booms in the North during the 1880s and early 1900s. Their holdings varied in size from several hundred to several hundred thousand acres. The smaller holders produced staple crops and truck garden vegetables for sale in northern cities and mining camps, while the larger spreads sold cattle across the border and in Mexico City.

There were a substantial number of small-scale mineowners in all of the northern states by the 1880s, and after 1900 they seemed to be everywhere. These operators sold their production to the refineries of larger companies. Often times these mineowners got their start as miners or superintendants for bigger companies and either decided to go independent or mined their own properties on the side. The

[15]Solomon Schutz to Department of State, May 5, 1877; Reuben Creel, U.S. consul, Chihuahua City, to Secretary of State, July 14, 1865; J. R. Robinson to William H. Brown, January 31, 1872; L.H. Scott to Secretary of State, July 23, 1877, July 9, 1877, and November 7, 1879; all in USNARG 59, Consular Despatches.

[16]Stuart F. Voss, "Porfirian Sonora: Economic Collegiality," paper presented to the American Historical Association, San Francisco, 1978; Wasserman, *Capitalists*, pp. 26-42; W. Stanley Langston, "Coahuila: Centralization against State Autonomy," in Thomas Benjamin and William McNellie, eds., *Other Mexicos: Essays on Regional Mexican History, 1876-1911* (Albuquerque, 1984).

[17]United States, Department of State, Bureau of Foreign Commerce, *Commercial Relations of the United States with Foreign Countries during the Year 1902* (Washington, D.C., 1903), pp. 440-550.

[18]"Mining in Mexico," *EMJ*, 97 (1914), p. 137 estimated that eighty percent of the Americans had left in three years.

mining boom also brought dozens of U. S., British, French, and German promoters and speculators, who, not infrequently, led the way into untapped areas. They bought options to mining claims in the hopes of finding financial backing to work their discoveries or sell out with a profit to larger operators.

Foreign entrepreneurs experienced a variety of situations and their careers took many different paths. It will become evident that these four categories are hardly exact. Merchants dabbled in mining and speculation or bought ranches. Some ranchers mined claims on their properties. A goodly number of promoters eventually settled down and became solid citizens. The 1840s produced the illustrative cases of two remarkable businessmen who overcame chaotic conditions, prospered, and became pillars of local business and society. Enrique Muller was one of the early traders. Born in Germany in 1823, he obtained United States citizenship during the 1840s and arrived in Chihuahua in 1847. He subsequently became one of the richest men in the North, expanding his original mercantile business into ranching and mining. During the 1860s, he operated the Chihuahua mint. In partnership with Luis Terrazas, the political boss of Chihuahua, he acquired in 1868 an enormous cattle ranch, the Hacienda de Encinillas. Between 1871 and 1886, Muller grabbed another 100,000 acres from the villages of Cruces and Galeana, expanding another of his haciendas, Santa Clara. By 1910 he had built up an estate of over 347,000 acres, and he also profited extensively from the mining boom in Chihuahua after 1880.[19] The second man, Irishman Patrick Mullins, arrived in Mexico at age eighteen after fleeing the potato famine in his homeland in 1845. He opened a store initially in Matamoros, and prospering, he started a branch in Monterrey three years later. In 1857 Mullins, by then known as Patricio Milmo, married the daughter of regional strongman Santiago Vidaurri. Milmo became Monterrey's leading financier, as well as a powerful merchant, and owner of a million acres in Tamaulipas, Nuevo León, and Coahuila.[20]

Amid the harshest years in the North, German Emilio Ketelsen emigrated to Chihuahua in 1870. He built his merchant house, Ketelsen and Degeteau, into what had become by the mid- 1890s the largest wholesale operation in Mexico. The firm had branches in every major town in Chihuahua and sent caravans to and from numerous mining camps and pueblos. Ketelsen was also an important clothing manufacturer, owning one large factory outright and another in partnership with Luis Terrazas.[21] Adolfo Krakauer was one of those who came in the first boom. In 1886 he and partners, brother Maximo, Gustavo Zork, and Eduardo Moye opened up their own store in El Paso. Four years later they started a branch in Ciudad Chihuahua. Krakauer subsequently invested in local railroads, utilities, and mines, and he, too, was a business associate of Luis Terrazas. Krakauer survived the Revolution selling arms and his company remained an important one through the 1920s.[22]

[19] *Periódico Oficial del Estado de Chihuahua* (Hereafter POC), July 20, 1887, p. 3 and April 12, 1924, pp. 12-14; W.W. Mills to David J. Hill, AssSecSt., Aug. 10, 1899, USNARG 59, Consular Despatches; *La República*, Jan. 31, 1868, p. 4; *New York Herald*, Dec. 16, 1866; *El Chihuahuense*, Nov. 17, 1863, p. 2 and Nov. 24, 1863, p. 2; *Mexican Financier*, June 30, 1888, p. 322; *EMJ*, 46 (1888), p. 137, 49(1890), pp. 572, 57 (1894), p. 376, and 61(1896), p. 47; *Mexican Herald*, March 23, 1910, p. 9; J.R. Robinson to C. T. Barney, Dec. 20, 1886, George F. Crane Collection, Baker Library, Harvard University; *Chihuahua Enterprise*, April 15, 1883, p. 69.

[20] Alex M. Saragoza, "The Formation of a Mexican Elite: The Industrialization of Monterrey, Nuevo León, 1880-1920" (Ph.D. dissertation, University of California, San Diego, 1978), pp. 51-52; Mario Cerutti, "Patricio Milmo, empresario regiomontano del siglo XIX," in *Formación y desarrollo de la burguesía en México. Siglo XIX* (Mexico City, 1981), pp. 231-266.

[21] Max Weber to J. A. Walker, Aug. 25, 1898, Max Weber Collection, University of Texas at El Paso (hereafter MWC), Reel 1; Weber to Max Naumann, Aug. 16, 1902, MWC, Copy Book, Roll 3; *Revista de Chihuahua*, March 1896, p. 62; Huston to Uhl, AsstSecSt., Jan. 10, 1894, USNARG 59, Consular Despatches; Testimony of William N. Fink, United States Congress, Commitee on Foreign Relations, *Revolutions in Mexico, Hearing before a Subcommittee of The Committee on Foreign Relations*, Sen., 62d Cong., 2d sess., 1913; *El Correo de Chihuahua* (hereafter *EC*), March 7, 1904, p. 1; March 23, 1905; Feb. 24, 1910, p. 4; and May 1, 1905; Partner Benjamin Degetau operated in El Paso exclusively; *Chihuahua Mail*, Oct. 17, 1882.

[22] *Revista de Chihuahua*, Sept. 1896, p. 258; U.S., *Commercial Relations*, 1902, pp. 440-500; Southworth, *Directory*, p. 70; U.S., Senate, *Revolutions in Mexico*, 1913, p. 113; *EMJ*, 92 (1911), p. 1060; *EC*, Oct. 27, 1904, p. 1; June 16, 1904, p.1; Oct.20, 1908, p. 1; W.W. Mills, *Forty Years at El Paso* (El Paso, 1962), p. 153; Chihuahua, *Boletín Estadístico, 1925*, pp. 66-68.

The first rush in northern lands in the 1880s brought large American and British companies which purchased government owned tracts. Estates such as Corralitos and Bavicora (owned by the Hearsts) reached a million acres in size.[23] One of the medium-size ranchers who came during this boom was Lord Delaval Beresford, who purchased two large properties consisting of 100,000 acres total. Beresford created a scandal for his time by maintaining a Negro mistress.[24] C. G. Scobell also arrived in Chihuahua in the 1880s, buying the Hacienda de San Pedro on the Chihuahua-Sonora border. Scobell, reversing the usual order, later branched out into commerce, running a wholesale liquor, explosives, and timber business; he also speculated in mines.[25] Englishman Guillermo Purcell began with a commercial house in Saltillo, Coahuila and through mortgage lending to cotton planters in the Laguna eventually became one of the largest landowners in the region.[26] During the same period Mormon settlers set up their colonies in Chihuahua and Sonora.

With the renewed railroad boom after 1900, a new group of entrepreneurs from the United States came to the North determined to ranch and farm scientifically, using new breeding and irrigation techniques. The Warren brothers, for example, bought the Ojitos and La Palotada ranches from 1907 to 1910, coming to own more than 600,000 acres. One of the new group, Otto Stege, introduced modern chicken farming to Chihuahua.[27] Many of these men suffered heavy losses of livestock and equipment during the Revolution.[28]

The early miners struggled mightily, such as John R. Robinson, who operated a group of mines in Santa Eulalia during the 1880s. Like many others to follow, he lacked sufficient capital, had uncertain markets for his ore, and was plagued by excessive transportation costs and fuel shortages. Luckier than most, for a time he kept going through loans from a local bank, only to be ruined by a flood in 1887. Of the mining entrepreneurs who came to northern Mexico after 1880, no one was more typical than William C. (Guillermo) Beckman. The earliest record we have of him is in 1887,[29] when he was a partner in a mining project in Santa Barbara, Chihuahua. He was subsequently interested in mines in Parral, acting also as the agent for a British firm and arranging the sale of Pedro Alvarado's legendary mine, La Palmilla, to a U. S. syndicate. Beckman also managed a branch of the Banco Minero de Chihuahua (Luis Terrazas's bank) in Parral. By 1896 he was reportedly "one of the largest miners and promoters of mining enterprise in Parral". Nonetheless, when he died in 1915, he left a modest estate amounting to slightly less than $15,000, mostly in land and mines.[30]

Mining promoters and speculators swarmed all over the North, but most of them were not prospectors. As the *Engineering and Mining Journal* described it: "Rich, undeveloped claims that were discovered by poor Mexicans were so numerous that it is regarded by Americans and other foreign speculators not worthwhile to do any prospecting on their own account. They find it cheaper to buy the claims of natives.[31] To say that they did not always display good judgment in evaluating property or business associates is, perhaps, an understatement. One of the more successful promoters, Guillermo Beckman, told a friend in 1908: "I sold my half interest in that mine (La Palmilla) to Pedro Alvarado for one hundred pesos, and I thought at the

[23] *Mexican Financier*, March 13, 1890, p. 610 and Aug. 9, 1890,p. 534.

[24] *Mexican Herald*, May 15, 1910, p. 11; *El Paso Morning Times*, June 2, 1910,p. 11.

[25] *Mexican Financier*, Dec. 14, 1889, p. 272; *Mexican Herald*, Nov. 14, 1885, p. 108 and Dec. 29, 1896, p. 2; *EC*, Jan. 26, 1905, advertisements; Mine titles in Roland Anderson Collection, University of Texas at El Paso.

[26] Meyers, "Interest Group Conflict," pp. 29, 78-9.

[27] *Mexican Herald*, June 17, 1907, p. 10.

[28] *El Paso Morning Times*, June 2, 1910; U.S. Senate, *Revolutions in Mexico*, 1913, p. 797; *Mexican Herald*, April 11, 1910, p. 3.

[29] *POC*, March 24, 1888, p. 2; Correspondence in the George F. Crane Collection, vol. 3, regarding Robinson and the Santa Eulalia Mining Company.

[30] *POC*, April 30, 1887, p. 4; Southworth, *Directory*, p. 68; *Mexican Herald*, Feb. 2, 1908, p. 11, and May 5, 1896, p. 2; James E. Hyslop Collection, University of Texas at El Paso, Box 3; Hyslop Collecton, Box 1.

[31] *EMJ*, 115 (1923), p. 504.

time I was getting the best of the bargain". La Palmilla soon became a bonanza that brought Alvarado untold wealth.[32] Two English brothers, Ross D. and B.W. McCausland, fell victim to an unscrupulous promoter, Grant Gillette, whom they had to sue to get a $250,000 commission they earned from the sale of a mining property.[33]

Max Weber was one of the unluckiest border entrepreneurs during his nearly three decades in the North. Weber first went to Mexico in 1890 to manage one of the branch stores of Krakauer, Zork, and Moye. He subsequently went into business for himself, heading one company that was to build homes in Ciudad Juárez and another that held potential coal lands south of the city. Weber also organized a bank in El Paso with heavy backing from the Terrazas family and other notable local elite and foreign businessmen. But his property along the Rio Grande was lost when the river shifted course and his claims were left to the endless haggling of international arbitration; his coal fields never yielded coal; and his bank fell quickly on hard times and was closed on a legal technicality by the state of Texas. Weber died a disappointed man in 1917, the Revolution having eroded the last of his energies.[34]

There were fly-by-night operators and solid citizens alike among the foreigners. There were a number of less than honest foreign entrepreneurs as one might expect. Grant Gillette and his partner Dr. Flowers reportedly had fled the United States a step ahead of the law. Holding to form, their Pan American Company was accused of fraud by angry stockholders in 1904.[35] Paul (Pablo) Ginther was one of those who came originally to promote mines and stayed on to become a respected member of the community. Born in France, he passed through the United States before arriving in Chihuahua in 1897. A mining engineer, he managed a number of mines on his own and acted as the representative of Dutch, French, and English investors. He eventually bought a hotel in Camargo and centered his activities there. Although many of his mining properties were ruined in the Revolution, he continued in this business through the 1920s. In later years he was a farmer outide Camargo. Known as an innovator, Ginther helped get a major dam built at Boquilla near Camargo, which furnished much of southern Chihuahua's electricity, and he owned the first automobile in the region.[36]

The most successful foreign entrepreneur who combined managing the operations of a large company with those of his own was James I. Long, who with his brother came from the United States and settled in Parral in 1887. For twenty years, Long ran the Hidalgo Mining Company, one of the largest producers in the district. The U. S. consul in Chihuahua reported in 1903 that the U. S.-based companies Long managed did almost half the business in the area. Long also oversaw the Parral and Durango Railway, which consisted of two short lines in southern Chihuahua and 160,000 acres of timberland. Long later managed the Alvarado Mining and Milling Company for another successful foreign entrepreneur, A. J. McQuatters. Throughout his career Long engaged in commerce, speculated in mines, and sold cattle on his own account.[37]

Small entrepreneurs and enterprises commonly confronted a radically different environment than multinationals, like Asarco. Certainly pioneering businessmen who

[32] *EMJ*, 99 (1915), p. 463.

[33] *Mexican Herald*, June 2, 1908, p. 11.

[34] *POC*, Feb. 27, 1920, p. 31; Southworth, *Directory*, p. 69; and see, for example, Weber to Britton Davis, April 15, 1913, Reel 7; Statement of C. M. Newman, Jan. 27, 1911, Reel 7; and Weber to Thomas Love, Jan. 30, 1911, Reel 7, MWC.

[35] Mexican Investor, Aug. 20, 1904, pp. 14-15, and Sept. 10, 1904, p. 2.

[36] *El Paso Times*, Sept. 23, 1951; *EC*, July 12, 1904, p. 2; May 10, 1904, p. 2; *Mexican Herald*, Dec. 19, 1906, p. 11; *EMJ*, 60 (1898), p. 530; 77(1904), p. 532; 114 (1922), p. 1045; 119 (1925), p. 701; 114 (1922), p. 605; 92 (1911), p. 1249; and 112 (1921), 271.

[37] *Mexican Herald*, April 9, 1896, p. 7; Nov. 6, 1910, p. 2; March 9, 1896, p. 2; Feb. 24, 1910; April 9, 1906, p. 3; Jan. 15, 1906; May 15, 1908, p. 11; *EMJ*, 72 (1901), p. 456; 63(1897), p. 509; 53 (1892), p. 191; 81 (1906), p. 827; and 81 (1906), p. 251; W. W. Mills, U.S. consul, Chihuahua City, to F. B. Loomis, March 23, 1903, and Mills to Loomis, April 18, 1905, USNARG 59, Consular Despatches; Southworth, *Directory*, p. 72; R. J. Long to James Hyslop, July 30, 1911, Hyslop Collection, Box 3; *Mexican Mining Journal* 11 (1910), p. 10; *South American Journal*, Jan. 9, 1909, pp. 34-35; *EC*, Dec. 18, 1905, p. 1; U. S., *Commercial Relations, 1902*, pp. 440-550.

entered an area in times of economic and political turmoil, preceding the larger firms by decades, encountered great risk. The giants waited until dictators or oligarchies imposed order. Even in times of stability smaller operators met harassment and hostility from local elites, against whom they often competed, and the governments they controlled; they became the objects of any resentment toward foreigners. Without the funds to acquire influence through retainers and bribes that were available to big corporations, they were easy prey. During the Revolution small foreign businessmen were doubly affected, for not only could they less bear the burden of texation, loans, and robbery, but they bore the brunt of resentment against the inequities of the old regime by its chief antagonists, the northern middle class. (Three groups--the Spanish, Chinese, and Mormons-- endured the bitterest onslaught, because they competed economically against this middle class).

Chronically under-capitalized and disadvantaged by favored treatment given larger companies in access to transportation (and in the case of mining, to smelting), small companies walked a financial tightrope. The slightest drop in ore prices or rise in railroad rates could bankrupt them. The Revolution, comprising a decade of severe disruption, nearly wiped them out. Two letters from miners to the *Engineering and Mining Journal* in the 1920s indicate that small-scale operators led anything but a glamorous or even comfortable life. One adventurer wrote in 1923:"I read my journal usually in bed, under a mosquito bar, legs of the bed sitting in kerosene to keep off the scorpions, bedding sprayed with fly-o-san to minimize the fleas, and a towel to wipe off the sweat".[38] Another miner, Alf Enkeball, wrote from Sonora three years later:

> "My prospect is in the Durazno mountains. I am working at it as best I can and manage to get out gold enough to keep up the taxes and buy a little grub once in a while, but the best I can do is just to keep the wolf from the door....it is impossible for me to get ahead enough to buy tools and equipment needed. If I could find someone who would come to Mexico and work with me and equip the prospect with a small plant, a nice, steady income could be had, which would add greatly to the pleasure of this interesting life in Mexico".[39]

Small entrepreneurs constantly faced another problem, the prospect of endless litigation over property boundaries and mining claims. The fictional Bill McGinty observed in the *Engineering and Mining Journal* in 1915 that the litigation over one mine in Durango (the "Candle-Harry") had gone on so long that it had "become quite a pastime an' post-graduate coorse (sic) for lawyers av all Kinds, including shysters..".[40] In another instance, Henry Tabor, a prominent Colorado politician, purchased a mine in Jesús María, Chihuahua, in 1883. It took nearly a decade and three "settlements" before he escaped from litigation with a powerful local family over its title.[41] One could never predict the outcome of judicial proceedings, especially during the Revolution. American Leonard Worcester, Jr., was jailed for allegedly defrauding Francisco Rueda Quijano, a Mexican promoter, in Chihuahua in 1915, when all the evidence indicated that Rueda had leased land to a concern represented by Worcester without having legally acquired it. Worcester had a very difficult time extricating himself from prison despite his innocence.[42] Furthermore, modest U. S. entrepeneurs regularly complained of double standards in the administration of laws and taxes. One wrote bitterly in 1909 that his fellow countrymen were murdered and their killers set free in

[38] *EMJ*, 116 (1923), p. 22.
[39] *EMJ*, 122 (1926), pp. 940-41.
[40] *EMJ*, 99 (1915), p. 912.
[41] *Mexican Financier*, Aug. 1, 1885, p. 285, and Oct. 24, 1891, p. 105; *EMJ*, 35 (1883), p. 370; 40 (1885), p. 116; 43 (1887), p. 101; 47 (1889), p. 98; and 53 (1892), p. 387.
[42] *EMJ*, 99 (1913), p. 667, and 101 (1915), p. 876.

Chihuahua, a state reputedly favoring foreigners, adding: "If these criminals were to steal a pig or sheep from Zuloaga or Terrazas they would not get off so light".[43]

After three decades of relative peace, the Revolution substantially worsened the business environment for small entrepreneurs. Merchants were robbed, ranchers looted of their cattle, mines deprived of workers and transport. Only the larger companies with their superior resources maintained themselves and at times flourished.[44] Foreigners, for the most part, fled outlying districts entirely after 1914.[45] The United States State Department ordered all U. S. citizens out of Mexico in 1916, fearing reprisals for the Pershing Expedition.[46] A reporter for the *Engineering and Mining Journal* related in 1919 that there "were no white men in Santa Eulalia", the important mining district just outside Chihuahua City.[47] He went on to say that the engineering staffs of the mines lived in Chihuahua City and visited their properties two or three times a week. Even the old-time mining bosses, some of them married to native women, took no chances on a raid by Villa, residing in the city and only coming out when necessary. There were a few U. S. citizens in Cusihuiriachic, but they "keep saddle horses and automobiles ready for instant use..". One *Engineering and Mining Journal* subscriber described conditions in 1914: "...some companies can work, if they have cyanide. All materials are scarce, laborers are cocky even if they are hungry..". Nonetheless, he was hoping "to weather the storm".[48]

All of this was in stark contrast to the situation of the huge mining companies. In 1913 an observer noted that "...on the whole, it is surprising how little the big mining companies have suffered". Not a day had been lost at either Nazocari or Cananea to that date.[49] Even in late 1915, the large companies reported "surprisingly little destruction of their properties".[50] For the small mineowners, however, the difficulties of carrying on during he Revolution were manifold. Not only was the violence everywhere dangerous to them personally--many were kidnapped and held for ransom and many others robbed--but even if they continued operations labor was scarce, transportation so erratic that supplies could not be delivered or ores sent out, and government so transient that it was impossible at times to figure out to whom one was supposed to pay taxes.[51]

Englishman William Benton was the most notorious foreign recipient of harsh revolutionary justice, though perhaps not undeserved. Benton settled in Chihuahua shortly after 1900 and acquired three haciendas that extended over 300,000 acres. The rancher was widely unpopular, because, with the help of hired gunmen, he had evicted resident peons from his property and run roughshod over the local community. Pancho Villa ordered him shot in 1914, when the unpleasant Englishman foolishly challenged the general.[52]

Conditions improved considerably after 1920, but new problems arose. Agrarian reforms, labor union organization, and other governmental measures to limit foreigners changed the rules of doing business in Mexico. An illustrative case involved Dr. M. F. Bauchert. He had come to Chihuahua in 1898 under contract with

[43]J. H. Locke to Lewis A. Martin, U. S. consul, Chihuahua City, Feb. 3, 1909, USNARG 59, Numerical File, 14059/3-5.

[44]For another view see Marvin D. Bernstein, *The Mexican Mining Industry, 1890-195* (NewYork, 1964), pp. 95-106.

[45]Franklin W. Smith, "Mining in Parral," *EMJ*, 95 (Jan. 11, 1913), p. 138. Villa ordered the expulsion of all foreign merchants from Chihuahua in July, 1915; Marion Letcher, American consul, Ciudad Juárez, to Secretary of State, July 30, 1915, 812.00/15610, USNARG 59, Decimal Files, Internal Affairs of Mexico, 1910-1929.

[46]See correspondence in 812.52/16-350, USNARG 59, Decimal Files, Internal Affairs of Mexico, 1910-1929, for the plight of individual Americans.

[47]*EMJ*, 107 (1919), p. 963.

[48]*EMJ*, 98 (1914), p. 716.

[49]*EMJ*, 95 (1913), p. 582.

[50]*EMJ*, 100 (1915), p. 980.

[51]812.52/16-350, USNARG 59 Decimal Files, Internal Affairs of Mexico, 1919-1929.

[52]*Mexican Herald*, March 25, 1907, p. 10; *EC*, June 6, 1910, p. 1; June 7, 1910, p. 1; June 8, 1910, p. 1; July 22, 1910, p. 4; Charles C. Cumberland, *Mexican Revolution: The Constitutionalist Years* (Austin, 1972), pp. 282-87.

Alexander Shepherd of the Batopilas Mining Company. Later the same year, he established a private practice of dentistry in Ciudad Chihuahua. Bauchert accumulated considerable property, including a ranch in Aldama that was badly damaged in the Revolution. Bauchert left Mexico for a short period in 1913, returned, and was forced to leave again in 1915, whereupon he set up a practice in El Paso. The doctor purchased the Hacienda de Valsequillo in Allende, Jiménez, Chihuahua in 1920. Spreading over 83,000 acres, with excellent water resources, excellent timber and pasturage, it was in his words a "veritable paradise". The dentist raised a variety of crops and rented out part of the property for grazing. In May, 1928 the Agrarian Department notified Bauchert that it was going to take a strip of land along the river that ran through the middle of his property for ejidos for the Villa de Matamoros. Bauchert in his appeals to the United States government for help insisted that his troubles owed to a dispute he was having with ex-general Ernesto García, who had used Valsequillo land for pasture for many years without paying rent. The dentist had rejected this arrangement and taken the general to court. To make matters worse, agrarians were cutting timber from both the disputed land and that land recognized as belonging to Bauchert. The local authorities, the dentist claimed, had conspired against him to line their own pockets. Both the governor and the chief of the local Agrarian Commission eventually ordered the agrarians off the property in 1929, recognizing that the expropriation was illegal. Nonetheless, Bauchert had lost a year's rent and considerable timber.[53] Nor were difficulties for foreign landowners confined to Chihuahua alone. One reporter wrote in 1927 that foreign melon and tomato growers in Sinaloa were "hampered by present agrarian policy and the fact that this section is within the coastal zone with its anti-alien regulations".[54]

Foreign entrepreneurship proved resilient, however, even during the toughest times of the Revolution. Emilio Bronimann, whose father (brother?) was one of the leading independent mining operators in Chihuahua before 1910, became Pancho Villa's partner and representative in charge of selling metal and other products confiscated by the general.[55] One indication of how well at least some foreigners survived the Revolution is the fact that the board of directors of the Chihuahua Chamber of Commerce in 1921 counted 6 foreigners among its 20 members, including the vice-president, David Russek.[56]

Probably the most notorious foreign entrepreneur survivor of the Revolution in the North was Texan Arthur J. McQuatters (1873-1935), who unsuccessfully tried to purchase the ten-million-acre estate of General Luis Terrazas in the early 1929s. McQuatters had been a partner in a construction firm in Chihuahua and had diversified into mining before 1910, founding and acting as president of the Alvarado Mining and Milling Company in Parral. He had stubbornly kept Alvarado producing through the Revolution, when most small-scale operators had given up. In late 1912, when most U. S. citizens had sent their families across the border and most foreign-owned mines had closed, McQuatters pushed on. In August, 1913, for example, he hauled $600,000 worth of gold and silver out before it could be confiscated. In June, 1916 McQuatters was the first to return from the United States after the Santa Isabel massacre, personally leading thirty men to his mine. Despite

[53]Maurice F. Bauchert correspondence, 812.5200/Bauchert, USNARG 59, Decimal Files, Internal Affairs of Mexico, 1910-1929.

[54]S. Ford Easton, "Five Hundred Miles through Mexico on Muleback," *EMJ*, 124 (1927), pp. 217-222.

[55]James D. Easton, Report for the Year 1901-1902, Chihuahua and Out-Stations, June 20, 1902, v. 8-124, Papers of the American Board of Commissioners for Foreign Missionaries, Houghton Library, Harvard University; Mexico, Archivo General de la Nación (herafter AGN), Ramo de Gobernación, Revolución, 262-421.

[56]Others included Simon L. Gill, Adolfo Krakauer, J. B. Ott, Levy Nordwald, and Mauricio Buettner; *Boletín Comercial* (Ciudad Chihuahua); Jan. 1, 1921.

repeated harassment by *villistas* in 1920, he not only continued mining, but expanded, selling out to Asarco only in 1922.[57]

Foreigners found that there were ways to survive and flourish even in chaos. E. B. Foster related to the *Engineering and Mining Journal* in 1924 his sure method for getting along in Mexico: "Pay your taxes, dues, etc. Trust the peon and the upper class with the same respect that you would demand for yourself, and you will find that Mexico is no Wild West Show".[58] Britton Davis, who had long experience in northern Mexico as both a rancher and miner, gave this advice to Morris B. Parker on the latter's arrival in Mexico: "Let their politics alone, let their religion alone, let their women alone, and you will have no difficulty".[59] Another mine manager stated it this way:

> "I frequently give small gratuities to various officials in recognition of prompt and satisfactory service; as, for example, to a certain local railway official when he sees that I get empty railroad cars when I need them. Also, I make fairly liberal contributions--entirely aside from local taxes--to funds that are collected personally by various officials of the pueblo... and to some other worthy causes. Frankly, I make no attempt to oversee disbursement of these funds. Nor do I know if any books are ever kept. I have also made 'loans' for which I have no notes, and which never will be repaid".[60]

Other entrepreneurs relied on personal connections. James I. Long, for example, arranged his taxes directly with the governor of Chihuahua, Enrique C. Creel.[61]

The degree of assimilation of small- and medium-size foreign entrepreneurs into local society varied, depending on the time of their arrival and their ethnic background, though there is no way to measure the phenomenon statistically. Generally the earlier pioneering merchants were more likely to have integrated themselves into the host community, intermarrying with the local elite and participating in local affairs. Europeans were more likely to assimilate than Americans, though several successful businessmen retired to their homelands after making their fortunes. Those who arrived after 1900, especially from the United States, did not readily assimilate. Many did not learn Spanish, although this was far more common among employees of the bigger companies. There were several reasons for their comparative lack of integration. The earlier entrepreneurs were far more isolated--returning home was not a real option. With the second railroad boom and the westward push in the United States, isolation was no longer a factor after the turn of the century. In addition, the pioneers were few in number, so necessity dictated that they blend into local society. But many more foreigners, especially those from the United States, lived in Mexico after 1900 and many more went back and forth across the border. Finally, and perhaps most important, the Revolution interrupted the assimilation process: most U. S. citizens had to leave Mexico at some time during the violence.

The early German merchants provide us with the clearest cases of economic and social integration with the host community. Enrique Muller married a woman from a prominent local family, and his children's marriages established alliances with other important Chihuahuan elite and foreign families. His early and longstanding partnership with Luis Terrazas added to his stature. His daughter, Laura Muller de Ketelsen, wife of Chihuahua's leading merchant, was a well-known philanthropist.[62] Federico Stallforth, a German merchant and miner who arrived in Parral in 1863, was

[57]Franklin Smith, "Mining at Parral," *EMJ*, 95 (1913), p. 138; *EMJ*, 96 (1913), p. 426; 101 (1916), p. 1004; 101 (1916), p. 754; 109 (1920), p. 721; 109 (1920), p. 987; 109 (1920), p. 1333; 114 (1922), p. 1131; 136 (1936), p. 48; AGN, Ramo Presidentes, Obregón-Calles, 818-T.

[58]*EMJ*, 118 (1924), p. 142.

[59]Morris B. Parker, *Mules, Mines, and Me in Mexico, 1895-1932* (Tucson, 1979), p. 29.

[60]*EMJ*, 121 (1926), p. 284.

[61]James. I. Long to W. W. Mills, U. S. consul, Chihuahua City, April 15, 1905, USNARG 59, Consular Despatches.

[62]August Santleben, *A Texas Pioneer: Early Staging and Overland Freighting Days on the Frontiers of Texas and Mexico* (New York, 1910), pp. 103-104, 198-200, 206; *EC*, April 25, 1907, p. 1; March 24, 1910, p. 4; June 12, 1906, p. 1; and March 2, 1909, p. 1.

another active participant in local life. He established a school in Parral and underwrote its operation. In 1878, amidst one the most severe droughts and harvest failures in Chihuahuan history, Stallforth personally acquired a large quantity of corn and beans from a "distant source" and sold it to Parral's poor at low cost. He later gave the municipality land for a market, loaned it 10,000 pesos to construct a water system, and presented 25,000 pesos as a gift for other public improvements. Stallforth retired to Germany in 1900.[63] Marcos Russek, a rancher, farmer, merchant, and miner in southern Chihuahua, married into the local elite, as did his children. His son David became an important banker in Chihuahua in the 1920s, and a Russek would become governor of Chihuahua during the 1970s.[64]

Intermarriage was, of course, the primary means of assimilating in local society. It was also an important avenue of upward mobility and, perhaps, the best form of business insurance. The Mullers were only the most successful practitioners, and the list of judicious marriages is endless. Martin Nesbitt, for example, married the daughter of the richest mining man in western Chihuahua and managed the family business for many years. Intermarriage was good business for all concerned. It often injected a heavy dose of technical or managerial expertise into native family enterprise, as well as bestowing its obvious benefits for the foreigner. Unlike these Chihuahuan pioneers, the foreign community in the Laguna area of Durango stuck closely together socially and economically. They had their own clubs and most married within their national groups.[65]

Gauging the impact of small- and medium-size entrepreneurs is no easy task. Lacking detailed everyday records, it is difficult to establish with any certainty forward and backward economic linkages. Essentially, for present purposes the discussion can be confined to one general and one specific issue. First, did these businessmen fill an important entrepreneurial void? Did they develop what would not have been developed otherwise? Or did they actually impede the growth of native enterprise, competing unfairly with local business? (Some of these questions also apply with regard to multinationals.) Second, and more specifically, did foreigners pay higher wages and treat workers better in these small- and medium-size concerns?

As to the first question, on the whole their effect was positive. Because they were small and economies of scale were less important to them, these foreign businessmen tended to contribute more directly to the local economy. Moreover, they did not always enjoy the gross advantages given the large companies. The border businessmen bought native products and hired Mexicans as employees. While some of the major companies in the North imported everything, even their food, the small entrepreneur could not afford the luxury. Since small concerns tended to operate less capital intensively and there was little money for mechanization, they hired more Mexicans, in relative terms. Of course, the huge mining companies employed far more people.

Small- and medium-size foreign entrepreneurs were enormously useful industrial pioneers and innovators. Often rushing in where natives feared to tread, they created mining camps where none had existed and revived old ones long dormant. Small operators had the technical knowledge and connections to make something out of nothing. Batopilas (where Alexander Shepherd began as a medium-size operator), Santa Eulalia, and Cusihuiriachic in Chihuahua were all either started or resuscitated by individual foreign miners. They did not preempt native Mexicans form this role, but the latter were rarely interested. And if capital was scarce for foreigners, it was much more so for Mexican entrepreneurs. Foreign landowners introduced new crops and improved

[63]Francisco R. Almada, *Diccionario de historia, geografía y biografía chihuahuense* (Chihuahua City, n.d.), pp. 505-506; *La República*, Dec. 11, 1868; *Mexican Herald*, Dec. 20, 1908, p. 10; Memorandum of Agreement, Oct. 21, 1910, Box 2, Hyslop Collection.

[64]U.S., *Commercial Relations*, 1902, pp. 440-550; *EC*, Nov. 11, 1909, p. 1; *POC*, Aug. 5, 1906, p. 2; *Mexican Herald*, Jan. 26, 1908, p. 11; AGN, Ramo de Gobernación, Revolución, 245/1, Feb. 16, 1918.

[65]Meyers, "Interest Group Conflict", pp. 134-40.

technology in northern agriculture. Otto Stege's chicken farm was just one instance; others brought in new cattle breeds.

In keeping with their willingness to take risks, small- and medium-size foreign entrepreneurs in the North were frequently investors in other foreign and native owned businesses. Men like the Krakauer brothers, Emilio Ketelsen, Juan Brittingham of Coahuila, and Enrique Muller held shares in many important northern industrial, mining, and banking concerns before the Revolution. The capital of foreign merchants laid the foundation for the industrialization of Monterrey from 1880 onward, and they were also major backers of industry and cotton growing in the Laguna.[66] Whereas the multinationals tended to draw money out of their host countries through profit remittance, the small foreign entrepreneur reinvested in his own or others' enterprises or consumed the profits locally.

As to the second question, several factors dictated foreign small- and medium-size entrepreneurs' relations with their employees. Most important were geographical location and local custom (which might both be summarized, perhaps, as market forces). In the North, the closer to the railroad, the higher the wages and the better the working conditions for workers. Prevailing local norms were, for the most part, followed. Emilio Ketelsen's textile workers, for example, complained of low wages and mistreatment, but generally they were better off than their brethren in southern mills.[67] In 1906 in Chihuahua, eight of the eighteen small, foreign-owned industrial firms paid less than the average minimum wage for all industrial firms in the state. The bigger the concern, the lower the wages. Textile manufacturing and mezcal distilling paid the most poorly of all the foreign enterprises, but these were customarily the worst paying industries in any case.[68]

Foreigners tended to pay more than natives in the mining industry. In 1906, however, eight of ten small foreign mining companies paid less than the average minimum wage prevailing in the mines of Chihuahua, and two years later, three of eight paid below the average minimum wage.[69] But in 1909 three of four paid above.[70] The smaller companies also differed from the multinationals because they dealt with their native employees in a more personal manner, while the larger companies had layers of supervisory personnel between them and the worker. Often, though not uniformly (and most certainly not on southern coffee and other plantations), this circumstance mitigated the harshness of export capitalism. In the years just before the Revolution, as the mining industry grew more concentrated, the multinationals controlled an ever larger proportion of the workforce.

The role of the border was crucial in the evolution of foreign business in the North form 1848 to 1930. The region had great economic and social fluidity. Especially in the decades after independence, when the North was a true frontier region, class was fluid. Terror, chaos, and opportunity made for a far less structured society in which foreigners, though at times bitterly resented and not always warmly welcomed, could more easily enter. There was, at first, enough for everyone. In the North, moreover, foreigners were not as unusual as they were elsewhere in Mexico, with the exception of Mexico City. The region was attractive for small- and medium-size foreign entrepreneurs, especially those from the United States. After the end of the Indian wars, and excepting the decade of the Revolution, it was a land of opportunity. Border businessmen were a mixed lot. Some foreigners were cruel, bigoted, unscrupulous, or greedy. Others were victims. But most brought a hardy entrepreneurship to northern Mexico that helped to develop the land.

[66]Saragoza, "Formation;" Meyers, "Interest Group Conflict", pp. 134-40.
[67]Chihuahua, *Anuario Estadístico, 1906,* pp. 140-141; *1909*, pp. 54-7.
[68]Chihuahua, *Anuario Estadístico, 1906,* pp. 14-43.
[69]*Ibid.*, pp. 229-232.
[70]Chihuahua, Secretaría del Gobierno, Sección Estadística, *Anuario Estadístico, 1908* (Chihuahua City, 1910), pp. 181-83; Chihuahua, *Anuario Estadístico, 1909,* pp. 219-20.