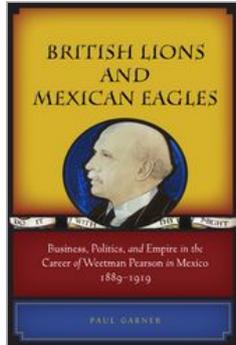


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British Lions and Mexican Eagles: Business, Politics, and Empire in the Career of Weetman Pearson in Mexico, 1889-1919

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[-] Abstract and Keywords

This chapter sums up the key findings of this study on the successful career of British engineer and oil industrialist Weetman Pearson in Mexico. It explains the five factors that contributed to Pearson's extraordinary success in Mexico which include the revival and renewal of diplomatic, commercial, and financial relations between Great Britain and Mexico and his technical expertise, business acumen, and personal agency. This chapter also argues that the catalyst for the expansion of Pearson's business empire was to be found in Mexico and that the bulk of his substantial fortune was derived from his Mexican enterprises.

Keywords: Weetman Pearson, British engineer, oil industrialist, Mexico, Great Britain, financial relations, technical expertise

Conclusions

The central purpose of this book has been to explain the context, *modus operandi*, and character of the extraordinary business empire which British contractor and politician Weetman Pearson/Lord Cowdray (1856–1927) constructed in Mexico over a period of three decades between 1889 and 1919. This final section will examine the significance of his career in Mexico and summarise the reasons for its success.

The book starts out from the premise, first, that Pearson was without doubt the most influential British businessman in Mexico in this period. A strong case could also be made that he was the single most successful British businessman anywhere in Latin America in this era. A second proposition is that Pearson's diverse business interests in Mexico constitute an ideal case study of British entrepreneurial agency in late nineteenth-century Latin America, and one which provides an ideal opportunity to question previous historiographical frameworks for the understanding of the role of overseas interests in this crucial phase of national development. The book therefore seeks to highlight the inadequacy of the structuralist/nationalist interpretations which for much of the latter half of the twentieth century were adopted to explain the character and impact of British enterprise overseas. There is certainly no evidence from Mexico that Britain was ever successfully able to use its financial or naval power, or the power of pressure, coercion, or intimidation, to force the Mexican political elite to conform to the interests of the City of London, to sublimate its political system to British constitutionalism, or, still less, to adopt the cultural values of Britain's gentlemanly elite.¹ In short, the evidence presented here challenges the argument that the success of British enterprise in Mexico can be understood in terms of “informal empire” or “honorary dominion.” By contrast, this study broadly supports a liberal/developmentalist analysis which highlights the expansion of international business enterprise in an **(p.231)** era of unprecedented globalisation in the second half of the nineteenth century, and its relationship to state-and nation-building within Latin America. In the specific case of Mexico, access to capital and credits in international financial markets permitted an escape from the burden of accumulated debt and the negotiation of new loans which facilitated infrastructural development and the consolidation of central political authority. Fiscal and legislative reform created an environment more attractive to overseas entrepreneurs, increased levels of commerce and investment, and generated new sources of government revenue. Above all, this approach highlights the agency of local political elites, and their harnessing of overseas capital, technology, and expertise in the pursuit of domestic state-and nation-building. The strategy adopted in this period by the regime of Porfirio Díaz—however imperfectly executed—is much better understood as one of liberal economic nationalism, or of “defensive modernisation” which sought both to exploit and to regulate Mexico's interactions with the international economy in the pursuit of a project of national development.²

One useful way of further addressing and assessing the competing claims of the liberal/developmentalist perspective favoured by the Mexican political elite (and by Pearson himself), and those of the *de pen den cy*/nationalist paradigm favoured by structuralist and nationalist historians, is to pose a deceptively simple question: who benefitted most from Pearson's business empire? Was it Pearson himself, his clientalist network of Mexican “cronies,” the Mexican state, Mexican society, or the Mexican economy? What were the direct benefits to Mexico of the direct injections of capital and equipment for Pearson's various projects for local employment, or the stimulus to other forms of economic activity from the creation of such an infrastructure? Were there any indirect benefits or “spillover gains” to the host economy and society, such as the transfer of entrepreneurial skills, or other sustainable forms of economic activity? At a more

general level, did living standards in Mexico improve during this period of intense infrastructural development and the drive toward modernisation during the Porfirian era?

That Pearson and the more prominent members of his clientalist network in Mexico personally profited from his Mexican public works contracts is not in doubt. The evidence from Pearson's first contract (the partial construction of the Gran Canal between 1889 and 1897) is somewhat ambiguous and inconclusive, especially since Pearson's firm received no more payments during the last phases of construction. What is clear is that, while he was building up his clientalist network in Mexico, Pearson was prepared to negotiate if it meant that strategic conciliations to government demands would lead to further contracts. In this he was not **(p.232)** only astute but correct: both the number and profitability of his government contracts increased on an exponential basis over the period 1889 to 1911. Furthermore, it is also clear that a substantial proportion of the payments made to Pearson—a reasonable estimate would be between a half and two-thirds—were repatriated to Britain to pay direct costs (wages and salaries paid in the UK, the cost of specialist machinery), indirect costs, and profits.³ After 1901, a significant (although difficult to quantify) proportion of profits was channelled into the infrastructure of his oil business—purchasing and leasing of land, and costs of exploration and transportation.

In the case of El Aguila, while Pearson's expenditure was significantly greater than his income between 1901 and 1910, the reverse was true after 1911, and especially after 1914. However, as explained in Chapter Seven, both the domestic and international circumstances in which the profits from oil were generated were radically different from those in which he had developed his business before 1910. But profits there most certainly were. During the decade after 1910, the year in which he made his first major oil strike, and especially after the outbreak of the First World War, which revolutionised demand and transformed the political importance of oil, Pearson was able to amass a considerable personal fortune, even before the sale of a significant proportion of his oil business to Royal Dutch Shell in 1919. By 1920, the income and assets of the Pearson Group were considerably higher than that of any other on a list of Britain's leading industrial firms, and supports the argument that, contrary to the standard account of the decline in British enterprise by the end of the nineteenth century, the activities of the Group constituted clear proof that British entrepreneurial acumen was very far from extinct.⁴

By the same token, the members of Pearson's clientalist network amongst the political and social elite of Porfirian Mexico—epitomised by the board of directors of El Aguila established in 1909—also profited handsomely from the “fees,” retainers, and shares Pearson provided them with. For example, members of the board received 200 preference shares in El Aguila, with a par value of US\$1,000 each, providing a guaranteed US\$16,000 per annum regardless of the performance of the company.⁵ There are many other examples provided throughout the book.

However, when it comes to analysing the direct or indirect benefits to the Mexican state or society of Porfirian infrastructural investment, there is still, perhaps surprisingly, little solid statistical evidence on which to make the assessment. Although we now have the benefit of detailed empirical studies of a number of vital sectors of the Porfirian economy—railways, and specific industries such as textiles, are perhaps the best examples—as well as more reliable assessments of government revenue and **(p.233)** expenditure, and more accurate data on prices, salaries, and foreign trade, there are still no reliable series of measurements (of GDP, for example) which would allow a comparative analysis of how the Mexican economy performed over the lifetime of the Díaz regime.⁶ Despite the significant advances in the historiography of the Porfiriato in the last three decades, it is nevertheless difficult to escape the conclusion that

the general demonization of the Porfirian era throughout most of the twentieth century (and, more importantly, its consequent marginalization for many years within the academy) still casts a long shadow over Porfirian studies. This becomes even more apparent when the social consequences of Porfirian modernisation and material progress are placed under the microscope. For example, recent attempts have been made to measure well-being and quality of life in Porfirian Mexico, and the specific impact of urban public works on improving living conditions for the inhabitants of Porfirian cities, but these studies are only in their infancy.⁷ Evidence—especially hard evidence—of other indirect benefits or “spillover gains” to the host economy and society from Pearson's prolonged presence in Mexico is equally scarce. The impact of Porfirian modernisation is much clearer for certain sectors than for others. What emerges, for example, from the reevaluation of the role of railways in Porfirian Mexico (including the Tehuantepec line, although, as Chapter Four highlights, this project was always a special case) challenges the idea that the network only served the interests of its foreign owners and the needs of the export economy, and instead has demonstrated how crucial railways were to the development of an internal market and the growth of the domestic economy.⁸ There is also some speculative evidence of the transfer of entrepreneurial skills and the influence of the model of Pearson's contracting business in the evolution of the Mexican construction industry over the course of the twentieth century. There had been no tradition of state regulation of contracting prior to the Porfiriato. But Pearson's model, subsequently adopted by Mexican contractors and engineers, came to define the nature of the modern construction industry in Mexico.⁹

Before examining the key factors which explain the extraordinary success of Pearson's Mexican business empire, it is important to appreciate its distinct phases and one of its most distinctive characteristics. The foundations were laid after 1889 by Pearson's role as contractor and employee of the Mexican government for the construction of a series of infrastructural projects which he neither initiated nor commissioned, but which were designed and financed by the Mexican government. The second phase, which overlapped with the first, began with the development of his oil business after 1901, where Pearson took on the characteristics of a private entrepreneur—with overall responsibility for all aspects of the business, from investment to **(p.234)** strategy, from marketing to sales. The character of his oil business shifted again after 1911 with the dramatic change in Mexican domestic politics and the internationalisation of the politics of oil.

What linked these two distinct phases was the extraordinary level of intimacy achieved between Pearson's firm, his representatives in Mexico (John Body and Thomas Ryder), and the Mexican government of Porfirio Díaz, which is described throughout this book as exceptional and unprecedented, and extended far beyond the normal remit of a relationship between contractor and client. Its two leading protagonists—Finance Minister José Yves Limantour and Pearson himself—summed it up accurately when the former described the latter (in 1898) as “agent and representative” of the Mexican government, and the latter boasted (in 1914) that his firm was considered “one of the minor Departments of State” in Mexico.¹⁰

The Reasons for Success

In sum, there are five factors of particular importance in explaining Pearson's extraordinary success in Mexico: first, the favourable circumstances in the 1880s which presaged a revival and renewal of diplomatic, commercial, and financial relations between Britain and Mexico which had been in abeyance since 1867; second, the growing fears of the political elite that Mexico's resources would come under the control of US interests as a consequence of the diligent and energetic pursuit of US strategic and commercial predominance in the Caribbean and Central

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America in this period; third, Pearson's central role in the successful completion of major public works projects as key components of a strategy of Mexican national development pursued by the inner circle of the Mexican political elite; fourth, as highlighted above, Pearson's technical expertise, business acumen, and personal agency, his appreciation of the importance of the link between politics and business, and his careful construction of a clientalist network within the Mexican social and political elite; and fifth, the rapid rise in the international demand for fuel oil as a consequence of global technological change and war time necessity.

The first two factors help to explain the conjuncture of favourable circumstances surrounding the award of Pearson's first major contract—for the Gran Canal in 1889. His arrival had been preceded (in 1884) by the restoration of British-Mexican diplomatic relations, which had been suspended since 1867 following Britain's support for the abortive French invasion of Mexico in 1862 which had temporarily placed the Emperor Maximilian on a reconstituted Mexican throne. More important, the simultaneous restoration of Mexican credit in European capital markets (**p. 235**) following the deal struck by Minister of Finance Manuel Dublán with the London and Convention Bondholders in 1886 (the Dublán Conversion) gave Mexico access to the London financial market and to vital sources of capital for national development after a hiatus of more than sixty years in which Mexican failure to honour its debt obligations had made it a pariah in the eyes of London brokers throughout most of the century. The restoration of diplomatic relations and the restoration of credit were mutually reinforcing. They gave both investors in London and contractors such as Pearson the reassurance that their investments and their contracts would be backed by diplomatic and government protection, however in effective this might be in practice. Without these assurances, it is very unlikely that the municipal loan of 1889 which brought Pearson to Mexico—raised in London specifically to fund the Gran Canal project—would ever have been floated.

From the Mexican perspective, at the same time as Mexico had strengthened its economic, commercial, and political relations with the United States after the schism with the European powers after 1867, there was broad consensus amongst the liberal political elite that it was vital to the protection of Mexico's economic and political sovereignty to seek European capital as a counterweight to growing US commercial and economic influence. This nationalist, developmentalist, and protectionist discourse—already referred to as “defensive modernisation”—has been much more clearly identified as an important part of *científico* rhetoric and policy in the 1890s and 1900s, but its relevance to the rapprochement between Britain and Mexico in the 1880s has been underestimated.¹¹ It was this particular combination of circumstances which meant that the opportunities for British businessmen in Mexico—especially those as ambitious and opportunistic as the young Weetman Pearson—were better in the late 1880s than they had been at any time since the 1820s.

As alluded to above, it is also vitally important to stress the way in which the talents which Pearson applied to his engineering projects in Mexico suited the strategy of national development pursued by the Mexican political elite, especially under the direction of the *éminence grise* of the *científicos*, Finance Minister Limantour, the chief strategist of Mexico's project of national development. Limantour was, as a consequence, the single most important facilitator of Pearson's success in his Mexican enterprises, but he was far from being a lone voice. Here the central role in *científico* discourse afforded to overseas capital, markets, technology, and expertise was vital to Pearson's success. The ultimate goal of the Díaz government—only imperfectly implemented in practice—was to build the infrastructure of a modern, progressive, and industrial Mexico. This was to be achieved through a partnership

between overseas expertise, capital, **(p.236)** and technology—as represented by Pearson—and a coherent domestic policy of fiscal reorganisation, the codification and regulation of commerce, and the construction of a national communication and transportation network.

At the same time, the political implications for attempting to maintain a balance between enticing foreign technology and investment, while not undermining Mexico's political or economic sovereignty, were also highly risky, since they threatened to undermine the very foundations upon which the fragile edifice of the nation was being constructed. During the last four years of the Díaz regime, much of that fragile edifice began to crumble. The drive toward industrialisation and the institutionalisation of “progress” were never more than partially and unequally implemented, and the whole project was hampered by the absence of political modernisation to complement its economic counterpart. After 1910 the edifice was toppled by the Mexican Revolution and a prolonged period of civil war. Its foundations were, however, left intact, and the task of state-and nation-building would be successfully resurrected over the course of the twentieth century, albeit in different circumstances and according to different rules. In the wake of “revolutionary” nationalism, far more strident than its nineteenth-century liberal counterpart, the regulation of foreign capital and enterprise would be subjected to far closer scrutiny. In the case of oil (and El Aguila), this significant shift in rhetoric and policy presaged the nationalisation of foreign oil companies in 1938.

The factors behind Pearson's success highlighted so far relate to the conjunctural and contextual advantages he enjoyed in the pursuit of his multiple Mexican enterprises. What has also been stressed throughout this book as a vital contributory factor has been the role of individual agency—Pearson's strategic *modus operandi*, his overall competence and reliability, his business acumen, and his successful adaptation not only to Mexican liberal-*caudillo* politics and business etiquette but also to the nationalist aspirations of the Mexican political elite.¹² Pearson was, in short, a very astute operator. Although at times a blunt Yorkshireman of (relatively) few words, he showed himself to be not only forthright and assertive, but also flexible and conciliatory in pursuit of his firm's interests, always acutely sensitive to the government's developmentalist strategy, and creative in finding solutions to the considerable logistical problems which hindered the completion of his contracts. As well as demonstrating impressive organisational, financial, and managerial skills, Pearson revealed a high degree of political and cultural sensitivity—assets he exploited fully in the establishment of a clientalist network, where the bulk of his social and political capital was invested.

(p.237) Pearson's clientalist network can be seen to greatest effect in the extent of the Díaz government's collusion in the development of his oil business in the decade preceding the Revolution. As already highlighted, and unlike his previous public works contracts, the establishment of Pearson's oil interests had required the investment of his own resources. But he also made it clear that he would not have undertaken such an investment had he not had the explicit support of the Mexican government. Here, as with his other Mexican projects, he was prepared to support the Díaz government's strategy—in this specific case, challenging the monopoly of Standard Oil in Mexico's domestic market—provided, of course, there was a profit in it for him. In this regard, he was certainly not disappointed.

There were, however, other disappointments. The Mexican Revolution of 1910 marked an important watershed for Pearson's Mexican empire, and presented him with a series of challenges which severely tested his personal and political talents, his adaptability, and (on more than one occasion) his patience and his resolve. Despite his profound attachments to the Díaz

regime, Pearson was able to establish a successful working relationship with the administration of Francisco Madero, but his dalliance with the regime of Victoriano Huerta after 1913, when Pearson broke his “golden rule” of successful business conduct—“noninterference” in politics—led to a virulent press campaign in both the United States and Mexico which accused him of corruption and collusion with counterrevolutionaries, accusations he was never successfully able to counter. He was further demoralised by a growing realisation that the British government would never support or protect his business interests if they were perceived to run contrary to the political or strategic interests articulated in Washington.

As a result, he became ever more committed after 1911, and especially after 1914, to seeking a way out of his Mexican commitments. The operation of the Tehuantepec Railway had encountered serious problems as a result of revolutionary disturbances and, above all, of the disruption to the pattern of international trade caused by the First World War. His unique partnership with the Mexican government was terminated by the government of Venustiano Carranza in 1918. The Tehuantepec line subsequently entered a long period of decline, especially as a result of competition from the Panama Canal, which became fully operational in 1914. Of far greater significance to his business empire, and to his ultimate sense of personal frustration, was the protracted search for a solution to the many problems facing his oil business. In 1919, he took the decision to turn over managerial control of El Aguila, far and away his most profitable business, to a new partner, Royal Dutch Shell.

(p.238) The decline of Pearson's Mexican enterprises by 1919 foreshadowed the decline of British trade and investment in Latin America in general over the course of the twentieth century. British-Latin American relations were profoundly affected by structural change, external shocks, the growth of economic nationalism, deglobalisation, and shifts in political priorities on both sides of the Atlantic.¹³ In retrospect, therefore, the three decades before 1914—which correspond precisely with what might be legitimately described as the “Pearson era” in Mexico—represented the zenith of British presence and influence in the region.

In short, this book argues that, despite the extent and scope of Pearson's international contracting business, the catalyst for the expansion of Pearson's business empire was to be found in Mexico and that the bulk of his substantial fortune, which he was subsequently to invest in the diversification of the family business and the foundation of the global media empire which is now Pearson PLC, derived from his Mexican enterprises.¹⁴ As a result of the amount of time he spent in Mexico, and as a reflection of the importance of his Mexican enterprises, Pearson was known in the British House of Commons as the “Member for Mexico.” As a mark of his personal affection and respect for Mexico—and also undoubtedly as recognition of the vast fortune which derived from his Mexican enterprises—the Cowdray coat of arms displays a symbolic representation of a Mexican *peon*.¹⁵

Pearson has in recent years rightly attracted a good deal of interest from political, economic, and business historians in the United States and, above all, in Mexico over the past two decades (although he continues to be curiously and persistently anonymous in his native Britain). He continues to be a controversial figure, nevertheless, since he is inevitably judged in the context of what is still a heated polemic surrounding the role of overseas business within host economies—a role which is not only of historic significance but one which has profound contemporary resonance in an age of neo-liberalism. His Mexican activities have therefore been interpreted from two polarised perspectives. For British observers, most notably Pearson's two British biographers, he is seen through rose-tinted spectacles as an example of a dynamic,

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swashbuckling entrepreneur from a golden era of empire when British business dominated the globe. At the other end of the historiographical spectrum, in Mexico he has been most frequently portrayed by nationalist historians in negative terms as a sinister agent of British imperialism whose most significant achievement was the exploitation of Mexico's resources, and the distortion of Mexican development. Neither view, in my opinion, represents an accurate or convincing interpretation. This book argues instead that Pearson was far more an agent of Mexican national development than an agent of British imperialism.

Notes:

- (1.) Cain and Hopkins "Afterword," pp. 196–220.
- (2.) P. Riguzzi "From Globalisation to Revolution: The Porfirian Political Economy: An Essay on Issues and Interpretations" *Journal of Latin American Studies* 41:2, 2009, pp. 347–68.
- (3.) Connolly "Pearson and Public Works Construction," pp. 48–71.
- (4.) One very recent assessment of the market valuation and net assets of the Pearson Group in 1919 suggests that they had reached an astronomical £79.1 million (a sum which should be multiplied by at least a factor of 50 to give a contemporary equivalent). Wale, Freeman, and Godley "Weetman Pearson in Mexico."
- (5.) Rippy *Oil and the Mexican Revolution*.
- (6.) Riguzzi "From Globalisation to Revolution," p. 361.
- (7.) For example, the pioneering study by Moramay López-Alonso analysing the changing height of recruits to the rural and federal militia between 1850 and 1950 suggests that there is little evidence of a positive impact on working-class Mexicans, but a positive correlation in the case of recruits from an elite background; "Growth with Inequality: Living Standards in Mexico, 1850–1950" *Journal of Latin American Studies* 39:1, 2007, pp. 81–105.
- (8.) Kuntz Ficker "Los ferrocarriles y la formación del espacio económico en México, 1880–1910," pp. 105–37. Chapter Four argues, however, that the Tehuantepec Railway was a special case.
- (9.) Connolly "Pearson and Public Works Construction," p. 64.
- (10.) As indicated in Chapter Three, the fact that Pearson received as much as 44 percent of total Mexican internal public debt (and 16 percent of external public debt) between 1885 and 1909 is eloquent testimony of the latter; Connolly "Pearson and Public Works Construction," p. 60.
- (11.) Weiner *Race, Nation & Market*; P. Riguzzi *¿Reciprosidad imposible? La política del comercio entre México y Estados Unidos 1857–1938* México: El Colegio Mexiquense/Instituto Mora, 2003.
- (12.) For an analysis of Porfirian politics and the contradictory traditions of liberalism and authoritarianism (epitomised by *caudillismo*), see Garner *Porfirio Díaz*, pp. 18–47.
- (13.) Miller "British Trade with Latin America (1870–1950)," pp. 118–45.

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(14.) S. Pearson and Son had moved out of contracting before Weetman's death in 1927, and moved into corporate finance and investment through the Whitehall Trust and the acquisition of Lazard Brothers merchant bank. After the 1960s Pearson diversified its portfolio of investments to include Chateau Latour, Madame Tussauds, and Royal Doulton, as well as the *Financial Times* and the *Economist*. The late 1990s saw a significant restructuring of the Pearson Group in order to concentrate on what are now its core businesses—publishing, media, and television production, including Thames Television, the *Financial Times*, the *Economist*, Penguin, Longman (UK), the Gredos publishing group (Spain), and educational publishers Addison-Wesley and Simon & Schuster (United States).

(15.) The Cowdray coat of arms, with its characteristically Victorian motto “Do It with Thy Might,” can be found in SMA:PEA Boxes A22-24, and in Burke's Peerage.



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