

CORPORATE CONTROL OF  
A MONOCROP ECONOMY:  
International Harvester and Yucatán's  
Henequen Industry during the Porfiriato\*

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The thirty-four-year reign of President Porfirio Díaz (1876–1910) is generally acknowledged to have been the period of Mexico's great economic transformation. In reality, Mexico was unable to avoid the accelerated change that overtook it during the last quarter of the nineteenth century, as proliferating patterns of trade, which accompanied the burgeoning industrial development of the United States and Western Europe, tied Mexico ever more closely to the global economy. An international economic division of labor was negotiated between foreign industrialists and entrepreneurs—who urgently needed primary products, markets for goods, and opportunities for investment, and national and regional elites—who welcomed infrastructural improvements, modern machinery, an array of consumer goods, and the increasing availability of foreign capital.

During the Porfiriato, Mexico attracted more U.S. direct investment than any other country in the world. According to one estimate, by the end of the period there was more North American than Mexican money in Mexico. In the minds of U.S. business executives, Mexico was deemed, for investment purposes, to be virtually a part of the United States.<sup>1</sup>

Ironically, the man who presided over this transformation later hinted that such foreign-induced modernization might not have been in Mexico's best long-term interests. At the end of Díaz' regime, over one-fifth of Mexico's total land area was the property of foreigners. U.S. investors, backed by their powerful government, were heavily interested in Mexico's new rail and communications system, owned millions

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of acres of cattle ranches and tropical plantations, and controlled the lion's share of both rich mineral concessions in the north and newly discovered oil deposits in the Gulf Coast region. Faced with this reality, Don Porfirio is said to have remarked sheepishly: "Poor Mexico, so far from heaven and so near to the United States."<sup>2</sup>

The state of Yucatán was of particular importance to the United States, and during the Porfiriato, the region was thoroughly transformed by the requirements of North American industrial capitalism and governed by its fluctuating rhythms. The production of Yucatán's monocrop, henequen (sisal hemp), increased furiously during the Porfiriato as exports rose from less than forty thousand bales of raw fiber in 1875 to more than six hundred thousand bales in 1910 (see fig. 1). By the turn of the century, the green cornfields and idly grazing cows of the peninsula's colonial-style haciendas had been replaced by endless rectilinear rows of bluish-grey spines and the brisk factory-like pace of the modern henequen plantation. Recently laid railroad tracks extended in every direction from Mérida, the regional capital, and over them passed convoy after convoy of boxcars stuffed with bales of fiber. The final destination of this raw hemp would be New Orleans or New York, where stateside cordage manufacturers would convert the fiber into binder twine for the grain farmers of North America.

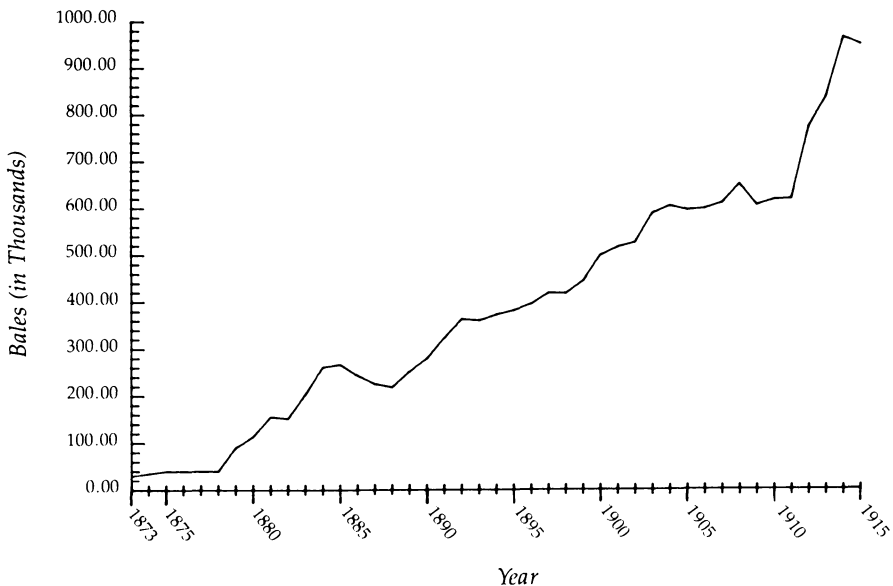


Yucatecan workers in a henequen field, 1930

Mérida was no longer the dingy, muddy, overgrown village it had been in 1850. Now the republic's "White City," it was clean, well-lit, increasingly motorized, and paved with asphalt. The seat of Yucatán's recently minted henequen millionaires, and universally recognized as the world's most active fiber market, Mérida boasted urban services and amenities that the national capital was hard pressed to match.

Yet, unlike the more publicized oil and mining sectors of the Porfirian economy, which North American investors came to control directly by buying up land and mineral concessions to establish semi-autonomous regional enclaves,<sup>3</sup> the peninsular henequen industry was penetrated and controlled *indirectly*. The means of production, the plantations themselves, continued to remain in Yucatecan hands, while the North American cordage interests, in collaboration with selected regional agents, increasingly extended their control over local henequen production by means of onerous credit arrangements backed by fiber liens. By 1910, these U.S. cordage manufacturers, now consolidated into a veritable trust centered upon the International Harvester Company (established in 1902), controlled upwards of 99 percent of the regional fiber supply and, through their Yucatecan agents, appeared able to influence—indeed, even to dictate—price trends on the local fiber market.

FIGURE 1 *Henequen Production, 1873–1915*



One bale equals 350 pounds; rounded off to nearest thousand by authors. Figures derived from annual publications of the Cámara Agrícola de Yucatán.

This paper will examine the control mechanism that enabled International Harvester to establish what contemporaries referred to as an “invisible” or informal empire in Yucatán during the 1902–15 period. Our purpose is twofold. First, we wish to contribute to, and perhaps even resolve, an ongoing historiographical debate regarding the origins and impact of foreign corporate involvement in the Yucatecan monocrop economy. Paradoxically, the case of Yucatán has been used by some writers to illustrate the success of regional entrepreneurship and economic development,<sup>4</sup> and by others to assert the worst evils of dependent capitalism and North American imperialism. The conviction held by the Mexican revolutionary government that Harvester held monopoly control over the henequen industry led it to stern measures against the corporation during the 1915–18 period. This “antitrust” position has been advanced throughout subsequent decades, encountering little opposition except from descendants of the members of the regional oligarchy who served as agents for the corporation. However, recent North American scholarship has challenged the notion of an invisible empire in Yucatán, questioning Harvester’s ability to impose a pattern of conscious control upon the monocrop economy and adducing other explanations for the corporation’s control of local supply and an accompanying drop in the local price of fiber during the 1902–15 period.<sup>5</sup> After extensive research on both the internal and external dimensions of Yucatecan development for the Porfiriato and the subsequent revolutionary period, Harvester’s complex role can now be clearly delineated.

Our second objective is to examine through the Yucatecan case the role of “collaborating elites” in situations of informal empire. In the process, we hope to bring together two related and potentially congruent bodies of literature concerning the nature of imperialism: the predominantly neo-Marxist perspective of dependency and underdevelopment, issuing largely from the Latin American experience, and the non-Marxist “collaborator matrix,” developed by Ronald Robinson, John Gallagher, and other “imperial historians” of Africa and Asia.<sup>6</sup> Even allowing for different sets of ideological assumptions and objectives, it still seems surprising that these two “schools” of interpretation should use two mutually exclusive sets of references, virtually none of which is cross-referenced. One need not be overly sanguine about the benefits that might accrue from sustained discussions on the theoretical aspects of imperialism between Marxists and non-Marxists (or even among Marxists with rather varied approaches) to lament this mutual isolation of scholars from each other.<sup>7</sup> In this essay, we utilize functional dimensions of the “imperial collaborator model” in our effort to explicate Yucatán’s stark condition of economic dependence and informal empire.<sup>8</sup>

In analyzing International Harvester’s role in the Yucatecan political economy, we also hope to contribute to the recent, greatly expanded

effort to understand the evolution of multinational enterprise in developing nations. Harvester's reluctance at the turn of the century to establish an enclave in Yucatán and its preference for market control by funneling capital indirectly through powerful local intermediaries is a strategy of economic penetration of Third World societies that has now become almost standard practice among modern corporations. Either because they find it politic to pay their respects at least to the forms of nationalism, or because they truly fear the expropriation of large "sunken" investments in infrastructure and technology by unfriendly regimes, international business interests have gone to great lengths to devise more informal mechanisms of control with the cooperation of powerful local elites.<sup>9</sup>

Yet such mechanisms were apparently rather unique for North American companies prior to 1914. In her two-volume study of U.S. multinational enterprise, Mira Wilkins emphasizes that the predominant strategy of "supply-oriented" investors prior to World War I called for substantial direct stakes in agriculture, oil, and mining enclaves, which frequently entailed the construction of "company towns" and an expensive network of horizontal and vertical linkages in the host country.<sup>10</sup> Viewed against this backdrop, Harvester's strategy of indirect penetration merits increased attention.<sup>11</sup>

#### GENERAL BACKGROUND

The growth of merchant marines in the nineteenth century had stimulated a need for rope and cordage. As demand for henequen continued to rise at mid-century, Yucatán's traditional corn and cattle haciendas, located in the northwest quadrant of the peninsula, gradually began their metamorphosis into export-oriented henequen plantations. The transition could not be effected at once, primarily owing to the significant cost of capitalizing an average-sized plantation and maintaining it for seven years until the first harvest—about \$130,000.<sup>12</sup> To further complicate matters, capital was in short supply, owing to the destructive Caste War of the 1840s.<sup>13</sup> Because most planters preferred to shift piecemeal from old to new production techniques and crops, using existing fields to finance new *henequenerales*, demand continued to outrun supply. However, when the invention of a mechanical knotting device for the McCormick binder (1878) began to revolutionize the grain industry and expand demand for fiber and twine geometrically, Yucatecan planters took more active steps to overcome their capital shortage and meet the market's increased demands.

Local banking institutions did not yet exist, and rather than capitulate to the exorbitant 18 to 24 percent rates of local usurers, Yucatecan planters (*henequeneros*) became increasingly dependent upon foreign

capital supplied at 9 percent, first by bankers from the North American market area they were supplying and subsequently by cordage brokers and manufacturers from the same area.<sup>14</sup> As a condition for conceding these credits, the North Americans, working through local exporting houses (*casas exportadoras*), demanded that they be paid back in fiber rather than cash, and at the market price prevailing at the moment of repayment. The Yucatecans would realize in the decades ahead how burdensome this lien arrangement could be.

A collaborative bargain between foreign business interests and local exporters had to be negotiated carefully to assure a dependable supply of fiber. Foreign interests recognized that it would not do to name a North American representative to operate in a proud and chauvinistic region like Yucatán. Rather, they would attempt to disguise their involvement by employing one or more local "agents," each of whom would publicly project an independent image. From the 1870s on, local business leaders served as fiber purchasing agents and conduits for foreign loan capital.<sup>15</sup> Thus, North American brokers and manufacturers, such as Thebaud Brothers and the National Cordage Company, operating during the first decades of the boom, enlisted the services of the large Yucatecan export houses of Eusebio Escalante, Manuel Dondé, and Arturo Pierce, among others, in their bids to corner the local market. For their own part, these "collaborators," in serving as purchasing agents and financial intermediaries for the North American banks and manufacturers, realized sizable profits usually in the form of commissions and kickbacks, but also by virtue of the usurious loan practice that access to foreign capital enabled them to conduct. Ideally, just as the foreign investor sought to carve out a durable monopoly or "corner" on the trade, so the collaborator wished to enjoy exclusively the benefits that would flow from a monopoly over communication with the foreign interests controlling the market.<sup>16</sup>

However, the North Americans were "well aware that to have no options was to have no future, and that options were eliminated in direct proportion to the degree to which they depended upon a single [collaborator]." <sup>17</sup> From the onset of its dealings with Yucatán in 1875, for example, the McCormick Harvesting Machine Company had been careful to identify and recruit a primary collaborator to purchase raw fiber and then to maintain its influence over this incumbent while cultivating other potential collaborators as well. Thus, during the late nineteenth century, bargains had been struck at one time or another with a variety of *casas exportadoras*, and while McCormick and the other North American concerns might work to help one *casa* gain a temporary advantage over its rivals, they always made sure to have at least one reliable substitute waiting in the wings.<sup>18</sup> Consequently, prior to 1902, a truly exclusive and powerful collaborative mechanism had never charac-

terized the Yucatecan henequen industry. North American cordage manufacturers had experienced only intermittent success in controlling the hard fiber market, which had fluctuated wildly throughout the quarter century following the introduction of the McCormick reaper-binder.

With the 1902 merger of Cyrus McCormick's Harvesting Machine Company with several rivals to form the International Harvester Company (IHC), the collaborative equation and, consequently, the balance of power within the regional industry were transformed dramatically. The very establishment of the new "International," a combination of five of the largest harvesting machine companies—McCormick; Deering; Plano; Wardner, Bushnell, and Glessner Company; and Milwaukee Harvester—with an initial capitalization of \$120,000,000, eliminated the bulk of existing competition within the U.S. farm implements and twine industries, and placed at the manufacturer's disposal organizational and financial resources that hitherto had never existed. In the years that followed, Harvester would more closely approximate a genuine "trust" than any other fiber manufacturing concern, either before or after the merger. For their part, Harvester's chosen agents in Mérida, Olegario Molina y Compañía, represented, even prior to its collaboration with IHC, an economic and political force in regional affairs substantially more powerful than any of its nineteenth-century predecessors.

However, Harvester's henequen trust would differ from some of its counterparts (e.g., American Sugar Refining Company in Cuba and the Dominican Republic, the United Fruit Company in the Caribbean) because it would achieve control over production without actual ownership of the land. Moreover, henequen would be one of the few products—bananas were another—to remain in the hands of a single distributor or market over a long period of time.<sup>19</sup> In this respect, the majority of Yucatecan henequeneros actually bore little resemblance to the sugar and coffee planters of Brazil, the cattlemen of Argentina, and the major nitrate producers of Chile who, by virtue of their strong political and economic positions within their own societies and the fact that over the long term their products reached beyond a single distributor or market, were, from time to time, able to hold sway over their buyers. Rather, certainly in terms of a lack of bargaining power (if not in terms of wealth), the henequenero often more closely resembled smaller international commodities producers—e.g., Cuban and Colombian tobacco growers, Belizean and Honduran mahogany cutters and *chicleros*, Brazilian rubber tappers, Paraguayan *yerba mate* growers, and Argentine wheat "colonists"—who invariably found themselves tied to foreign merchants or their agents by traditional credit facilities. Such small producers became dependent on negotiating further credit and were rendered virtually powerless in determining a fair price for their products.<sup>20</sup>

In its struggle to preserve its economic autonomy and gain a good

price for its henequen, Yucatán possessed certain advantages that most other contemporary primary producing regions lacked. The region was part of an independent nation, and not a formal colony of the buyer.<sup>21</sup> Unlike most late nineteenth-century monocrop exporters, Yucatán enjoyed a virtual monopoly on the production of its product for the principal market it supplied, the United States; thus, North American buyers could not play one producing region off against the other, as happened elsewhere. Yucatán's sole product was not a luxury item, but a commodity of primary necessity for the United States; it was consumed regularly in large amounts with each grain harvest. Land tenure and ownership of the means of production were almost exclusively in Yucatecan hands. There was no major influx of technology from abroad; indeed, during the first half of the nineteenth century, Europeans and North Americans had failed in inventing the machinery required to make henequen processing economical on a commercial scale. Nor was management imported from abroad; it, too, was almost completely Yucatecan. And finally, while capital was ultimately imported from the United States, it was made available and distributed, as far as the producers were concerned, on a local basis. A leading student of the henequen plantation has concluded: ". . . the situation in Yucatán was virtually unique in the annals of plantation agriculture, in that the area had, by its own efforts, provided the necessary economic base to produce an adequate, reliable supply of its own product and fulfill a near-inexhaustible demand."<sup>22</sup> Yucatán had the only branch of Mexican plantation agriculture that had given rise to commercial export production prior to the development of monopolistic concentration, that is to say, prior to the ascendancy of the great North American "trusts."<sup>23</sup>

Even today some *yucatecos* are reluctant to admit the extent to which North American corporations controlled Yucatán's economic development in the late Porfiriato. It is a venerable regional myth that, unlike the rest of Mexico, where foreigners increasingly dominated most lines of economic activity over the course of the Porfiriato, Yucatecans maintained their economic autonomy and were solely responsible for the remarkable growth that the region enjoyed during the period. This myth, articulated here in its most extreme form by regional historian Manuel Irabién with regard to the growth of Yucatán's railroads, has been uniformly applied, by Mexican and foreign writers, to the evolution of the henequen industry as well: "If there is one thing on which we can pride ourselves, it is that all the work here was done by the sons of Yucatán and all the glory must go to our beloved country, rather than to foreign entrepreneurs. Yucatecos were the capitalists, yucatecos were the concessionaires, the engineers, and the laborers. Glory to Yucatán!"<sup>24</sup>

However, there is more to the question of foreign penetration than mere ownership of the means of production; and, despite all of



their advantages, Yucatecans would lose effective control over their only industry before the end of the first decade of the new century. The extent of domination of the Yucatecan economy by U.S. interests will be evaluated below by examining the mechanism of indirect control through collaboration with selected agents recruited from the most powerful members of the regional oligarchy.

#### ELITE AND OLIGARCHY DURING THE "OLEGARIATO"

One of the most striking facets of the consolidation of the regional fiber industry during the Porfiriato (1876–1910) was the progressive concentration of land, productive capacity, and political power in the hands of fewer and fewer families. By the end of the period, as Yucatecan henequen production approached its highest annual yield, there were slightly more than one thousand haciendas devoted exclusively to henequen cultivation, of which about 850 had *desfibradoras* (raspers) and packing plants. Regional historians estimate that these agroindustrial units were distributed among approximately three to four hundred families, the majority of which were also interested in urban commerce and real estate and what little small industry the region had managed to generate, given the tight grip of monoculture.<sup>25</sup> Yucatán's comfortable agro-commercial bourgeoisie was itself dominated by a much smaller, more cohesive group of twenty to thirty families, who, at any given time, produced about 50 percent and ultimately controlled close to 80–90 percent of all fiber cultivated in the state. This group, a bona fide regional oligarchy, would be referred to sardonically by revolutionary General Salvador Alvarado as the *casta divina*, a name the oligarchy would proudly appropriate for itself.<sup>26</sup> This "divine caste" constituted a ruling group with homogenous interests, a relatively closed membership, and such absolute control over the economic and political levers of power in the region that it was able to stymie the opportunities of other groups in Yucatecan society during the Porfiriato.

Within the ruling oligarchy itself, power was generated outward from one powerful "political family" or *parentesco*, led by Yucatán's "great modernizer" and governor (1902–06), Olegario Molina.<sup>27</sup> Olegario entered regional politics while still in his early twenties, simultaneously establishing a reputation as a liberal intellectual, educator, engineer, and builder. In the early 1880s, still one of only a handful of engineers in the peninsula, Molina placed his technological skills at the service of the fledgling Mérida-Progreso railway company. Under his guidance the export economy took a great step forward, consolidating an adequate transport network that linked its major commercial center and principal port, thereby facilitating a dramatic reduction in shipping costs to distant markets. In 1886, Molina cashed in on the connections

and goodwill he had been building in public life by organizing a small company and receiving a succession of government contracts to construct roads, extend Yucatán's railroad system, make improvements in the port, and carry out a variety of other public works with an ever-increasing torrent of henequen income. Among the list of original investors in Molina's modest company, and in the construction and railroad enterprises that grew out of it, one finds representatives of several of the families related to or closely associated with the Molinas, families which would later be recognized as members of the divine caste: Regil, Ancona, Cervera, Peón, Evia, Hübbe, Suárez, Rendón, Solís, and Vales. The other major figure in the Molina parentesco was Avelino Montes, Olegario's son-in-law. A skillful merchant who had come to Yucatán from Spain shortly before the turn of the century, he had married Molina's daughter and subsequently was tapped by Molina as heir to his commercial empire.

By the late 1890s, Olegario and Montes were investing heavily in their own henequen plantations, lending money at usurious rates of interest to lesser planters, consolidating their control over an expanded railroad network, and establishing their own Yucatecan import-export house and shipping firm to send fiber directly to the North American buyers. "Unlike the other 99 percent of Yucatecan planters who merely grew henequen and were ignorant of the problems of foreign trade and finance," Molina and Montes realized that more valuable than the henequen itself were the means to market and move the fiber. During the 1890s and 1900s, Montes and Molina not only came to control an increasingly greater share of the local production through liens on the fiber of other *hacendados* indebted to them, but they also consolidated their control over the means of transporting fiber by land and sea.<sup>28</sup> The partnership was a fortuitous one: Molina's skill as an engineer and infrastructural planner and his political connections that brought him the governorship in 1902 were well complemented by Montes' entrepreneurial talents and capacity for hard work. By the end of the Porfiriato, Olegario Molina was not only the largest landowner in the state, but also its greatest producer of henequen.<sup>29</sup>

By 1910, Don Olegario had done well not only for himself but for most of the members of his extended family as well, who served as Yucatán's *jefes políticos* (e.g., Luis Demetrio Molina), received concessions of government monopolies (Rogelio Suárez), headed up the railroads and commercial and shipping houses controlled by Molina (Montes, José Trinidad Molina), and fronted for foreign interests in Yucatán and elsewhere in Mexico (Montes). British correspondent Henry Baerlein was impressed enough to write: "A man who has not only made himself, but all his family, down to the nephews, and the sons-in-laws of cousins, is a stranger to fatigue."<sup>30</sup>

Meanwhile, however, the Molina parentesco had advanced at the expense of the rest of Yucatecan society, including the several hundred or so other members of the peninsular bourgeoisie. These lesser hacendados were powerful rulers of land and men in their own right. Many owned hundreds of parcels of urban real estate in addition to their *fincas*, where they kept staffs of Indian servants dressed in white livery. Yet the future prospects of most Yucatecan planters remained fragile. Although given to prodigious displays of consumption, the Yucatecan henequenero was hardly the representative of a traditional landed gentry. In most cases, he was an entrepreneur who continually sought ways to master the problematical fluctuations of the export economy. Seeking to maximize profit, he not only speculated in fiber and rural property, but invested in urban real estate and commerce, as well as joint-stock shares of regional banks and industry. To survive the inevitable dislocations of a boom-bust economy, and, ultimately, to strike it very rich, the speculating planter needed acute business skills, a shrewd sense of timing, and, perhaps most importantly, strong family ties to help him avoid (or bail him out of) bankruptcy when he overextended himself. For every successful individual who exercised some measure of economic control over his own destiny, many more fell by the wayside, existing in a perpetual state of indebtedness, fiscal instability, and periodic bankruptcy. Thus an essential paradox characterized the fortunes of all but a small minority of Yucatán's landed bourgeoisie: while these planters constituted one of the wealthiest classes in Porfirian Mexico, in many respects their economic condition was one of the most unstable and least secure.

Over this plantocracy, proud of its wealth and privileges, Don Olegario was acknowledged as "capitán y amo"—lord and master. Each Saturday, these henequeneros, the majority of them in debt to Molina and forced to pay in fiber, were humiliated when they brought their henequen in to O. Molina y Cía. and were compelled to accept Olegario's price, often one-fourth to one-half cent lower than the going market price. Typically, they were greeted by Montes who told them: "Sorry, boys. We've already got more henequen than we can use. But, if you want to sell now, we might be able to use the fiber for our next shipment, provided you're willing to come down a little. That's the best price we can give you."<sup>31</sup> Desperate for money to pay off accumulating debts, and unable to ship their fiber without the agency of the Molina family, the hacendados were forced to sell on the spot.

However, neither Olegario's impeccable regional political connections nor his or Montes' refined business acumen could have earned for him the almost absolute political and economic power which he came to wield at the regional level. Nor do they explain the high degree of national recognition and prestige which President Díaz lavished upon

Molina and his allies.<sup>32</sup> To account for this concentration of regional power and wealth, rare even by the standards of Porfirian Mexico,<sup>33</sup> we must look elsewhere—to Don Olegario's "North American connection," to the long-standing relationship that united Yucatán's oligarchy with North American cordage manufacturers and, ultimately, facilitated indirect foreign control of the Yucatecan economy.

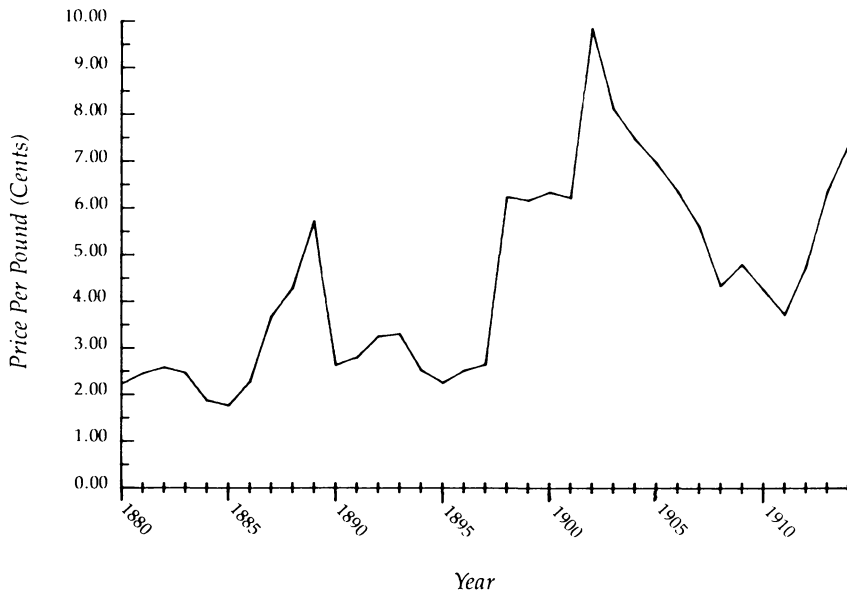
#### COLLABORATION AND THE BEGINNINGS OF MONOPOLY CONTROL<sup>34</sup>

##### *International Harvester Company and Olegario Molina*

Now referred to in the peninsula as the "notorious secret contract of 1902," the pact between Olegario Molina and IHC was signed in Havana, Cuba, on 27 October, but was not widely publicized until 1921.<sup>35</sup> It specified that Molina and Company would use "every effort within their power to depress the price of sisal fiber," and that they would "pay only those prices which from time to time are dictated by the International Harvester Company." More concretely, Harvester agreed to place ten thousand bales of sisal, which they would buy from Molina, "or as much of it as may be needed at the disposal of Molina and Company for sale . . . for the express purpose of depressing prices, any loss or gain on such sales being for account of the International Harvester Company." As for the other principals operating in the henequen market, it would be left to Molina to determine how he would induce the exporting firm of Don Eusebio Escalante, his traditional rival, to cooperate with the arrangement. Harvester, for its part, would see to it that the other trading firms of Peabody and Urcelay "shall not pay higher prices for sisal than those given by Molina and Company."

Over the course of the next decade, the arrangement worked according to plan. Within the first year, the price fell two cents, from close to ten cents per pound to eight cents (see fig. 2). In the years that followed, the collaborators managed to shave almost a cent a year until, by 1911, raw fiber was being bought at close to three cents per pound, below which it was generally agreed all major hacendados would be operating in the red, and the smaller ones would be pushed to the wall.<sup>36</sup>

It is tempting, in the face of this contract, to follow the majority of traditional accounts and dismiss Don Olegario as an *entreguista*, a bought politician who, in the ancient tradition of "La Malinche," turned his back upon his native land for the economic advantage of siding with the foreigner. Nelson Reed, after recounting the truck that Molina had with Harvester and cataloguing the harmful effects that these dealings had for the henequen industry in terms of lost export earnings, suggests that it is a mystery "why the Meridanos didn't lynch the man."<sup>37</sup> Yet, the

FIGURE 2 *Henequen Prices, 1880–1914*

Source: Siegfried Askinazy, *El problema agraria de Yucatán* (México 1936), pp. 100–1.

very fact that Yucatecans did not share Reed's indignation—indeed, upon Molina's death in 1925, he was buried as a hero by the revolutionary government—hints at the complexity of Olegario's role as a "collaborator," and of his relationship with Harvester. Few collaborators ever choose to cooperate unconditionally; in fact, to do so would endanger their credibility and standing within their own society. More often than not, they seek to channel selectively the privileges of increased trade or technology that the foreign power offers as the price for their cooperation, in order to develop their own societies according to the prevailing notion of progress and to shore up their own positions in them. In many cases, they are or become staunch nationalists (or regionalists), attempting to use the material benefits that the foreigner confers to strengthen their societies against the same foreigner. Unfortunately, too often this latter resolve represents more a reaction than a preemptive move, and comes too late, after the local society has been fully penetrated by the foreign power.<sup>38</sup>

In many respects, Don Olegario's career reflects the essential contradictions of the collaborator. First and foremost, he seems to have regarded himself as a *constructor*—a builder and a modernizer—and it is

more for his schools and paved streets than for his secret contract that modern yucatecos remember him. The embodiment of nineteenth-century liberal positivism, Yucatán's own *científico*, Don Olegario saw nothing wrong with making money; indeed, he reasoned that, to the extent that he prospered, so would Yucatán. And there can be no question that he intended to profit from his relationship with IHC. Harvester's own documents reveal that, under the terms of the 1902 and subsequent contracts, he and Montes made between one-eighth and one-fourth cent commission on every pound of henequen they acquired for Harvester during the decade preceding the Revolution, not to mention the enormous control that the foreign capital placed at their disposal gave them over the local elite.<sup>39</sup> In 1909, Harvester gave Montes a line of credit up to \$600,000 for the purpose of controlling fiber production. This enabled the Molina family to acquire mortgages and foreclose on a number of indebted haciendas and to purchase outright a string of others. It also enabled them to consolidate their stranglehold on the region's banks, railroads, warehouses and shipping lines; initiate new and profitable public works projects; and diversify their interests in new lines of urban commerce and industry. In other words, backed by a continuous supply of foreign capital, Molina and Montes were able to invest even when the economy was depressed and prices were low, precisely when most planters and merchants faced capital shortages. This strategic position enabled them to buy when most investors were compelled to sell out their interests at rock-bottom prices merely to escape financial ruin (e.g., during the panic of 1907–08).<sup>40</sup> Then, when fiber prices rose and local property values increased, the Molinas had the option of selling their newly acquired assets for a whopping profit or adding them to their expanding empire.<sup>41</sup>

However, in Olegario's mind, this personal enrichment, and the relationship with IHC that underwrote it, dovetailed nicely with Yucatán's long-term development. He subscribed to the theory—not without an element of self-justification—that over the long run a policy of high prices would hurt Yucatán's fiber industry. Only volume production at a figure low enough to prevent serious foreign competition while simultaneously increasing the market would guarantee Yucatán's future prosperity. This being the case, why not contract with Harvester over the short run to depress fiber prices gradually? The Yucatecan *científico* calculated that such a tactic would provide a needed object lesson to the hacendados and would ultimately work "for their own good," inculcating in them the habits of thrift and hard work and steering them towards the adoption of new methods to promote increased efficiency and quality control. Molina's apologists suggest that the target figure of Don Olegario's *política bajista* (low pricing policy) was four to four and one-half cents per pound. This was a quotation at which, in the absence of

stiff state and federal taxation—which he generally opposed and, as governor, would prevail upon President Díaz to forego—Yucatán's henequeneros might produce henequen profitably and forestall the competitive threat of the Philippines and of potential producing regions in the new European colonial possessions of Africa and Asia.<sup>42</sup> Molina's policy was embodied in the phrase: "Producir mucho para poder vender barato." Should a financially pressed hacendado come to him with his problems, Don Olegario invariably counselled the man, "¡Siembre Ud. más henequén!"<sup>43</sup>

At the root of Molina's política bajista, indeed the basis for his collaboration with IHC, was his abiding belief in the late nineteenth-century economic order predicated upon an international economic division of labor between primary producing regions and the more industrialized nations of Europe and North America.<sup>44</sup> However, Molina's ambiguous dual role as Yucatecan producer and North American buying agent led him periodically to question such a division of labor and pointed up some of the conflicts that inevitably characterize relations between primary producing and manufacturing regions, conflicts that would not find satisfactory resolution in Don Olegario's economic policies.

In 1896–97, when prices dropped to the point where fiber export was ceasing to remain profitable (see fig. 2), Molina and several other "progressive" Yucatecan henequeneros recruited local and large amounts of foreign (predominantly McCormick) capital, plus the most up-to-date North American machinery, and became involved in the establishment of "La Industrial." This factory was to specialize in the manufacture of binder twine and other products from raw fiber, thereby enabling Yucatán to reap the value traditionally added by the North American cordage manufacturers.<sup>45</sup> Initially, Don Olegario had little trouble attracting the planters' capital for the project. Molina and twenty-four Yucatecan entrepreneurs raised 400,000 pesos for the cordage plant early in 1897.<sup>46</sup> A year later, however, when the Spanish-American War skyrocketed the demand for raw fiber, additional monies were hard to find and Molina's own interest in the industrialization of henequen began to wane.<sup>47</sup> First, he diverted "La Industrial" from the manufacture of binder twine into other noncompetitive, experimental manufacturing applications (e.g., the extraction of henequen alcohol, the manufacture of paper) and, ultimately, following the signing of his 1902 contract with Harvester, he divested himself of all interests in the manufacture of henequen.<sup>48</sup> Perhaps the most significant aspect of the failed industrialization scheme was that it served to secure a firm working relationship between the Olegario Molina family and Cyrus McCormick.<sup>49</sup> The collaborative mechanism that would alter the political economy of Yucatán with the 1902 contract had been set in 1896.

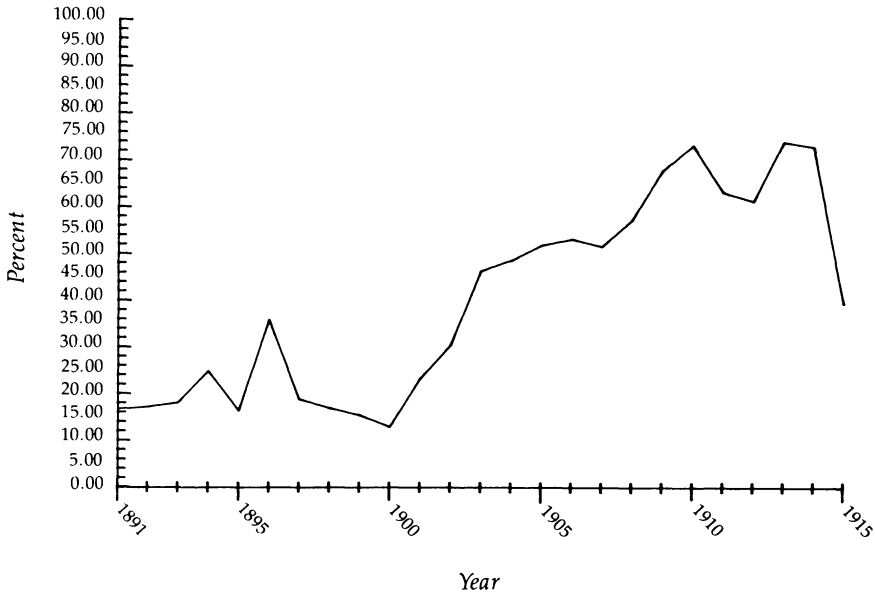
In evaluating the secret contract and the monopolization of the

local industry that ensued, it is important to emphasize the initial “interdependence” that characterized the relationship between IHC and Molina. The Yucatecan situation underscores the point that “where informal empires arose, the relationship between the two [collaborating] elements was initially one stemming from conditions of relative equality.” As the intermediary or “linking” group in the local society, the Molinas and their allies (the *casta*) made sure to interweave their needs and political and economic capabilities with those of Harvester until “a type of equilibrium between those needs was achieved.”<sup>50</sup> However, we must be careful not to overvalue the importance of the Yucatecan oligarchs in these imperial relations or the power they were subsequently able to bring to bear against IHC. The trade statistics of the period suggest a more accurate picture of the power relationship which existed between Molina and Montes and “the International” (see fig. 3). Clearly, it was not until Molina y Cía. (the firm was later entrusted to Montes in 1905)<sup>51</sup> consummated its relationship with IHC in 1902 that it dramatically pulled away from the Pierce house, its closest competitor in the Mérida buying market. Immediately prior to Molina’s commitment to work exclusively for Harvester, the firm had done only half as much business as its rival and prior to that had, with the exception of 1896, consistently trailed Pierce in fiber transactions. Of course, we know that 1902 was also the year in which Molina became governor of Yucatán and that his political clout—and with it, his economic power—were becoming increasingly greater. However, Molina had been a powerful force in regional politics for some time prior to 1902, and it seems more likely that the huge sums of money placed at Olegario’s disposal by IHC had more to do with the Molina house’s meteoric rise after 1902 than the acquisition of the governorship.

#### *International Harvester Company and Henry W. Peabody*

Also of importance to Harvester in the creation of its invisible empire in Yucatán was another agreement, also consummated in 1902, between McCormick and Henry W. Peabody, president of the exporting firm of the same name that had traditionally purchased fiber for Harvester’s closest rival in the manufacturing of twine, the Plymouth Cordage Company.<sup>52</sup> In fact, it is no coincidence that this personal agreement between the presidents of the two companies occurred about the same time that Harvester signed its secret pact with Molina: the two agreements appear to have been crucially linked in ICH’s strategy to control the Yucatecan henequen industry. By the terms of an earlier, more formal contract reached in 1898, Harvester’s predecessor, the McCormick Harvesting Machine Company, had loaned Peabody and Company more than half the capital the latter proposed it would need to maintain its



FIGURE 3 *Molina y Compañía's Share of U.S. Henequen Trade, 1891–1915*

Source: Peabody Papers, V. L-1, pp. 254–74 and U.S. Congress, Senate, Committee on Agriculture and Forestry, *Importation of Sisal and Manila Hemp* (Washington, 1916) 2:963.

involvement in the sisal trade. In consideration for this sizable loan—estimated at \$200,000—McCormick exacted the right to determine the nature of Peabody's purchases and transactions in the Yucatecan fiber market.<sup>53</sup> Students of the cordage trade regard this concession to be tantamount to Henry Peabody turning over the henequen side of his trading business lock, stock, and barrel to Cyrus McCormick of Harvester. The records of the McCormick Harvesting Machine Company reveal that this formal contract was terminated shortly after the turn of the century. However, what was not known, until recently, was that both Cyrus McCormick and Henry Peabody secretly reaffirmed the general terms of their former agreement—McCormick providing capital to Peabody in exchange for market control—via a series of personal letters in 1902.<sup>54</sup>

The new informal agreement would last out the decade of the 1900s and seems to have terminated around the time of Peabody's death, shortly after 1910. However, by the time it did terminate, Harvester's hegemony in Yucatán had been indisputably established. Peabody's successor as president of the firm, Edward Bayley, would repeatedly deny Peabody's temporary "merger" with IHC before a U.S. Senate Sub-

committee in 1916 and on a variety of other occasions.<sup>55</sup> In fact, it is possible that the agreement remained confidential between Peabody and McCormick and that Bayley himself was never briefed as to its contents.<sup>56</sup> On the other hand, opponents of Harvester's control of the Yucatecan economy and critics of the "cordage trust" in the United States never doubted the reality of such an arrangement,<sup>57</sup> and the recent discovery of documentary proof corroborating their judgment has put the matter beyond speculation.

In light of this secret McCormick-Peabody agreement, the language of the subsequent IHC-Molina contract makes more sense, especially in regard to the third parties mentioned. It will be recalled that the "notorious" pact expressly provided that Molina and Harvester arrange for the cooperation of rival import-export houses.<sup>58</sup> How could Harvester, for example, "agree that Peabody [among others] shall not pay higher prices for sisal than those given by Molina" unless Harvester had at least some control over Peabody, if not the determining voice in the latter's transactions? We know that, by 1902, IHC already had brought local buyers like Molina and Urcelay into line, and would later use Molina's burgeoning political and economic power to eliminate more stubborn rivals like Don Eusebio Escalante, who would not collaborate. As we have seen above, it was Peabody and Company which, through its local agent, Arturo Pierce, had traditionally controlled a greater share of the henequen market prior to 1902 than Molina and, therefore, constituted the only serious threat to the complete dominance of the industry which Harvester now sought.

#### THE INFORMAL EMPIRE

The table reveals the extent to which IHC increasingly controlled the local fiber trade following its 1902 agreements with Peabody and Molina. These figures do not reflect possible Harvester control over a sizable portion of the "remainder" column by means of more informal arrangements and debt obligations between the Molina family and these smaller, nominally independent buyers.

Thus, even by conservative estimates, it appears that IHC was controlling in excess of 90 percent of Yucatán's sole export commodity by the time the Revolution arrived in the region in 1915. In one extraordinary year—1910—the corporation exercised its leverage over 99.8 percent of the trade! With good reason, then, would General Alvarado charge in 1915 that the "henequen trust" ruling Yucatán through Avelino Montes and the casta encompassed not only IHC, but also Peabody and the other so-called "independent" buyers who were, in fact if not in name, its satellites. Accurately, the general perceived that the North American cordage interests in collaboration with Montes were in a posi-

tion to *fix the price* paid for Yucatán's henequen—essentially the definition of a trust. They did this by channeling loan capital through Montes and the *casta* to the planters, securing liens on future fiber production, and often mortgages on the plantations themselves, which enabled the trust to dictate the future price at which the producers would be forced to sell to them. Alvarado's agents would later produce testimony from smaller hacendados that Montes and the *casta* had made loans to them at high interest and obliged them to sell their fiber at substantially less per pound than the prevailing market price.<sup>59</sup>

Thus, Molina and IHC's campaign to depress prices and control local fiber production appears to have been eminently successful. Questions of price, however, particularly concerning an unstable commodity like henequen, make short-term analysis a risky proposition. The years immediately preceding IHC's merger were characterized by bonanza henequen prices induced by the Spanish-American War's curtailment of supplies of manila, henequen's chief competitor. With the outbreak of war in 1898, average henequen prices climbed from two and a half cents per pound to an astronomical ten cents a pound in 1902. Prices that had effectively quadrupled in four years would inevitably recede when the competitive market between manila and henequen was restored.

Sisal hemp's "pricing equation" is further complicated when we consider that alternative surges of boom and bust fiber prices were the norm rather than the exception throughout the period. The 1898–1902 boom and the subsequent lull in prices after 1903 were symptomatic of the tenuous fiber trade. If we take a close look at henequen prices from 1880 to 1915, we note volatile fluctuations in the world market price paid for the fiber (see fig. 2).<sup>60</sup> Prices rose and fell with startling frequency.<sup>61</sup> Reasons for the unstable fluctuations varied with each roller-coaster turn of the henequen market: attempted corners by exporters and buyers, a surge or a decline in manufacturer's demand, freak occurrences such as the 1898 war affecting the Philippines, binder twine competition, and the saturation of the fiber market by overzealous producers—all combined to play havoc with the manufacturer's and producer's ability to predict future prices. In such an unstable market atmosphere, the decline of henequen prices after the 1898–1902 boom might be interpreted as inevitable given the extraordinary prices paid for the fiber during that period. Generalizations centered only on a single variable offer an incomplete explanation for short-run price changes. Following this same line of reasoning, one might even be tempted to excuse Harvester from blame for its role in depressing prices in the years immediately following the consummation of the agreements with Molina and Peabody.<sup>62</sup>

Yet Harvester's monopolistic control of Yucatecan fiber supply, its ever-tightening grip on the North American binder twine market,<sup>63</sup> as

*Percentage of Bales Imported to the United States by the Leading Henequen Exporting Houses: 1896–1914*

<i>Year</i>	<i>Molina</i>	<i>Peabody</i>	<i>IHC Controlled<sup>a</sup></i>	<i>Remainder</i>
1896	35.9%	27.7%	—	36.4%
1897	18.8	38.4	—	42.8
1898	16.9	35.4	—	47.7
1899	15.4	36.9	—	47.7
1900	12.9	42.3	—	44.8
1901	23.3	37.7	—	39.0
1902	30.5	39.0	—	30.5
1903	46.4	34.4	80.8	19.2
1904	48.7	36.8	85.5	14.5
1905	51.9	31.2	83.1	16.9
1906	53.2	36.8	90.0	10.0
1907	51.6	42.1	93.7	6.3
1908	57.3	36.1	93.4	6.6
1909	67.8	28.3	96.1	3.9
1910	73.2	26.6	99.8	0.2
1911	63.2	24.1	87.3	12.7 <sup>b</sup>
1912	61.3	24.1	85.4	14.6 <sup>b</sup>
1913	74.0	20.9	94.9	5.1 <sup>b</sup>
1914	72.2	20.3	92.5	7.5 <sup>b</sup>

Source: Peabody Papers, V. L–1, pp. 254–74 and U.S. Congress, Senate, Committee on Agriculture and Forestry, *Importation of Sisal and Manila Hemp*, Washington, 1916, Volume 2, p. 963.

<sup>a</sup>This column indicates the percentage of hemp IHC had control of due to the separate agreements with the Molina and Peabody houses in 1902.

<sup>b</sup>From 1911 to 1914, a large group of Yucatecan henequen planters formed the *Compañía de Hacendados y Yucatecos* to fight the monopolistic market situation.

All figures computed by the authors.

well as the extent and duration of the drop in fiber prices from 1903 to 1912, point to the trust's responsibility for the price decline. Further, IHC's avowed purpose, penciled into the Molina contract, was to depress the market. In addition, the contract led to the destruction of the competitive situation that had existed among *casas exportadoras* prior to 1902. No *casa* could or would challenge Montes and/or Peabody until 1915, when the revolutionary government of Alvarado dealt a blow to the monopoly by ordering planters to sell their hemp to a state-controlled *comisión reguladora*.

The actual profit that Harvester and other manufacturers made on twine fluctuated from year to year with the price of the raw material and the level of competition that existed among the manufacturers

themselves. Twine profits were always small in comparison to Harvester's receipts from its major lines of harvesting machines (binders, mowers, etc.); nevertheless, it constituted an important secondary line and, as competition began to intensify in the harvesting machine field after 1910, IHC would pay increasing attention to its fiber and twine department. Although the manufacturers continually claimed that competition was keen and profits were small, there is evidence to suggest that, as the 1902–15 period wore on, Harvester's profits in twine generally increased and the corporation was able to turn a very handsome profit on its twine in certain years.<sup>64</sup>

Both Yucatecan and North American sources reveal, for example, that, late in 1914, just before the Revolution came to Yucatán, IHC's twine profits were exceptionally high. A favorable exchange rate coupled with the depressed price reduced the cost of raw fiber to manufacturers to about 4 cents per pound, whereas Harvester's quotation for twine was fixed at 8 cents, affording fabulous profits once conversion costs and other nominal expenses (estimated at one and one-half cents per pound) had been subtracted. During most years, binder twine profits were declared to fluctuate between one-half and one cent per pound, which a 1916 U.S. Senate Subcommittee did not deem to be excessive.<sup>65</sup> However, many contemporary observers doubted that the corporation's declaration of profits was valid. Among these was the U.S. Consul in Progreso, who voiced the commonly held suspicion that the trust was regularly commanding prices that, "though depressed for sisal purchase, are nominally increased to justify an increase of price in twine."<sup>66</sup> In other words, while the trust (through Montes) was actually paying indebted planters an average of one-quarter to one-half cent per pound less than prevailing market prices, it represented itself as "purchasing" its fiber from the independent house of Montes at the nominal market price. Montes would then receive a commission or kickback which, when added to the actual price at which henequen was secured from the planters, still did not approach the nominal market figure.<sup>67</sup>

With good reason, then, was Harvester content to maintain its "invisible empire" in Yucatán, predicated upon indirect control through the collaboration of the regional oligarchy. There was little incentive to press for a more traditional penetration of the local economy based upon actual ownership of the means of production, as long as the North American "sisal trust" already possessed the predictive capability to gauge future benefits (i.e., control over local fiber production and a guarantee of low prices) and the power capability to deliver them.<sup>68</sup> Nevertheless, on a variety of occasions during the early years of the twentieth century, Cyrus McCormick and IHC received offers to purchase or invest in several of Yucatán's largest and most profitable henequen plantations. During 1901 and 1902, McCormick was offered a

string of plantations by members of the *casta* which included "Blanca Flor," "Yaxché," "Yaxcopoil," "Tabí" and "Chichén." Among the inducements to buy was an appeal to McCormick's vanity, for the Yucatecan real estate entrepreneur handling the transactions assured Harvester's president that one day these plantations might be consolidated into an impressive area of settlement to be known as "Ciudad McCormick."<sup>69</sup> In each case McCormick demurred.<sup>70</sup> The entire process whereby Yucatán's ruling oligarchs offered North American fiber magnates plantations for sale is in itself an underpublicized and revealing episode of the region's history. It suggests that the extent of the oligarchy's dealings with the cordage trust were even more widespread than is commonly held, and it qualifies the rather exaggerated regional assertion that Yucatecans jealously guarded their plantations from foreign ownership to the extent of categorically eschewing all forms of direct foreign investment.

On at least two other occasions, IHC went a step further and flirted with the prospect of exercising a more direct control over the regional economy. From 1903 until around 1907, Harvester made a concerted attempt to purchase the Yucatecan-owned, *casta*-controlled railroad system.<sup>71</sup> Katz speculates that although IHC's collaborators controlled virtually all aspects of the region's commercial, financial, and communications infrastructure, "International Harvester wanted to institute the classic means of control already used with such great success by the Standard Oil Company in the United States and introduced around the same time in Central America by the United Fruit Company: direct control of the transportation system as a means of dominating a market."<sup>72</sup> Ultimately, however, the scheme failed for a variety of reasons: the high price demanded for the railroad by Molina and the *casta*; the opposition of the federal government, which, since 1905, had adopted a more nationalistic posture regarding the ownership of railroads; and finally, because Harvester chose to revert to a policy of indirect control. After all, by 1907, Harvester was well satisfied with Molina's and Montes' performance in managing other key sectors of the regional economy (port works, banks, internal fiber production, etc.) and saw no pressing reason to remove the railroads from their control.

## CONCLUSIONS

From 1902 to 1915, the International Harvester Company secured a continuous supply of raw fiber from Yucatán at a low price without sinking substantial investment in the regional economy. Taking advantage of traditional marketing arrangements that had been in effect since the 1850s, IHC controlled the Yucatecan fiber trade by collaborating with the two largest exporting houses at the local level. Of critical importance to the operation of this arrangement was the fact that most Yucatecan

planters were still able to obtain a satisfactory profit by expanding production while lowering production costs at the expense of their dependent Maya labor force.<sup>73</sup>

However, despite such a cozy, profitable, and dependable arrangement, Harvester remained uneasy about its indirect system of control. Yucatán's position at the turn of the century as the market's near exclusive supplier bothered corporate executives in Chicago. More worrisome was the possibility that political circumstances in Yucatán might change at any time. As long as Molina or a crony remained in the state house, Harvester's secure position would be assured. But what if a new government came to power, one less amenable to the status quo? Even before 1900, McCormick's company had begun to finance directly or subsidize sisal hemp experimentation schemes in the continental United States, other parts of the Americas, and the Philippines.<sup>74</sup> Shortly after the turn of the century, Harvester was joined in these endeavors by the U.S. government, which sponsored experimentation in Hawaii and Puerto Rico. By 1915, IHC had plantation investments in Cuba, Ecuador, the Dominican Republic, and various British, German, and Dutch colonies in Africa and Asia—to name only those ventures that have surfaced in the major archives, press, trade journals, and secondary accounts.<sup>75</sup> Finally, Harvester invested one and a half million dollars in a scheme to develop a domestic flax twine substitute for Yucatecan-grown fiber. The corporation went so far as to furnish North American farmers with seed while overseeing cultivation. In the end, however, results were unsatisfactory. Flax, "while it worked well in the binder at the time the grain was cut and bound did not prove to be reliable in that insects ate it and it disintegrated under conditions of atmosphere and weather." One Harvester executive lamented: "It's [flax] nice food for crickets."<sup>76</sup>

The flax twine experiment and the purchase of overseas plantations indicate Harvester's willingness to continue to experiment with direct control mechanisms of raw material supply. Had the collaborator arrangement not proved so successful, the corporate giant might well have entertained the notion of greater participation in the Yucatecan economy. However, until the arrival of the Mexican Revolution in 1915 and the concomitant introduction of a state-run regulatory commission, Harvester's hemp policies met corporate goals more than satisfactorily.

There is no question that the trust's long-term control over the market and its ability to manipulate hard fiber stocks throughout the world cost the Yucatecans dearly in export revenues at a time when the terms of trade for hard fiber producers had not yet gone into terminal decline. On the other hand, Harvester had yet to become a modern transnational corporation, and its power was not unlimited. We should keep in mind that the International's "invisible fiber empire," which would ultimately extend over Yucatán, Cuba, the Philippines, and other

primary producing regions, was still being consolidated during the first two decades of the twentieth century.<sup>77</sup> Moreover, at certain periods and in certain areas of this informal empire, Harvester and the other manufacturers were still surprisingly vulnerable to an aggressive pricing policy mounted by the primary producers. Such was the case in Yucatán during the 1915–18 wartime period, when the revolutionary government's *comisión reguladora* held fiber stocks off a bullish market, artificially beefed up prices, and virtually excluded Harvester and its collaborators from participation in the local market. During such historical junctures, exporting regions were in a position to register substantial economic gains, although sustained growth and a stable long-term path to development were not available to them.

However, the fact that Harvester's informal empire was operated indirectly through local collaborators, and reflected modern economic imperialism in its earlier stages, should not blind us to the more stark aspects of the unequal relationship that bound Yucatán's monocrop export economy to its North American buyers and their Yucatecan agents. The very informal nature of the control relationship absolved Harvester from putting anything back into Yucatán in the form of social investment and obviated the development of all economic infrastructure beyond that needed to get fiber quickly to market.<sup>78</sup> Moreover, the relationship would become progressively more unequal, since the U.S. manufacturers realized that time was on their side. With additional production areas opening up all the time, Yucatán would be forced to come down significantly in price to remain competitive with the higher quality fiber of its new rivals. And, whereas the Mexican region had to sell its fiber to the cordage trust, the trust could become more and more choosy with whom it did business.<sup>79</sup>

Yucatán's structural dependence on a foreign-dominated market would remain even after the region succeeded in industrializing its henequen and produced binder twine locally, a process that began in the 1920s and gained momentum in the 1930s and 1940s. As late as 1947, International Harvester alone still consumed almost 60 percent of Yucatán's annual yield of fiber and cordage.<sup>80</sup> Here, then, is a classic case in which industrialization did not break the relationship of dependency and promote economic "take-off," since industrialization issued from a monocrop economy tied to a fluctuating world market, the terms of which still favored the North American buyer over the Yucatecan seller and permitted frequent manipulation of that market in the buyer's interest. Many yucatecos have commented that they regarded Harvester's and the United States' informal empire over their region, with its legacy of economic dependence, as more enduring and damaging than the more formal domination of the old Spanish empire or the current Mexican Republic, from which they had been able temporarily to secede on



two separate occasions in the nineteenth century. Recalling a venerable central Mexican proverb, one local intellectual suggested: "To divorce one's wife is simple, to divorce one's mistress, impossible."<sup>81</sup>

## NOTES

1. Mira Wilkins, *The Emergence of Multinational Enterprise: American Business Abroad from the Colonial Era to 1914* (Cambridge, 1970), pp. 113, 125, 128, 134; United States, Department of Commerce and Labor, *Daily Consular and Trade Reports* (Washington, 1912), p. 316.
2. The paternity of the celebrated quotation attributed to Porfirio Díaz has been disputed; on occasion the epigram has been credited to other contemporary statesmen. Yet, none doubts its validity in conveying an important attitude of the period regarding Mexico's relationship with the United States. For a general examination of the Porfirian economy and its penetration by foreign capital, see Wilkins, *Emergence*, pp. 113–34; Daniel Cosío Villegas, ed., *Historia moderna de México. El porfiriato: la vida económica* (México, 1970); and William K. Meyers, "Politics, Vested Rights and Economic Growth in Porfirian Mexico," *Hispanic American Historical Review* 57(1977):425–54.
3. Celebrated examples of more direct patterns of foreign penetration and control are the northern mining sector where the Guggenheims' American Smelting and Refining Company held sway, or the Veracruz Gulf Coast oil domain where British and American corporations (Doheny's, Pearson's, etc.) exercised a high degree of autonomy and control throughout the Porfiriato and even the first revolutionary decade. See, for example, Wilkins, *Emergence*, pp. 115–20, 122–24; Marvin D. Bernstein, *The Mexican Mining Industry, 1870–1950: A Study in the Interaction of Politics, Economics and Technology* (Albany, 1964); Fritz L. Hoffman, "Edward L. Doheny and the Beginnings of Petroleum Development in Mexico," *Mid-America* 24(1942):94–108; and Mark Wasserman, "Oligarquía y intereses extranjeros en Chihuahua durante el Porfiriato," *Historia Mexicana* 22, no. 3(1972):296–310.
4. E.g., Roland E. P. Chardon, *Geographic Aspects of Plantation Agriculture in Yucatán* (Washington, D.C., 1961), p. 160 and passim.
5. Thomas Benjamin, "International Harvester and the Henequen Marketing System in Yucatán, 1898–1915: A New Perspective," *Inter-American Economic Affairs* (hereafter cited as *IAEA*) 31, no. 3(1977):3–19. Benjamin's essay provides a comprehensive discussion of the historiographical debate and extensive bibliographical references for the major positions.
6. For the "collaborator model," see Ronald Robinson, "Non-European Foundations of European Imperialism: Sketch for a Theory of Collaboration," in Bob Sutcliffe and Roger Owen, eds., *Studies in the Theory of Imperialism* (London, 1972), pp. 117–41; Robinson and John Gallagher, *Africa and the Victorians: The Climax of Imperialism in the Dark Continent* (New York, 1961); and Robin W. Winks, "On Decolonization and Informal Empire," *American Historical Review* 81, no. 3(1976):540–56. For lucid discussions of the various approaches within the "dependency paradigm," see C. Richard Bath and Dilmus D. James, "Dependency Analysis of Latin America: Some Criticisms, Some Suggestions," *Latin American Research Review* (hereafter cited as *LARR*) 11, no. 3(1976):3–54; and Fernando Henrique Cardoso, "The Consumption of Dependency Theory in the United States," *LARR* 12, no. 3(1977):7–24.
7. For some insight into the severe problem of communication that hampers theoretical discussions of imperialism between Marxists and non-Marxists, see Bath and James, "Dependency Analysis," pp. 3–4, and Sutcliffe and Owen, *Studies*, an anthology of papers representing an extended debate on Lenin's theory of imperialism at Oxford University in 1969–70. Some cross-fertilization has, however, begun to occur. Latin Americanist Richard Graham draws profitably from "imperial historiography" in his analysis of British informal empire in nineteenth-century Brazil. A. G. Hopkins is one of several African economic historians who has recognized the mutual benefits attending a dialogue between non-Marxist imperial historians and historically

- grounded *dependentistas*. See Graham, "Sepoys and Imperialists: Techniques of British Power in Nineteenth-Century Brazil," *IAEA* 23 (1969):23–37; and Hopkins, "On Importing André Gunder Frank into Africa," *African Economic History Review* 2 (1975):13–21.
8. The natural fit of these estranged bodies of literature can certainly be argued on historical grounds. Long before the "imperial historians" began to build their elaborate functional model of collaboration in the 1950s, the problem of collaborating elites had preoccupied the major theorists of imperialism working within the Marxist idiom. Speaking generally, Marx pointed out that to the extent to which the dominant class was capable of absorbing the best men of the oppressed classes, the more solid and dangerous would be its domination. Lenin and Trotsky, in their analysis of Russia's backward condition under the Tzarist Regime—today regarded to be the classical formulation of modern dependency theory—underscored the importance of internal social groups allied with external economic forces. Gramsci's entire work on hegemony concerned itself greatly with the terms by which a ruling class might in certain situations extract the "active consent" of segments of the exploited. However, perhaps most influential as a theoretical bridge between classical Marxist theory and contemporary neo-Marxist "theories" of dependency and underdevelopment was the conception of collaboration advanced by Paul Baran. To a great extent, Baran based his opposition to Marx's prediction of an evolutionary development of capitalism in the developing nations on the notion of "clienteles classes" or "comprador bourgeoisies." Baran broke with Marx in speculating that the development of autonomous capitalism at the periphery would be forcibly shunted off its normal course, distorted, and crippled to suit the purposes of Western imperialism. These distortions would have their source largely in the nature of the wealthy classes in the local societies, which had existed prior to the onset of colonial rule or were created during the colonial period. Such classes, according to Baran, did not wish, were not able, or were not permitted to develop into autonomous bourgeoisies, and were thereby not in a position to develop the classical capitalist mode of production in their countries. Rather, they were doomed to form part of the structure through which wealth would be siphoned from their societies to the imperial metropolis, even after the formal period of colonial rule was over.
  9. The proliferation of scholarly and popular works on multinational enterprise is surveyed in Louis Wolf Goodman, "Horizons for Research on International Business in Developing Nations," *LARR* 15, no. 2 (1980):225–40.
  10. Wilkins, *Emergence*, pp. 115–34, 149–72 and *passim*, and *The Maturing of Multinational Enterprise: American Business Abroad from 1914 to 1970* (Cambridge, 1974), pp. 92–128.
  11. Wilkins, for example, in concentrating exclusively on direct investment stakes, makes no mention in her survey of the kind of indirect penetration mechanism that Harvester employed to control the fiber industry; e.g., see *Emergence*, pp. x, 211, 214–15. For some nineteenth-century examples of indirect market control by British investors, see D. C. M. Platt, "Economic Imperialism and the Businessman: Britain and Latin America before 1914," in Sutcliffe and Owen, *Studies*, pp. 295–311.
  12. Howard Cline, "Regionalism and Society in Yucatán, 1825–1847: A Study of 'Progressivism' and the Origins of the Caste War," *Microfilm Collection of Manuscripts in Middle-American Cultural Anthropology* (University of Chicago Library, 1950), p. 535; Frederick Ober, *Travels in Mexico and Life among the Mexicans* (Boston, 1884), pp. 65–66, 88.
  13. Nelson Reed, *The Caste War of Yucatán* (Stanford, 1964).
  14. Friedrich Katz, "El sistema de plantación y la esclavitud," *Ciencias Políticas y Sociales* 8 (1962):103–35, p. 104; Emiliano Busto, Anexo núm. 3 a la "Memoria de hacienda del año económico de 1877 a 1878," *Estadística de la República Mexicana* (México, 1880), p. 264.
  15. Winks, "On Decolonization," p. 554.
  16. Robinson, "Non-European Foundations," pp. 117–41.
  17. Winks, "On Decolonization," p. 554.
  18. The relations of International Harvester Company and earlier North American buyers

- with this succession of exporting houses are discussed in Gonzalo Cámara Zavala, *Reseña histórica de la industria henequenera* (Mérida, 1936).
19. One of the most eminent and vocal non-Marxist scholars of imperialism, D. C. M. Platt, suggests that it is precisely in situations where monopolistic control of a commodity by a single market or even a single firm exists that the worst abuses of late nineteenth- and early twentieth-century economic imperialism become evident. Platt, "Economic Imperialism," pp. 295–97, 303–4.
  20. *Ibid.*, pp. 303–4.
  21. Katz, "El sistema," pp. 112–13.
  22. Chardon, *Geographic Aspects*, p. 160.
  23. Katz, "El sistema," p. 133n.
  24. Manuel Iribién Rosado, *Historia de los ferrocarriles* (Mérida, 1928), p. 13 (authors' translation).
  25. Keith Hartman, "The Henequen Empire in Yucatán, 1870–1910," (Masters thesis, University of Iowa, 1966), pp. 130–31; Chardon, *Geographic Aspects*, p. 35.
  26. Allen Wells, "Henequén and Yucatán: An Analysis in Regional Economic Development, 1876–1915" (Ph.D. dissertation, State University of New York at Stony Brook, 1979), pp. 83–84; cf. Antonio Betancourt Pérez, "La verdad sobre el origen de las escuelas rurales en Yucatán," *Revista de la Universidad de Yucatán* (hereafter cited RUY) 12, no. 76 (1971):41–43; Renán Irigoyen, "Origen y trayectoria del henequén," RUY 15, no. 86 (1973):125.
  27. Cf. Wasserman, "Oligarquía," pp. 279–319, for many interesting similarities between the Yucatecan oligarchy and its Chihuahuan counterpart, led by the Terrazas-Creel family. The following discussion of the Molina family draws heavily upon Francisco A. Casasús, "Ensayo biográfico del Licenciado Olegario Molina Solís," RUY 14, no. 81 (1972):68–95; and José María Valdés Acosta, *A través de las centurias*, 3 vols. (Mérida, 1923–26), 2:1–19.
  28. Betancourt Pérez, "La verdad," p. 44; Edmundo Bolio, *Yucatán en la dictadura y la Revolución* (México, 1967), pp. 12–121.
  29. *El Henequén* (Mérida), 15 Feb. 1916.
  30. Mexico, *Land of Unrest* (Philadelphia, 1914), pp. 18, 167–70.
  31. Humberto Lara y Lara, *Sobre la trayectoria de la reforma agraria en Yucatán* (Mérida, 1949), pp. 8–9; Irigoyen, "Origen," p. 125.
  32. In 1907, for example, Don Porfirio made Molina his Minister of Development.
  33. Cf. Wasserman, "Oligarquía."
  34. International Harvester's actions in Yucatán are better described as a monopsony. A monopsony is analogous to a monopoly, except that it describes the buyer's side of the market. Harvester, through its operations in the henequen industry, effectively monopsonized the supply of raw materials; however, to eliminate jargon, we have opted to use the more familiar term. See Armen A. Alchian and William R. Allen, *University Economics* (Belmont, California, 1972), pp. 442–46.
  35. The contract was published in the *Revista de Yucatán* (Mérida), 27 Nov. 1921, p. 1, and has been reproduced in a variety of secondary accounts, e.g., Bernardino Mena Brito, *Reestructuración histórica de Yucatán*, 2 vols. (México, 1969), 2:205. An English version and analysis is found in United States, National Archives, *Record Group 59, Records of the Department of State Relating to the Internal Affairs of Mexico, 1910–1929* (Washington, D.C., 1959; hereafter cited as SD), 812.61326/372, 375 (Dec. 1921).
  36. *Boletín de Estadística* (Mérida), Nos. 10, 11 (1, 16 Oct. 1894).
  37. Reed, *Caste War*, p. 261.
  38. Winks, "On Decolonization," p. 552; Robinson, "Non-European Foundations," pp. 120–29 and passim; Yen-p'ing Ho, *The Comprador in Nineteenth-Century China: Bridge between East and West* (Cambridge, Mass., 1970); and cf. Molina's reluctance to collaborate at the end of his career in Gilbert M. Joseph, "Revolution from Without: The Mexican Revolution in Yucatán, 1915–1940" (Ph. D. dissertation, Yale University, 1978), pp. 92–95.
  39. See n. 35; International Harvester Company Archives, Chicago, Illinois (hereafter cited IHCA), Doc. File # 2395 ("Early Developments of Fiber and Twine Operation"),

- H. L. Daniels to Cyrus McCormick, 2 Oct. 1906; and memorandum "Re H. L. D. Sisal Purchase 1909," from "E. A. B.," 19 Dec. 1912.
40. Some of the planters established producers' cooperatives to hold fiber off the market until they were guaranteed a fair price. A contentious lot even under completely favorable market conditions, the planters were hampered from the start in their cooperative strategy by a lack of solidarity and agreement. In fact, virtually all they could agree upon was their resentment and envy of the *casta*. A variety of false starts aimed at "valorizing" the price of fiber resulted. Typically an important segment of the producers' cooperative would cave in before Montes' pressure, removing its fiber from the organization, thereby defeating the scheme. As a rule, planters made little conscious effort to correlate their production with world market trends. Given the choice of selling at a low price or withholding production to starve demand and raise the price, planters invariably chose the former. The fact was that even when the price dropped close to three cents per pound, a small return was realized. Finally, in 1908, when the price of fiber had fallen all the way down to three and one-half cents per pound—perilously close to the loss of any profit—the planters seemed determined to hold fast. They obtained a loan from the Banco Nacional de México, putting up a sizable quantity of fiber as collateral, and collectively resolved to resist the *casta's* pressure. Yet, scarcely had the price risen a cent when the bank, under the orders of Díaz's Minister of Development, Don Olegario Molina—still allied with IHC—dropped the liened fiber onto the market, glutting it, and wiping out the price gains the planters had achieved. This scenario, with only slight alterations, would repeat itself several more times prior to 1915 and the consolidation of General Alvarado's revolutionary regime in Yucatán. Reed, *Caste War*, pp. 260–62; Wells, "Henequén and Yucatán," pp. 239–40; Katz, "El sistema," p. 114; Joseph, "Revolution from Without," pp. 202–5; *El Agricultor* (Mérida), 1908, *passim*.
  41. IHCA, 2395, Daniels to Alex Legge, 16 July 1909; and see the testimony of Víctor Rendón, Faustino Escalante, and Fernando Solís Cámara, dated 16 and 17 Feb. 1916, in U.S. Senate, *Importation of Sisal and Manila Hemp: Hearings before the Sub-Committee of the Committee on Agriculture and Forestry*, 2 vols. (Washington, D.C., 1916).
  42. *Revista de Yucatán* (Mérida), 27 Nov. 1921, p. 1; SD 812.61326/375; Yucatán, *Mensajes del Gobernador Constitucional C. Lic. Olegario Molina al Congreso de Yucatán, 1902–1906* (Mérida, 1906), pp. 48–49, 121.
  43. Fernando Benítez, *Ki: El drama de un pueblo y de una planta* (México, 1965), p. 74.
  44. See Celso Furtado's discussion of the "System of International Division of Labour" in *Economic Development of Latin America* (Cambridge, U.K., 1976), pp. 42–47.
  45. United States National Archives, Washington, D.C., Department of State Consular Post Records: Progreso (hereafter cited as SD-CPR), *Despatches to the Department, November 9, 1897 to December 19, 1904*, Thomson to State Department, 25 Feb. 1899; SD 812.61326/283; Víctor Suárez Molina, "La industria cordelera en Yucatán en el siglo XIX," *Diario de Yucatán* (Mérida), 20 Feb. 1972, pp. 3, 11. Although Yucatecan artisans had produced sacks, bags, and hammocks on a small scale throughout much of the nineteenth-century, "La Industrial" would represent the first attempt to manufacture a significant portion of the region's primary export.
  46. Archivo General de la Nación (hereafter cited AGN), Mexico City, Ramo de Fomento, Industrias Nuevas, Legajo #17, *passim*. Olegario Molina led the way with an investment of 83,000 pesos. Prior to 1905, the peso was at par with the North American dollar; after 1905, the peso was fixed at 2:1 with the dollar.
  47. Archivo Notarial del Estado de Yucatán (hereafter cited ANEY), Mérida, José Patrón Zavlegui, Oficio #5, vol. 99, 8 May 1901, p. 526.
  48. Benítez, *Ki*, pp. 73–74; Wells, "Henequén and Yucatán," pp. 55–56. "La Industrial" folded in 1903 but was revived during the recession of 1907–1908, when raw fiber prices were again low and Yucatecan planters had an incentive to industrialize. This time, however, Molina did not lend his support to the venture. Heavily encumbered with debt, the plant soon fell into the hands of Montes, who foreclosed on the mortgage late in 1908. Under Montes's control, the factory slipped quietly into oblivion and was virtually moribund in 1915, when a fire gutted the premises. See SD-

- CPR, *Correspondence*, 1915, 2:800, Young to Secretary of State, 30 March; Antonio Rodríguez, *El henequén: Una planta calumniada* (México, 1966), pp. 233–34, 305.
49. McCormick became interested in "La Industrial" shortly after Olegario Molina called for a subscription of shares in the new joint-stock company in 1896. In fact, McCormick may have invested a substantial portion of its initial capitalization; in addition, he provided modern machinery and technological supervision, and guaranteed North American markets (see Katz, "El sistema," pp. 111–12). McCormick's Harvesting Machine Company actually dominated the plant's operation by dictating production and shipment schedules and standards of quality. Such participation suggests the lengths to which McCormick would go to seek an alternative means of supply of binder twine following a threatening attempt by the National Cordage Company to monopolize the industry during the 1890s. With the outbreak of the Spanish-American War in 1898 and the suspension of manila shipments from the Philippines, interest in twine production waned and efficiency deteriorated; executives of the McCormick Harvesting Machine Company quickly concluded that, despite their direct involvement in the manufacturing venture, "La Industrial" would never become their sole source of binder twine. By 1899, McCormick was already constructing his own stateside twine mill (which opened in Chicago in 1900) and, by the time of IHC's creation in 1902, the primary function of "La Industrial" as Harvester's supplier was terminated, for McCormick had by now picked up a variety of new cordage plants, including the large-capacity Deering and Osborne mills. Data has been gathered for this account from the McCormick Collection, State Historical Society, Madison, Wisconsin (hereafter cited McC), Mss. *Letters Received*, 2x, Boxes 521, 535, 537, 609, 613, 616, 620–21 (correspondence between "La Industrial" and McCormick Harvesting Machine Co.); *Cordage Trade Journal* (New York), 1899–1900, passim; ANEY, José Patrón Zavlegui, *Oficio #5*, vol 99, 8 May 1901, p. 526; and Wells, "Henequén and Yucatán," pp. 52–56.
  50. Winks, "On Decolonization," pp. 552, 554.
  51. The name of the firm was formally changed from "Olegario Molina y Compañía, Sucesores" to "Avelino Montes, S. en C." on 18 May 1905. ANEY, Patricio Sabido, *Oficio #17*, vols. 8, 9, pp. 589–604.
  52. Henry W. Peabody and Co. was an international trading and shipping firm based in Boston, Mass., with a branch office in New York. Peabody entered the fiber trade in the late 1860s, dealing at first almost exclusively in manila. In 1891, the firm selected the British-born merchant, Arturo Pierce, as its agent in Mérida and began to concentrate on the purchase of henequen. The firm also invested in Australian and New Zealand goods and fibers and had secondary interests in real estate and manufacturing. The Plymouth Cordage Co. of Plymouth, Mass., was founded in 1837 and, from its inception, specialized exclusively in the manufacture of twines, cords, and ropes. Plymouth's operations were dwarfed by those of the Chicago-based Harvester Co., which, in addition to buying and selling fiber and twine, specialized in a complete line of harvesting machinery. Plymouth Cordage Company Records, Baker Library, Harvard Business School, Cambridge, Massachusetts (hereafter cited PCC), various files; Henry W. Peabody Company Records, same location (hereafter cited PCR), memorandum, "J.P.B. to R.W.H. re. Henry W. Peabody Co." 19 Nov. 1964, and ledger books, vol. AB-1, 1867–1869. The agreement (as yet unpublished) may be found in McC Mss., 2x, Box 621. We are indebted to Fred V. Carstensen and Diane Roazen for bringing it to our attention.
  53. McC Mss., 2x, Boxes 621 and 478.
  54. See note 52.
  55. E.g., testimony of Edward Bayley in U.S. Senate, *Importation of Sisal*, 12 April 1916.
  56. Although a variety of oblique references in correspondence between Bayley and Arturo Pierce, from Feb. 1902 to Mar. 1903, suggests that Bayley did indeed know of the agreement. See PCR, HL-3, Bayley to Pierce, 18 Feb. 1902, 14 Oct. 1902, and 11 Mar. 1903 (in which Bayley promises to tell Pierce all about the settlement "at some [later] time").
  57. E.g., testimony of Víctor Rendón in U.S. Senate, *Importation of Sisal*, 17 Feb. 1916.

58. See page 80 for the specific terms of the contract.
59. SD 812.61326/193, 200. Alvarado's attack on the Harvester trust and its Yucatecan collaborators is analyzed in detail in Joseph, "Revolution from Without," chap. 4.
60. For a discussion of the boom and bust economy's impact on entrepreneurial activity, see Wells, "Henequén and Yucatán," chap. 3.
61. On the face of it, fiber prices appear to have increased slightly throughout the period despite the constant fluctuations. However, Yucatán's henequen industry experienced the effects of the same inflationary spiral that plagued the rest of Mexico during the Porfiriato. Real prices actually declined as labor and other costs of production increased.
62. For example, the "new perspective" on IHC's participation in the Yucatecan henequen trade, which Thomas Benjamin, "International Harvester," pp. 5–6, 8–14, offers, turns on "less visible" macro-economic variables that "bound [Yucatán] to the thoughtless whims of world trade." Benjamin's "revisionist" analysis ignores the web of power relationships that affected the structure and control of fiber production within Yucatán.
63. Limitations of space do not permit a discussion of the complex process by which IHC used its control of Yucatecan hemp supply to manipulate hard fiber stocks in other producing areas and ultimately gain a commanding advantage over its remaining domestic rivals in the manufacture of binder twine. By 1911, Harvester manufactured almost two-thirds of the binder twine sold on the national market and had forced most smaller binderies out of business or compelled them to become its satellites. See Joseph, "Revolution from Without," pp. 100–104; IHCA, 2395, Mary Lieb to Edgar A. Bancroft, n.d. (1912?); U.S. Department of Commerce, Bureau of Corporations, *International Harvester Company* (Washington, 1913), p. 184.
64. Bureau of Corporations, *International Harvester*, p. 184. Diane Roazen's provisional analysis of Harvester, Plymouth, and Peabody account books reveals that IHC made good profits during the 1902–16 period; indeed, returns that were substantially higher than its competitors. Profits fell off sharply after 1916, and Harvester began increasingly to invest in the fiber of other regions, such as Cuba.
65. SD 812.61326/124, 181.
66. SD 812.61326/372.
67. *Ibid.*
68. In Cuba and the Philippines, on the other hand, Harvester found it necessary directly to control the factors of production, purchasing large latifundia and existing import-export houses to marshall exports of sisal and manila fiber. IHCA, 2395, "Report of Fiber Department," 25 Mar. 1905, and various documents in the following files: 2395 ("Early Operations in Fiber and Twine"); 2864 ("Cuban Fiber Operation"); Wilkins, *Maturing*, p. 102; cf. *Emergence*, p. 170.
69. McC Mss., *Letters Received*, 1901–1902, 2x, Boxes 613 and 621; IHCA, 2395, E. H. Thompson to Daniels, 26 Feb. 1906; Daniels to McCormick, 1 Mar. 1906.
70. On at least one occasion, in 1901, his friend and closest advisor, H. L. Daniels, expressed the opinion that, in principle, there was nothing wrong with buying plantations, and each offer should be considered on its financial merits. In the case of Tabí, the Yucatecan seller offered to manage the estate, secure additional workers, and plant the fields (McC, *Letters Received*, 1901–1902, 2x, Box 621). Interestingly, by 1905, after the amazing success of Harvester's contractual arrangements with Molina and Peabody had become fully appreciated, Daniels altered his open-ended approach. When McCormick was offered a purchase option on two of Yucatán's largest henequen haciendas, Daniels reminded him that "two or three years ago you didn't think it wise and there is no reason to change your mind now" (IHCA, 2395, Daniels to McCormick, 1 Mar. 1906).
71. Bureau of Corporations, *International Harvester*, pp. 149–50; Katz, "El sistema," pp. 108–10.
72. Katz, "El sistema," p. 108.
73. The process by which planters intensified the conditions of labor to lower the cost of production, although beyond the scope of this essay, is discussed fully in Joseph, "Revolution from Without," chap. 3 and Wells, "Henequén and Yucatán," chap. 6.

For a detailed discussion of Yucatecan society during the Porfirian transformation, see both of these studies, and Joseph, *Revolution from Without: Yucatán, Mexico, and the United States, 1880–1924* (forthcoming from Cambridge University Press).

74. The European nations also seemed determined to cultivate sisal in their own colonial possessions, rather than buy henequen from Yucatán; thus, by 1915, the British were establishing sisal plantations in East Africa, India and Nepal, New Zealand and Mauritius; the French in Madagascar; the Germans in East and West Africa and New Guinea; and the Dutch in their East Indian colonies. In addition, earlier attempts by the Yucatecan government to grant a subsidy to fiber shipped to Europe had drawn an angry protest from the U.S. State Department, acting on behalf of the cordage trust. Without the subsidy, transportation costs made export to Europe unfeasible. For a variety of reasons, then, no more than 5 percent of Yucatán's henequen was ever shipped to Europe in the years prior to 1915 (Katz, "El sistema," p. 111).
75. McC Mss., *Letters Received*, 2x, Boxes 478–79 (early experimentation in Brazil and Spanish South America, 1898–1902); IHCA, 2395, passim.
76. *United States versus International Harvester Company et al.* (Minneapolis, 1917), 13:52–56.
77. IHCA, 441, 2395, 2919, 2924, provide a rich source of documentation for IHC's fiber interests in the Philippines, Cuba, and elsewhere prior to 1924; Wilkins, *Maturing*, p. 102.
78. Winks, "On Decolonization," p. 554. Wilkins, *Maturing*, pp. 123–27, describes the far greater social investment that accompanied more formal agricultural and mining enclaves.
79. See Joseph, "Revolution from Without," chap. 5.
80. IHCA, H. L. Boyles Files, "History of the International Harvester Company," n.d. (1947).
81. The proverb has been cited in Winks, "On Decolonization," p. 556.