COMMENTARY AND DEBATE

CORPORATE CONTROL OF A MONOCROP ECONOMY: A Comment

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The article by Gilbert N. Joseph and Allen Wells entitled "Corporate Control of a Monocrop Economy: International Harvester and Yucatán's Henequen Industry during the Porfiriato"[1] is a major contribution to the body of knowledge on the development of the henequen industry in Yucatán, Mexico. It nevertheless falls short of one of its primary objectives "to . . . resolve, an ongoing historiographical debate regarding the origins and impact of foreign corporate involvement in the Yucatán monocrop economy" (p. 72). In their haste to apply the theory of "collaborating elites" to the documented relationship between Olegario Molina y Compañía and International Harvester Company, Joseph and Wells have failed to explore fully the implications of their own careful scholarship. As we will demonstrate in this note, Joseph and Wells do not present convincing evidence that IHC controlled the production and price of raw henequen fiber between 1902 and 1915 or that the agreement between Molina and IHC changed the qualitative relationship between Yucatán's henequen *hacendados* and major American consumers.

The few years immediately preceding the 1902 agreement between Molina and IHC was a period of exceptionally high prices. The Spanish-American War disrupted the supply of *abaca*, the only hard fiber that competed with henequen in U.S. markets. As a result, the price of henequen fiber rose from 2.6 cents per pound in 1897 to 9.8 cents per

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pound in 1902.[2] In order to comprehend the implications of this unusual period for Joseph and Wells's argument, an understanding of the production cycle of the henequen plant and the psychological makeup of the hacendado is required. The planning horizon of the hacendado was lengthy because fields continued to be a source of revenue up to the twenty-fifth year of the plant's life cycle. As a result, planters did not base their investment decisions upon expected profit streams over the life of a field because they could not predict future prices with any degree of accuracy. Production data suggest that current profits were the most important determinant of the hacendados' investment decisions.[3] During the Spanish-American War period, exports rose by only 25 percent because new plantings of henequen do not produce fiber until the third to fifth year. The high profits, however, stimulated hacendados to bring unprecedented amounts of new land into cultivation between 1900 and 1905. So extensive were the new plantings that henequen hacendados were able almost to double raw fiber production during World War I, when military conflict prompted significant stockpiling of hard fiber and high prices.[4]

In view of the significant increase in investment in new plantings during the Spanish-American War and the production cycle of the henequen plant, Joseph and Wells's argument that "collaborators managed to shave almost a cent a year until, by 1911, raw fiber was being bought at close to three cents per pound" (p. 80) falls victim to one of the basic tenets of economics—a condition of excess supply exerts downward pressure on prices. Between 1902 and 1912, raw henequen fiber exports from Yucatán (the United States consumed almost the entire production of the Yucatán Peninsula during this period) increased from 84.0 thousand metric tons to 139.9 thousand metric tons.[5] This increase in exports of 66 percent during the ten-year period makes it extremely difficult, if not impossible, to construct an effective case arguing that the letter signed by Olegario Molina and IHC in Havana in 1902 was the determining factor in the decline in prices during the first decade of the twentieth century.

Another factor that casts doubt on the Joseph and Wells hypothesis about the influence of the Molina-IHC agreement over the price of henequen fiber is the structure of the market prior to 1902. In 1901 the export houses of Molina and Peabody Company controlled 60 percent of the export trade in raw fiber.[6] Prior to that date, formal agreements had been signed between the McCormick Harvesting Machine Company and the Peabody Company with the intent to coordinate pricing and purchasing policy. Given the fact that the demand side of the raw henequen fiber market had been controlled by a few American buyers since the latter decades of the nineteenth century, it is not unlikely (in fact, economic theory and empirical research on the nature of oligopoly

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behavior strongly suggest it) that informal agreements on pricing policy existed well before 1902.[7] If the market on the demand side was highly concentrated early on and the few American buyers collaborated on pricing policy, it is highly unlikely that the ascendance of the house of Molina could have been responsible for a qualitative change in the influence of American buyers on Yucatecan growers because the small number of buyers possessed near-monopsony power prior to the agreement of 1902.

Finally, there is little evidence to suggest that either henequen hacendados or the people of Yucatán suffered urder the market arrangements with American buyers. The Caste War largely destroyed the pre-1850 economic base of the Yucatán Peninsula. The ingenuity and enterprise of the Yucatecan hacendado, in combination with the rapid increase in U.S. grain production during the last half of the twentieth cention of the total working population in industry in 1910, with 17.5 percent compared to 15 percent nationally.
either the excesses of the hacendados toward the indigenous population or the greed of companies like IHC. It is clear, however, that some care must be taken when the Yucatecan experience with henequen is interpreted within the framework of what is commonly thought to have been the relationship between industrializing nations and raw-material-producing regions in Latin America during the nineteenth century.[8]

If the IHC–Molina conspiracy had succeeded in decisively turning the net terms of trade against the henequen growers, Yucatán would have suffered a dramatic fall in its regional income. Instead, Yucatán emerged on the eve of the Revolution as one of the wealthiest states in Mexico. Although still predominantly a rural economy—with 62 percent of the labor force in agriculture—Yucatán led the nation in the proportion of the total working population in industry in 1910, with 17.5 percent compared to 15 percent nationally.

The authors write that Harvester was "content to maintain its 'invisible empire' in Yucatán, predicated upon indirect control through the collaboration of the regional oligarchy" (p. 89). Hence, 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." In support of their interpretation, Joseph and Wells show that 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, and in each case, they demurred. Further, from 1903 until around 1907, IHC made a concerted attempt to purchase the Yucatecan-owned railroad system,

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but failed to do so for a variety of reasons, including "the high price demanded for the railroad by Molina and the casta" (p. 90). We suggest that IHC's reluctance to purchase or invest directly in large henequen plantations was based upon the same reason: the high price demanded by the Yucatecan entrepreneurs who had successfully negotiated the transformation of a traditional hacienda system into a modern export-oriented agro-industrial economy—and reaped the associated rewards. The latter in turn became capitalized in the values of their large, efficient estates.

NOTES

1. Gilbert N. Joseph and Allen Wells, "Corporate Control of a Monocrop Economy: International Harvester and Yucatán's Henequen Industry during the Porfiriato," *Latin American Research Review* 17 (January 1982):69–99.
2. Enrique Aznar Mendoza, "La industria henequenera desde 1919 hasta nuestros días," *Enciclopedia Yucatanese*, Vol. 3, ed. Carlos A. Echanove Trujillo (Mexico, D.F.: Edición Oficial, 1946), pp. 657–725.
3. See Jeffrey Brannon, "The Impact of Government Induced Changes in Production Organization and Incentive Structures on the Economic Performance of the Henequen Industry of Yucatán, Mexico, 1934–1978," Ph.D. Diss., University of Alabama, 1980, p. 76.
4. Between 1910 and 1916, raw fiber production increased from 94.8 thousand metric tons to 202 thousand metric tons. Agencia General en Mérida, Yucatán, *Henequen 1901 a 1973* (Mérida: SAG, 1974).
5. Aznar Mendoza, "La industria henequenera."
6. Joseph and Wells, "Corporate Control," p. 88.
7. Brannon, "The Impact of Government," p. 51.
8. El Colegio de México, *Fuerza de trabajo y actividad económica por sectores*, pp. 45–60, cited in Laura Randall, *A Comparative Economic History of Latin America 1500–1914*, Vol. I, *Mexico* (Ann Arbor, Mich.: University Microfilms Int., 1977), p. 251, Tables 5–15.

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