

BANCO DE CHIAPAS: A LICENSE TO PRINT MONEY- COLLABORATORS, SWINDLERS, AND THE PORFIRIAN BANKING SYSTEM

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Few residents of turn-of-the century Chiapas would have recognized the man whose picture appeared on the notes issued by their state bank. The notes of Banco de Chiapas were adorned, not with the likeness of the state governor or Juárez or Díaz or some other appropriate national figure, but with the stern features of Nebraskan Franklin Everett.¹ How did this come to be? This paper examines this and other aspects of the Banco de Chiapas in order to provide a perspective on the largely unexplored topic of American participation in the porfirian banking system.

In 1901, the Díaz regime granted a concession to the Pan-American Railway Company (a Nebraska company incorporated in New Jersey) organized by J.M. Neeland (a Los Angeles contractor) and the Everett family (Franklin, Walter, E.B. and Fremont) of Omaha², to build a railway from San Geronimo, Chiapas to Tonola on the Guatemalan border. Neeland, the force behind the project, had just completed a 175 mile spur connecting the Chihuahua and Pacific Railroad to mines owned by Enrique C. Creel in partnership with a group of Americans.² The son of a former U.S. consul, Ruben W. Creel, and the sister-in-law³ of Luis Terrazas (head of the most powerful family in Chihuahua), Creel was perhaps the most prominent banker in Mexico (president of the Mexican Banker's Association) and would become ambassador to Washington and then governor of his state.³ Neeland's relationship with Creel proved invaluable because he gained for the Pan-American Company one of 33 bank concessions granted by the Díaz regime. The Banco de Chiapas was established as a state bank with Creel on its board of directors, although it did not conduct business in Creel's home state or in Mexico City.⁴ Banco de Chiapas was authorized to issue bank notes up to three times the amount of its capital. No other American-owned bank was chartered as a state bank or as a bank of issue, and no other railway company was permitted to establish a bank as a condition of its concession.⁵

Mexico's banking system, like other modern sectors of its economy, was the product of foreign initiative. Although there existed sufficient internal capital to launch a native banking industry, Mexican economic culture directed the employment of wealth in other ways. As late as 1898, the rich were as likely to stash their money in trunks or bury it in pigskins as to make any investment. In fact, merchants often charged the rich a fee for placing their bulky stores of silver pesos in safe-keeping.⁶ With the exceptions of Monte de Piedad (a government-run pawnshop/bank) and two banks in the state of Chihuahua (one founded by an American merchant, MacManus, and the other by the Terrazas-Creel family), Mexico's financial institutions were dominated by French and British capital⁷. Most accounts of the porfirian banking structure follow directly or indirectly the path of Walter F. McCaleb's classic studies and deal primarily with the European-dominated Banco Nacional de México (the regime's financial agent), the Banco Central Mexicano, and the Banco de Londres y México.⁸ Given the underdevelopment of the private sector, much of the business of these semi-official banks of issue came by financing government-directed national development projects, primarily rail construction which was dominated by Americans.⁹ For this reason even brief slow-downs in the growth rate of American investment had adverse affects on profits.¹⁰ Thus, an American, Thomas Braniff, was

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2 HLF note: They were actually from Lyons, Nebraska, some 90 miles from Omaha.

3 HLF note: Surely this was a brother-in-law?

unanimously elected president of the Banco de Londres y México in 1984⁴. Braniff was a good choice because, in addition to being one of Díaz's closest friends, he was a partner of Henri Tron, Leon Signoret, Eugenio Roux and other prominent French financiers who, together, reorganized the Banco de Londres as a Mexican corporation.¹¹ Braniff was able to resist political pressure from Mexican elites who treated banks as latter-day strong-boxes from which to withdraw funds to support one's style of life, even when such pressure came from high-ranking government officials, including Díaz himself.¹²

The Banco de Chiapas was a bank of issue. Mexico's French-inspired banking laws of 1884 permitted banks of issue to circulate notes up to three times their capital worth. Banknotes functioned something like a national currency, but the supply was not directly under government control. In France, industry absorbed excess currency, while in Mexico, with its small industrial base, almost all banknotes circulated and any deterioration of economic conditions might cause a loss of public confidence and a run on the banks as notes were presented for redemption in specie.¹³ To guard against this, regulations forbidding loans of over nine months duration were enacted. But this impaired the usefulness of banks of issue in fomenting business. Some businessmen used the subterfuge of repeatedly renewing short-term loans, but this could precipitate a bank failure, or a business failure if the loans were not renewed. In the late Porfiriato, the collapse of over-extended Yucatecan banks, linked to bank failures in Europe and the U.S., repeatedly threatened Mexico's banks with 4.5 million dollars transfused into the Banco Central during the 1907 crisis alone.¹⁴

Although the Banco de Chiapas had a concession as a bank of issue, it was exceptional. Most American-owned banks operated without a concession. Economic historian Stephen Haber explains the concentrated, semi-monopolistic pattern of porfirian economic development to the concentration of capital which was itself a by-product of the lack of banks due to the difficulty of obtaining a concession.¹⁵ Some intermediate-term credit was available through *bancos refaccionarios* (production banks), but the requirement that the capital of production banks come from the sale of bonds (as opposed to stock) was strict and few were established.¹⁶ *El Imparcial* chided Mexican capitalists for stashing their capital in the safe, semi-official banks of issue and their reluctance to put it at work and at risk.¹⁷ Haber's analysis, however, does not take into account the effect on financial markets of the turn of the century.

The first American-owned banks founded outside of Chihuahua came with the explosive expansion of American investment after 1896.¹⁸ American investment in that year totaled about 25 million dollars. By 1901, it increased to 50 million, to 85 million dollars by 1905 and then, rocket-like, soared to 2 billion by the close of the Porfiriato. Equally significant was the massive broadening of the pool of American investors to include petty capitalists of the middle-class, and the concomitant diversification of that investment, from concentration in mines and railroads into commerce, industry and land speculation. The rapid growth of tropical agriculture in particular reflected these trends, as did the mushrooming of American-owned banks: the Trust, Loan and Agency Co., the Monterey Building and Loan, the American Banking Co. of Parker H. Sercombe who later founded the Mexican Trust Co. which became the International Banking and Trust Co., the U.S. Banking Co. of George I. Ham, the Building and Loan Co. of Mexico, the U.S.-Mexican Trust Co. of A.E. Stilwell, Banco de Chiapas, the William V. Backus Co., the International Mortgage Bank of Mexico—all were open for business by 1902.¹⁹

Operating without benefit of concession had its drawbacks. American-owned banks, often chartered in the U.S. as joint stock companies, were private institutions, usually with local capitalists (Mexican and American) in partnership with one or more banks in the U.S. They lacked the quasi-official government protection of concessions, were ill-regulated (indeed, when organized as trusts were not regulated at all) and subject to mismanagement and failure.²⁰ But they had a certain flexibility. Unburdened by minimum capital requirements, their boards of directors staffed with influential

4 HLF note: Should this read 1894??

Mexicans, concessionless banks were easily established and their number grew quickly.²¹ By 1911, American financial institutions in porfirian Mexico had combined assets conservatively estimated at 30,500,000 dollars.²²

American banks simultaneously raised the interest paid on deposits and lowered the interest charged borrowers, providing affordable commercial credit. By taking risks that others could not or would not, American banks financed and actively promoted small and medium-sized enterprises. The growth of *sociedades anonimas* (limited liability corporations) paralleled that of American banking.²³ American banks financed urban development and port and public works projects in Tampico, Jalisco, Veracruz, Mexico City, the Tehuantepec Isthmus and elsewhere by the purchase and marketing of bond issues.²⁴

But all too often, the Americans' willingness to take entrepreneurial risks degenerated into unmitigated speculation. Tropical agriculture was particularly favored. Although plagued by over-optimism and fraud, tropical agriculture brought untold millions of dollars into Mexico and became increasingly significant to the growth of financial institutions. For several banks, including the Banquera Anglo-Mexicana, the Backus Company, and others, it came to constitute the primary business.²⁵ It was recipe for bank failure.

One of the most spectacular of these failures occurred when the American-owned International Banking and Trust Company (with branches in Germany, Argentina, Brazil and Uruguay), became heavily involved in shady speculation in tropical plantations. As rumors of mismanagement, fraud and over-extension spread, worried depositors began a run on the bank. Without adequate support from its stateside mother bank, IBTC collapsed bringing down its foreign associates, and shaking faith in private banks.²⁶

The Banco de Chiapas was indirectly tied to IBTC through the tropical plantation operations of its parent company, the Pan-American Railroad Company. Furthermore, Pan-American's general manager, JLM. Neeland was also a director of George Ham's U.S. Banking Company, considered to be one of the best run and most stable financial institutions in Mexico.²⁷ Although the Pan-American Land and Colonization Company seemed legitimate, and had the support of important political figures in Washington and within the Díaz regime, it was one of the biggest tropical plantation frauds of the porfirian era.

American investment in Mexican tropical agriculture began in earnest during the depression of the Cleveland presidency and accelerated during the lengthy Republican prosperity that followed.²⁸ Throughout the period, economic decline in the U.S. produced surges of investment in tropical plantations. Plantation companies were organized in the U.S. and Mexico to sell so-called "improved lands" and securities to gullible Yankee investors who arrived by the train loads on low-cost tourist junkets to the tropics where they were hustled by slick-talking promoters promising returns of anywhere from 100 to 1,000% on lands which the companies promised to plant in rubber, coffee, chicle and vanilla. The swindles grew so overt that, in his 1902 report, U.S. Consul General Andrew D. Barlow made a blanket condemnation of all Mexican tropical investment. The large amounts of cash generated by these operations, legitimate and non, made them too important to attack. A furor followed, and Barlow was driven from office by a conspiracy of leading American businessmen in Mexico.²⁹

Barlow's revelations threatened to upset the schemes of Neeland and his partners. Just as the damning report appeared in 1902, Banco de Chiapas printed 750,000 pesos in bank-notes against capital of 125,000 dollars and then increased its capital to 500,000 dollars and its bank-note issue to 3,000,000 pesos, (a three to one ratio figuring the peso at .50 dollars).³⁰ It must be suspected that a good deal of this currency was put into circulation by Pan-American payrolls and in ways that benefited company insiders. Because the Pan-American Railroad company itself was nearly bankrupt, it is probably that the bank's rapid increase in capitalization was accomplished by the very sort of skullduggery denounced by the consul general—the diversion of investor funds from the company's

plantation operations.

After Barlow was discredited and sent packing late in 1903, Neeland brought in financier D.P. Doak of St. Louis and arranged for George D. Cook and Co. of Chicago, New York and Mexico City to underwrite and market the bonds and securities of the Pan-American Companies.³¹ Cook enjoyed immense influence with the porfirian regime; Creel remained with the company; Rafael Pimentel, Governor of Chiapas was a backer as was ex-governor Jose Mora and a number of other prominent *politicos* and merchants.³² The company was associated with the Pan-American Bank and Trust Company which shared directors with the Oriental Bank of New York and People's Bank of Buffalo and Standard Oil in a cartel hoping to "practically control the finances of Mexico"³³ The railroad was "enthusiastically received by [those] who anticipated increased American trade in the area."³⁴ As the railway pushed ahead, unsuspecting Americans were sold greatly over-priced land with promises of a princely income for life from their rubber plantations, managed by the Pan-American Company, for a fee of course, but Neeland's troubles were far from over.

Washington sent a new consul general, James R. Parsons, to restore confidence, by putting an end to the scandal of Barlow's report. Parsons, however, soon concluded that, if anything, Barlow's criticism had not gone far enough and vigorously renewed the investigation. Fraudulent companies frantically destroyed evidence of their wrong-doing and dozens went into liquidation. With so much at stake, the planters responded vehemently. Stories appeared ridiculing Parsons' findings as reports made "from the hurricane-deck of a mule." Parsons and his informants had reason to fear for their lives.³⁵ An official of the Alexandria Company had wired his plantation manager that the Consul-General was to be "straightened out...at any cost"—ominous words.³⁶ His informants required that they not be named in official reports lest their identity be reported back to the promoters by their Washington contacts.

Parsons blasted the Pan-American Land and Colonization Company as "one of the biggest fakes on record." Neeland first threatened Parsons. Neeland then offered the consul general a thinly veiled 60,000 dollar bribe. Company officials pointedly warned him that Pan-American was "very close to the Washington government."³⁷ Parsons ignored the bribe, but, perhaps already feeling pressure from Washington, he did not seek prosecution.³⁸ The Pan-American Railway Company's proposed route through Chiapas into Guatemala was critical to the plan to link individual railroads into a single Pan-American system running from Canada to the tip of Chile. Washington saw the system as a way to block European capital in the hemisphere, indeed, as a quasi-official instrument of hegemony. If Parsons continued his investigations, if the Pan-American companies were discredited, it would derail Washington's plan for a US dominated hemispheric rail-net.

Parson's next move sent a tremor through the American colony and Washington. Fraud so widespread, he felt, compelled him to investigate the whole spectrum of American business in Mexico beginning with mining which comprised almost one-quarter of all American investments. Parsons had been sent to end the scandal and restore confidence. Instead he presented Washington with a potential disaster of major proportions—the possible collapse, not only of the plantation companies, but of the entire structure of Dollar Diplomacy in Mexico. In October 1905, only weeks after becoming Secretary of State, Elihu Root offered Parsons a minister's post in Europe to remove him from the Mexican scene and end the ruinous investigations once and for all. Parsons apparently refused.³⁹

Parsons' activities were brought to an end when he was killed in a freak collision between his cab and a streetcar.⁴⁰ Neeland attended the funeral no doubt jubilant at his good fortune. Washington broke up Parsons' dedicated staff and posted them elsewhere. The new consul general, A.L.M. Gottschalk, was ordered to suspend the investigations. Henceforth, Washington forbade its consuls to express any opinion whatsoever as to the reputation or viability of American businesses in Mexico.⁴¹

The appointment of a self-made businessman and machine politician, David E. Thompson, as U.S. Ambassador made clear the shape of things. It was general knowledge in Mexico that Thompson had been the man behind Neeland as the "prime mover" of the Pan-American Railway.⁴² America's first

Ambassador to Brazil, Thompson had been charged with improper conduct, but he was cleared by Root shortly before being posted to Mexico.⁴³ In addition to his affiliation with Pan-American, Thompson owned a hacienda and a large plantation near Veracruz, but conflict of interest was not seen as an obstacle to his appointment.⁴⁴ Rather, it is likely that Roosevelt and Root appointed Thompson because he was an insider.

Once in Mexico, Thompson began to undo Parsons' work. He urged Díaz to suspend legal proceedings against officers of the failed International Bank and Trust Company which had dragged on in the Mexican courts for years. IBTC had exploited the ambiguities of doing business in two countries by protocolizing (registering) their companies before the Mexican courts as native corporations subject only to Mexican law, in order to inhibit any possible legal action by investors.⁴⁵ By this IBTC lost the right of diplomatic appeal through the U.S. government but this did not deter Thompson from interceding "informally" with porfirian authorities on IBTC's behalf.⁴⁶ Attorneys in charge of the bank's liquidation demanded Thompson's recall. He denied acting improperly and claimed that Washington was informed of his actions. Shortly thereafter, IBTC's president organized another bank which was affiliated with the Pan-American companies.⁴⁷ Thompson also strengthened the ties between the Pan-American Companies, Banco de Chiapas and the U.S. Banking Company of George I. Ham, the most respected American banker in Mexico: His U.S. Bank eventually became the instrument for the sale of the Pan-American Railroad to the Mexican government for inclusion in the national system. Shortly thereafter, Ham's bank collapsed.⁴⁸

Thompson was eventually recalled by the Taft administration as opposition to him and his business dealings began to grow in the American colony. Thompson was not a neutral player as previous Ambassadors had been. Business and diplomacy were fused in the Ambassador's person and he was accused of using his influence with the Mexican government to invalidate the land title of a "very large rubber property" in which "some pretty influential men" had invested several million dollars.⁴⁹ There is also more than a little evidence that important elements within the American colony wished to ease Díaz out of power and Thompson was thought to be too intimate with the old man.⁵⁰ True or not, Thompson's own substantial interest in Mexico had become, for practical purposes, semi-official U.S. interests. Dollar Diplomacy had been carried to its logical conclusion with results not entirely pleasing to the American colony.

The historical problems posed by this examination of the interrelation of banking, geo-politics and fraud are complex. The proliferation of American banks and the introduction of American banking methods transformed the conduct of Mexican banking and modified Mexican economic culture. American practices, such as the establishment of multiple branches, the telegraphic transfer of funds and the acceptance of all banknotes at *par* (without discounting), forced other banks to follow suit. They inspired the creation of Mexican-owned private banks and savings banks, and gave the emerging Mexican middle class and workers access to financial services formerly available only to the wealthy.⁵¹ For all their faults, they promoted the development of Mexican capitalist *mentalidad*.

Because of the secretive nature of fraudulent enterprise, however, it is not possible to say with certainty exactly how and to what ends plantation company funds were diverted, or precisely economic effects it had within Mexico. Still some conclusions may be drawn from the case examined here. Over-valued properties of tropical plantation companies formed a significant portion of the assets of trusts and banks and were used to secure loans from institutions as well as from individual lenders, including merchants and even *jefes politicos* (local political bosses).⁵² Plantation company funds circulated through various sectors of the Mexican economy by means of interlocking directorates and dummy corporations.⁵³ This was abundantly clear in the case of the Banco de Chiapas and the Pan-American companies. Limantour's banking reform of 1908 forbade the formation of a bank "for the purpose of immediately turning its funds to

the promotion of ulterior enterprises."⁵⁴ This reform, however, did not address the diversion of investor funds from commercial enterprises into bank coffers. The Banco de Chiapas could literally

print money, inflating the currency as it increased its capitalization by diverting investors' funds from its subsidiary land company, a striking example of the multiplier effect of tropical investment.

Even ill-conceived or fraudulent investment may serve to integrate national economies and link them in larger global systems.⁵⁵ It seems probable that the long boom in tropical investment contributed substantially to porfirian Mexico's credit and indirectly facilitated the conversion of its bonds to lower and lower interest rates after 1899. Requirements that concessionaires post performance guarantees in government securities pushed up the value of Mexican bonds world-wide.⁵⁶ Cash flows generated by tropical investment also helped off-set the loss of European (particularly French) capital.⁵⁷

For years it was an open secret in Mexico that many plantation companies were fronts designed to defraud American investors. A Gordian knot of private business interests, the development policies of the Díaz regime and Washington's hemispheric ambitions permitted, even encouraged this situation. The ends of Díaz's policies were antithetical to those of Washington (Mexico sought national strength through economic development, whereas Washington sought geopolitical influence), but the means to those antithetical ends (the encouragement of American investment and settlement in Mexico) were identical. Thus, the stream of capital directed into Mexican tropical agriculture through fraud was integral to American finance and banking in porfirian Mexico.

And what of the Banco de Chiapas? Unlike the U.S. Bank, which was ruined by its association with the Pan-American Companies, Banco de Chiapas remained solvent. Indeed, as a state bank it could not be allowed to fail. Its concession reverted to the Mexican government with the sale of the Pan-American railroad to the national rail system and the likeness of the Yankee, Franklin Everett, no longer graced its banknotes.

NOTES

- ¹ Items, *Mexican Herald* 11 Oct. 1902.
- ² "Pan-American Railway Co.," *Modern Mexico* 12 (Oct. 1901): 17; and "From Isthmus to Isthmus;" *Modern Mexico* 20 (May, 1906): 26-27.
- ³ "Bankers Gather," *Mexican Herald*, 8 April 1900. On the Terrazas-Creel clan, see Mark Wasserman, *Capitalists, Caciques, and Revolution: The Native Elite and Foreign Enterprise in Chihuahua, 1854-1911* (Chapel Hill: University of North Carolina Press, 1984). Also, see Robert L. Sandels, "Silvestre Terrazas, The Press and the Origins of the Mexican Revolution in Chihuahua" Ph.D. Diss., University of Oregon, 1967), p. 130.
- ⁴ "Concessionaires are Sad," *Mexican Herald*, 28 Oct. 1901.
- ⁵ A.E. Stilwell, promoter of the Mexican-Orient Railroad did establish the United States-Mexican Trust Company to facilitate his Mexican operations, but as a trust company, it did not require a concession, nor was it governed by Mexico's banking laws. See, "Mr. Stilwell Here," *Mexican Herald*, 25 May 1901 and "Mexico Absorbing Money," *Modern Mexico* 20 (Jan. 1906): 16.
- ⁶ Thomas U. Brocklehurst, *Mexico To-Day* (London: John Murray, 1883), p. 246; and "Private Banking," *Mexican Herald*, 26 Sept. 1899.
- ⁷ John M. Hart, *Revolutionary Mexico: The Coming and Process of the Mexican Revolution* (Berkeley: University of California Press, 1989), Hart, *Revolutionary Mexico*, p. 140.
- ⁸ Walter F. McCaleb, *Present and Past Banking in Mexico* (New York: Harper and Bros., 1920) and *The Public Finances a/Mexico* (New York: Harper and Bros., 1921).
- ⁹ For example, Sommer, Rapp y cía to Díaz, 23 June 1889, Coleccion Porfirio Díaz (hereinafter cited as CPD), 14:15, 7443-44; and H.L. Waters to Díaz, 20 July, 1889, 14:16, 7630-32. For an early example of this connection, see Robert A. Potash, *Mexican Government and Industrial Development: The Banco de Avio* (Amherst: University of Massachusetts Press, 1983).
- ¹⁰ McCaleb, *Present and Past Banking*, pp. 12-19 and 51 and passim.
- ¹¹ Percy F. Martin, *Mexico of the Twentieth Century*, 2 vols, (New York: Dodd, Mead and Co.. 1908), 1:72, 155, and 165; and Stephen H. Haber, *Industry and Underdevelopment: The Industrialization of Mexico* (Stanford: Stanford University Press, 1989), pp. 76-77. Braniff later served on the board of another semi-official financial institution, the Banco Internacional Hipotecario
- ¹² Braniff to Díaz, 19 Sept. 1891, *CPD* 16:21, 10280, refuses a loan urged by Díaz. Díaz to Braniff and Braniff to Díaz, 22 Oct. 1900, *CPD* 25:30, 12256 and 12246, refuses to issue a bonded loan on General Ignacio Mejía's hacienda above 50% of its estimated value, as set by law, firmly refusing Díaz's request that he do so. This interpretation acquires additional weight when one considers the prominence of the other board members of, for example, the Banco de Londres which included Díaz's son-in-law Ignacio de la Torres y Mier and Minister of War Manuel Gonzales Cosío, see "Bank Meeting," *MH*, 24 Feb. 1898.
- ¹³ Francisco M. Coghlan to Díaz, 24 April 1901, *CPD* 26:10, 3919.
- ¹⁴ "Crisis Mercantil en Yucatán," *El Imparcial*, 16 March 1903. Consular Despatch, A.L.M. Gottschalk to Alvery Adee. 6 Aug. 1907, Numerical/Minor Files. M862, roll 589, case 8057-1. Carlos Díaz Dufoo. *Limantour* (Mexico: Imprenta Victoria, 1922), pp. 232-233. Gilbert M. Joseph and Alan Wells, "Summer of Discontent: Economic Rivalry Among Elite Factions during the Late Porfiriator in Yucatán," *JLAS* 18 (1989): 264-272.
- ¹⁵ Stephen Haber, "Banking and Capital Markets and Early Industrial Development: A Comparative Study of Mexico, Brazil and the United States," a paper given at the 106th *AHA* Meeting, Chicago, 1991, and "Industrial Concentration and the Capital Markets: A Comparative Study of Mexico, Brazil and the United States, 1830-1930," *The Journal of Economic History* 5 I (1991): 564 and passim.

¹⁶ On the regulation of banks, see Walter F. McCaleb, *Fall Report* 1:728-765; and Virgil M. Belt, *Central Banking in Mexico: Monetary Policies and Financial Crises*. Michigan Business Studies XI11:1, (Ann Arbor: University of Michigan, 1957), pp. 7-12.

Los Depositos en los Bancos—un entorpecimiento para desarrollo comercial," *El Imparcial*. 22 Oct 1903.

¹⁸ Ibid; and "Banking in Mexico," *Modern Mexico* 20 (Aug. 1905):30-31

¹⁹ "Passing Day," 16 Feb. 1897; "Reorganization," 10 May 1897; "Business Gossip" 13 March 1898 "New Bank," 5 Sept. 1899; "American Surety Co." 6 Feb. 1900; "A Trust Co.," 15 May 1900; "Mr. Stilwell Here," 21 Jan. 1901; "Building and Loan Co. of Mexico," 3 Feb. 1901; Ad for Wm V. Backus Co., 21 May 1901; "A Bank Meeting," 13 June 1901; all from the *Mexican Herald*.

²⁰ One of the most well-known of these failures was that of International Banking and Trust, see "Suspensión de Pagos," "La Quiebrade la International Bank;" and "Las Quiebra de la da International de Credito," *El Imparcial*, 18, 21, 22 and 27 Oct 1903. Also "La Quiebra del Banco Catolico," 2 Dec. 1905. I

²¹ Martin, *Mexico of the Xth⁵ Century*, 1:175 and passim, "Chinese-American Bank at Torreón," *Modern Mexico* 21 (Aug. 1906):15, confirms the operation of banks without concessions.

²² Report of Consul General Letcher cited in Joseph B. Romney, "American Interests in Mexico: Development and Impact during the Rule of Porfirio Díaz," (Ph.D, Diss., University of Utah, 1969), pp. 6-7.

²³ For example, Frank L. Torres, manager of the Isthmus Rubber Co., was a director of the Mexican Trust Co. of Mexico City. Paul Hudson, editor of *Modern Mexico*, was a director of Mexico City Banking Co., S.A. Limantour dated the rise of corporations and modern banking from 1900, and feared their collusion would result in trusts in Mexico, see Carlos Díaz Dufoo, *Limantour*, (Mexico: Imprenta Victoria, 1922), pp. 150-154. \

²⁴ Advertisement, U.S. and Mexican Trust Company, 25 June 1905. |

²⁵ "Colonization in Mexico;" *Mexican Herald*, 3 July 1900.

²⁶ "Suspension de Pages," "La Quiebra del International Bank and Trust;" "Las Suspension de Pagos," "La Quiebrade la International Bank," "Los Depositos en los Bancos" etc. etc., *El Imparcial*, 18, 19, 20, 21, 22, 27, 28 and 30 Oct., 6, 12 and 14 Nov., and 4 Dec. 1903.

²⁷ Martin, *Mexico of the XXth Century* 1:168.

²⁸ "Mexico's Finances," and "Mexico's Business," *Mexican Herald* 21 Jan., and 23 March 1901. "Rubber Planting in Mexico," *Modern Mexico*, March 1903, p. 57. Thomas L. Benjamin, "Passages to Leviathan: Chiapas and the Mexican State, 1891-1941" (Ph.D. dissertation, Michigan State University, 1981), pp. 93-95.

²⁹ William Schell, Jr., "American Investment in Tropical Mexico: Rubber Plantations, Fraud and Dollar Diplomacy, 1897-1913," *Business History- Review* 64 (1990):217-254; and Cott, "Porfirian Investment," p. 302.

³⁰ "Concessionaires are Sad," *Mexican Herald*. 28 Oct. 1901; "Chiapas State Bank," *Mexican Herald*, 7 Jan. 1902, and Martin, *Mexico of the Xth Century*, 1:172.

³¹ "From Isthmus to Isthmus," *Modern Mexico* 20 (May, 1906):26-27.

³² Despatch, 124, Parsons to Loomis, 21 April 1905, and 128, Parsons to Loomis, 25 April 1905, M296, roll 15, vols. 26-27.

³³ Quote from "Plan for Mexican Bank," *New York Times*, 11 June 1903, p. 3. Also see the *New York Times*, "A Pan-American Railroad Company," 9 July 1901, p. 5; "The All-Rail Route to South America," 17 April 1904; and "Pan-American Railway," 14 March 1904, p. 5.

³⁴ Item, *Mexican Herald*, 12 Jan. 1905, quoted in Romney, "American Interests in Mexico." pp. 31-32.

³⁵ Consular Despatch, M296, roll 14, 100, Parsons to Loomis, 17 March 1905.

- ³⁶ Ibid, 98, Parsons to Loomis, 15 March 1905.
- ³⁷ Consular Despatch, M296, roll 15, 123, 124 and 125, Parsons to Loomis, 21 April 1905.
- ³⁸ "An Extended Tour," *Mexican Herald*, 24 April 1901. Consular Despatch, M296, roll 15, 145, Parsons to Loomis, 29 May 1905.
- ³⁹ Consular Despatch, M296, roll 15, 212, Eberhardt to Bacon, 9 Dec. 1905, Encl. 3.
- ⁴⁰ Ibid, 212, Eberhardt to Bacon, 9 Dec. 1905.
- ⁴¹ E.H. Blichfeldt, *A Mexican Journey* (New York: Thomas Y. Crowell Co., 1912), pp. 88-89.
- ⁴² Romney, "American Interests," pp. 31-32.
- ⁴³ The US legation in Brazil was raised to an embassy immediately before Thompson's appointment.
- ⁴⁴ Letter, H.A. Harrison to President's Secretary, 11 Jan. 1906; Memorandum by Root, 27 Dec. 1905, and "His First Public Office," *Washington Star*, 31 Jan. 1902 (clipping); all in the D.E. Thompson Archive, Nebraska State Historical Society.
- ⁴⁵ Advertisement, "International Land and Colonization Co.," *Mexican Herald* 19 May 1901. On protocolization, see *Fall Report*, 1:231-232, testimony of E.L. Doheny.
- ⁴⁶ For another example, see Numerical/Minor Files, M862, roll 1217, Despatch, Thompson to Stale, 3 June 1907.
- ⁴⁷ "Assail on Ambassador," *New York Times*, 23 Oct. 1906, p. 1.
- ⁴⁸ On this connection, see Despatch, H.L. Wilson to Secretary of State, 10 May 1910, 812,00/1803.
- ⁴⁹ Letter, private and confidential, unnamed Senator to Thompson, 7 May 1909, Thompson Archive.
- ⁵⁰ This is reported by Edward I. Bell, *The Political Shame of Mexico* (New York: McBride, Nast & Co., 1914), pp. 134-141. Also, see William Schell, Jr., "The Creelman Conspiracy: Towards a Reappraisal of the Fall of the Porfiriato," *SELA* 24 (1985):47-63.
- ⁵¹ For example, "La Compañía Bancaria Católica de México," *El Imparcial*, 8 June 1903.
- ⁵² Numerical and Minor Files, roll 1159, case 24155, A.J. Lesfrinasse to State, 19 March 1910.
- ⁵³ Consular Despatch, M296, roll 14, 14, Parsons to Loomis, 15 July 1904.
- ⁵⁴ Despatch, 1,058, Thompson to State Dept., 12 May 1908, Numerical and Minor Files, 8057/9-10. McCaleb, *Present and Past Banking* pp. 163-178.
- ⁵⁵ Eric S. Schubert. "Innovations, Debts, and Bubbles: International Integration of Financial Markets in Western Europe, 1688-1720." *The Journal of Economic History* 48 (1988):299-306.
- ⁵⁶ "Bank Concession Granted," *Mexican Herald*, 29 Sept. 1901.
- ⁵⁷ Hart. *Revolutionary Mexico*, p. 140, notes the drying-up of European capital. Kennett S. Cott, "Porfirian Investment Policies, 1876-1910," (Ph.D. Diss., University of New Mexico, 19179) p. 301, notes the positive effect of direct foreign investment; also Raymond Vernon, *The Dilemma of Mexico's Development: The Role of the Private and Public Sectors* (Cambridge, Mass: Harvard University Press, 1965) p. 46.

