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Capital, Monopoly and Economic Nationalism

A History of British Railways in Colombia, 1902-1930

Capital, Monopoly and Economic Nationalism: A History of British Railways in Colombia, 1902-1930

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Abstract:

This PhD thesis focusses on British railway companies in Colombia during 1902-30. It explores the impact of instability, insecure property rights, business culture, civil conflict, regionalism, national politics, and contractual instability on British overseas investment. It also evaluates whether British railway companies represented economic imperialism. The first chapter introduces the research question and evaluates the present state of the historiography. The second chapter explores attitudes towards foreign investment within national politics, focussing on the dominant *verdad de la deuda* doctrine, concluding that the loss of Panama led to national sovereignty taking precedent over economic development within public policy. The third chapter explores the history of what are termed the 'Northern Railways': a group of companies conceived to connect the north-east of the interior with the capital city Bogotá. The fourth chapter explores the Colombian National Railway Company, which connected Bogotá with the Magdalena River. The fifth chapter investigates the railways of the Caribbean coast, which linked the ports of Barranquilla and Santa Marta with the Magdalena River. The sixth chapter focusses on the Dorada Railway Company, which bridged the Lower and Upper Magdalena river valleys, monopolising a vital trade route linking the Caribbean railways and those of the interior. The thesis illustrates that rather than geography, it was principally institutional and political factors which inhibited British investment. This is accomplished through detailed empirical analysis of primary source material, which sheds light on the everyday experiences of British railway companies operating in the country for the first time. Furthermore, the organisation and experiences of British railways, both in terms of their shareholders and administrators, closely parallels the concept of 'gentlemanly capitalism'. As such, the thesis presents a hitherto unknown intersection of imperialism within Britain's Latin American 'informal empire'.

With Eliana,

For Michael and Victoria.

Acknowledgements:

Over the five years writing this thesis, I have received help from many people. This assistance was fundamentally important to enabling me to write this history of hitherto unstudied British economic interests in Colombia. First and foremost, I must thank Matthew Brown for his consistent and calm stewardship of my investigative process over the last five years, and Julio Decker for linking my project to recent scholarship on imperialism. Anything this study contributes is thanks to their supervision, and any errors and failings are my own responsibility.

As with any project relating to interests in remote areas of Britain's 'informal empire', an important requirement has been the capacity to navigate the relevant archives. I am indebted to many people for their assistance in this task, both in the UK and in Colombia. First of all, I must acknowledge the role played by my wife Eliana, who over the years spent many hours with me in the AGN and BLAA in Bogotá. With regards to the AGN, I must give special thanks to Mauricio Tovar González, who assisted me many times navigating through the archives. This was particularly important in uncovering Santiago Pérez Triana's correspondence from his time at the Colombian Consulate in London. I would also like to give thanks to all the staff at the National Archives in Kew, the Guildhall Library, the British Library, and the BLAA. Special thanks are due to Tacy Rickard, who received me at her home in Teignmouth to revise the personal papers of Shirley Jenks.

Thank you to the Historical Studies department of the University of Bristol for awarding me the Deas scholarship which funded the final two years of my PhD, and two periods of public engagement in Colombia in 2016 and 2018. I also thank the Deas family for their bequest which financed the scholarship programme. Thank you to Santander Bank and the HiPLA department at Bristol for the Santander Travel Grant, which funded research in 2014 and 2015. Thank you to Los Andes University, Xavier Durán and Carlos Dávila, for organising the exchange, during which I wrote the fourth chapter. This time was particularly important in conceptualising the importance of the Jenks family's relationship with local political actors. I thank Adolfo Meisel, Juliana Jaramillo, and María Teresa Ramírez for their comments on preliminary drafts of my thesis, and Salomon Kalmanovitz for his suggestions relating to my second chapter. I am appreciative of Mark Casson and Rory Miller for advice on the content, sources, and direction of my thesis. Special thanks go to Elsa Laverde and Ivan Olarte, for their assistance in Honda and Mariquita visiting the British enclave. I thank Carlos Nicholas for providing the family photos of his father which have been used in chapter six, and Jaime Torres for inviting me into his home in Honda which served as Cisneros's and the DRC's organisational hub during the 1890s.

I declare that the work in this dissertation was carried out in accordance with the requirements of the University's *Regulations and Code of Practice for Research Degree Programmes* and that it has not been submitted for any other academic award. Except where indicated by specific reference in the text, the work is the candidate's own work. Work done in collaboration with, or with the assistance of, others, is indicated as such. Any views expressed in the dissertation are those of the author.

SIGNED: .... DATE:..........................

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Note on Translation

Many of the sources used throughout this thesis are written in Spanish. This includes both primary source material and secondary sources. Throughout the thesis, the Spanish has been translated to English in the most literal way possible. However, where language used was archaic, or implicit meaning could not be conveyed with a literal translation, slight modifications have been made. The rationale throughout has been to convey the original meaning to the reader as accurately as possible. Where a word has been used in Spanish which has meaning attached to it is difficult to convey accurately in English, the Spanish word has been included in the text in italics, with a description of its meaning in brackets.

Abbreviations

CNRC	Colombian National Railway Company
CNoRC	Colombian Northern Railway Company
SMRC	Santa Marta Railway Company
BRPC	Barranquilla Railway and Pier Company
DRC	Dorada Railway Company
GNCRC	Great Northern Central Railway of Colombia
UFC	United Fruit Company
TNA	The National Archives, Kew
AGN	Archivo General de la Nación, Bogotá
BLAA	Biblioteca Luis Ángel Arango, Bogotá

Chapter 1. – Introduction

1.1 Introduction

> My concession was well supported in London, but when the parties interested in it, become acquainted with the gross breach of faith, both of the national and state government to me, they will lose all faith in the honesty of such a country, and it will be impossible to float any enterprise connected therewith.[1] W.J. Kelly, British Railway Entrepreneur, 1865.

Kelly's proposed railway project on the Colombian Caribbean coast was the first attempted British investment in Colombia's terrestrial transportation network. Until now it has been hidden in the Foreign Office archives, completely ignored by Colombian historiography. The concession was awarded to Kelly's consortium of London financiers by the Colombian government. It was subsequently transferred, without justification or compensation, to a local partnership consisting of the vice-president of the state government, and 'one of the warmest partisans of the government'.[2] That a single failed British concession contract has been missed by historians is understandable. The complete silence on British railway investment in the country is less so. In 1910, the British Foreign Office carried out a survey of Colombian railways, finding that 60% of the route mileage was controlled by British companies.[3] The majority were floated in London as what have been termed 'free standing companies'.[4] However, Table 1.1 and Fig. 1.1 demonstrate that the track constructed was insignificant compared to other countries in the region. To a modern scholar of Colombian railways, Kelly's warning seems prophetic: Colombia was largely overlooked by the flood of British capital invested in the region over the following fifty years.

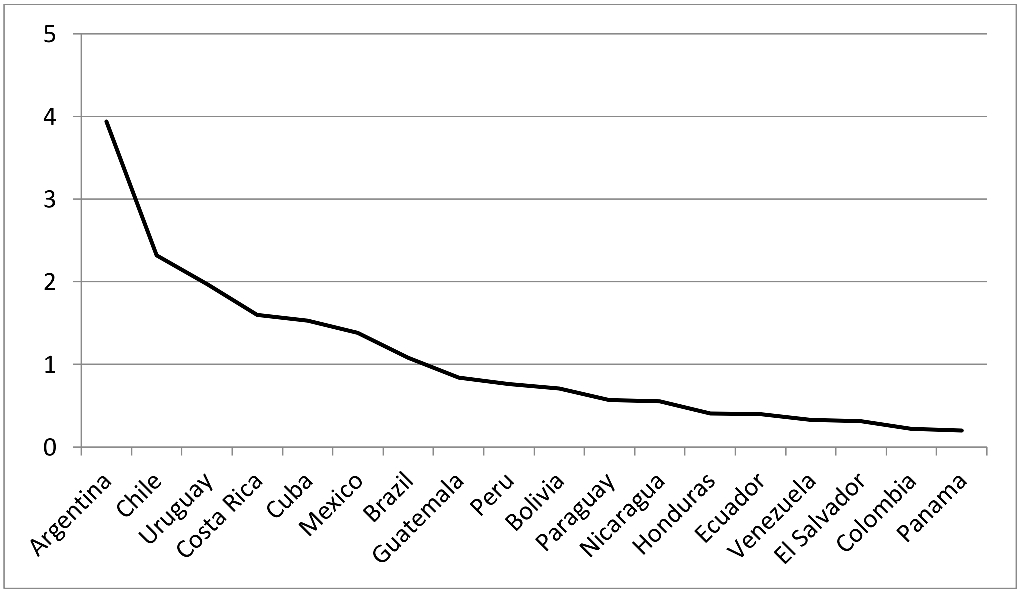
1 TNA, FO135/88, 'Albany Fonblanque's despatch No. 12', 24 November 1865.
2 Ibid.
3 'Report on the Railways of Colombia' 1910, Vol. XCVI, Cd. 4968, p. 3.
4 Mira Wilkins, 'Conduits for Long-Term Foreign Investment in the Gold Standard Era', in *International Financial History in the Twentieth Century,* ed. by Marc Flandreau, Carl-Ludwig Holtfrerich and Harold James (Cambridge: Cambridge University Press, 2003), pp. 51-76.

Table 1.1 – Normalized extension of railways in service in Latin America, 1913

Country	Track in Service (Km)	Population (1,000s)	Km of Track per 1,000 People
Argentina	31,186	7,917	3.94
Chile	8,147	3,509	2.32
Uruguay	2,592	1,316	1.97
Costa Rica	619	387	1.60
Cuba	3,846	2,507	1.53
Mexico	20,447	14,855	1.38
Brazil	26,062	24,161	1.08
Guatemala	987	1,180	0.84
Peru	3,317	4,347	0.76
Bolivia	1,440	2,025	0.71
Paraguay	373	657	0.57
Nicaragua	322	581	0.55
Honduras	341	588	0.41
Ecuador	587	1,469	0.40
Venezuela	858	2,633	0.33
El Salvador	328	1,058	0.31
Colombia	1,166	5,318	0.22
Panama	76	378	0.20

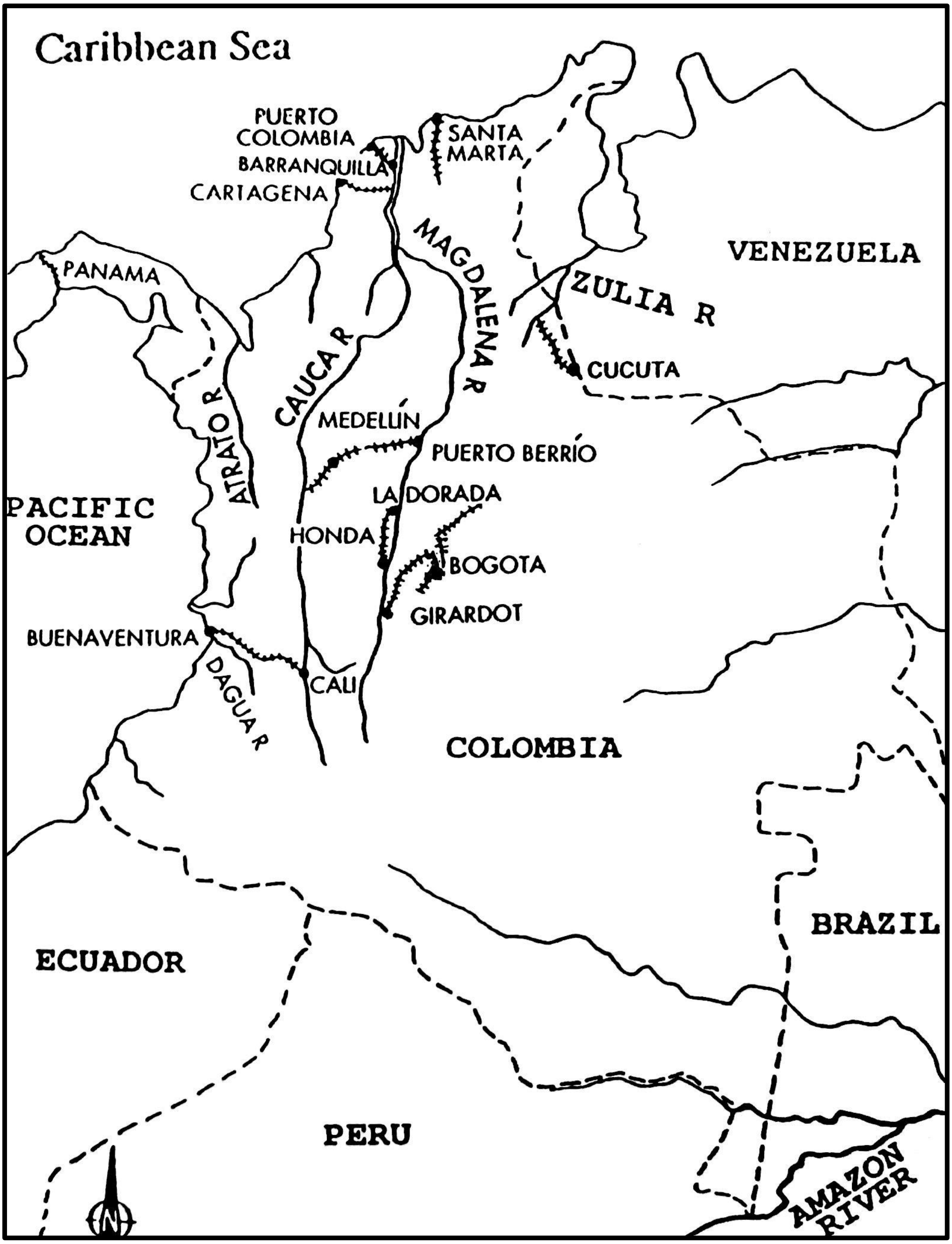
Source: Victor Bulmer-Thomas, *The Economic History of Latin America Since Independence* (Cambridge: Cambridge University Press, 1994) p. 107.

Fig. 1.1 - Kilometres of Latin America Railway Lines per 1,000 people, 1913



Source: Bulmer-Thomas, *Economic History*, p. 107.

Fig. 1.2 – 'Colombian Rail and Export Routes before WWI'



Source: Hernan Horna, *Transport Modernisation and Entrepreneurship in Nineteenth Century Colombia*, (Uppsala, 1992), p. 49.

1.2 **Context**

Fig. 1.3. demonstrates levels of railway sector investment in nine Latin American countries in 1913.[5] Eight separate British railway companies operated in Colombia, almost as many as found in Chile. However, the Chilean railway network had almost eight times the route miles of the Colombian system. As such, the problem in Colombia was not a lack of railways, it was attracting capital to expand existing ones. In other countries, initial investments were followed by expansion, whilst in Colombia companies maintained their operations on the initial route. Until this thesis, nobody has attempted to explain why: there is almost a complete historiographical silence on British railway investment. The diminutive size of the network has led scholars of British relations with Colombia to dismiss the relevance of British railways.[6] However, Colombia's diminutive network was not indicative of historical irrelevance. Colombia's system simply resembled those of other countries before British investment expanded after initial successes. Furthermore, as Miller points out, 'what looked marginal to the British could be central to a small Latin American country'.[7] In Argentina, The Great Southern Railway, which by 1914 had laid 3,655 miles of track, originated as a 70 mile long railway established with £800,000 of British capital in 1865.[8] At the turn of the twentieth century, the railways surveyed in this thesis represented an embryonic regional network, similar to the Mexican, Brazilian, or Argentine railways of the 1860s and 1870s. The scale of the £4,775,000 invested in the BRPC, the DRC, the CNoRC, and the CNRC, is therefore unimportant.[9] To address this lacuna, the thesis asks the following question: what impeded the

5 The point at which investment reached its peak in terms of number of companies and total nominal investment, varies for each country.

6 Malcolm Deas, ''Weapons of the Weak'? Colombia and Foreign Powers in the Nineteenth Century', in *Informal Empire in Latin America: Culture, Commerce and Capital*, ed. by Matthew Brown (Oxford: Blackwell, 2008), pp. 173-86.

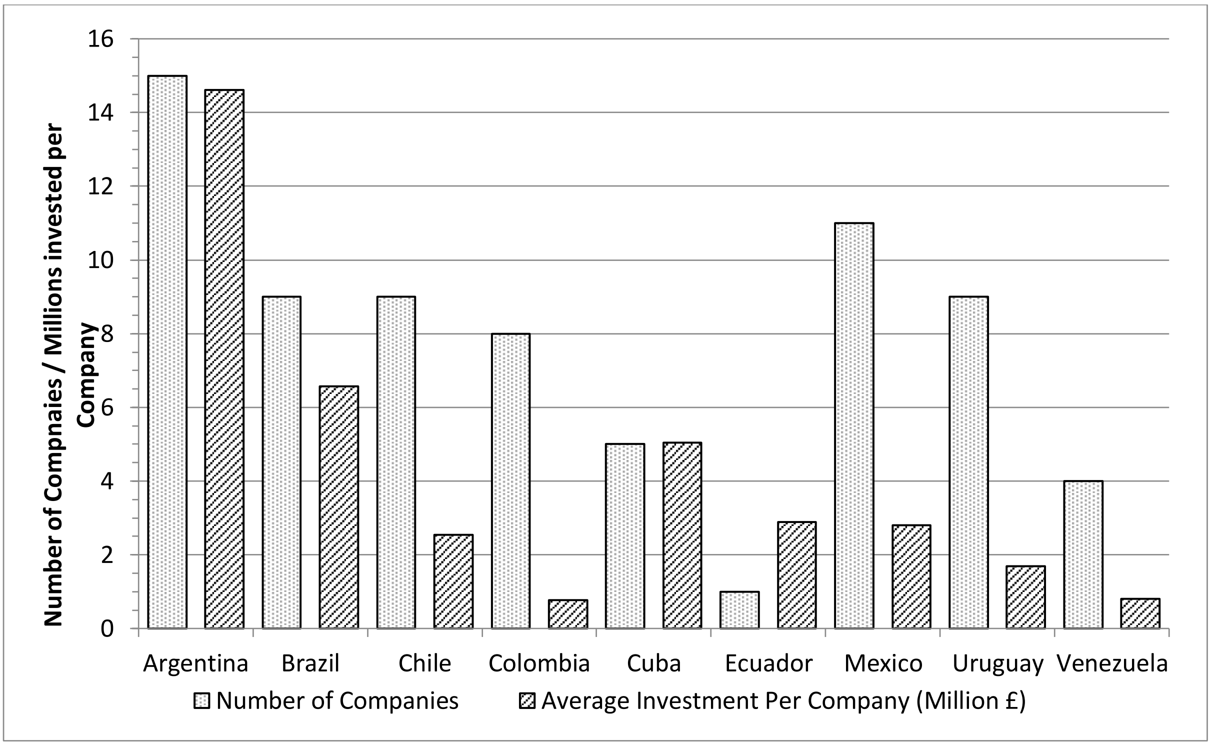
7 Rory Miller, *Britain and Latin America in the Nineteenth and Twentieth Centuries* (London: Longman, 1993), p. 19.

8 Colin Lewis, *British Railways in Argentina 1857-1914: A Case Study of Foreign Investment* (London: Athlone, 1983), p. 16.

9 See tables 3.1, 4.2, 5.1 and 6.2.

expansion of British railway companies in Colombia? It explains why British railways did not follow the pattern of rapid expansion seen elsewhere in Latin America.

Fig. 1.3 – British Railway Investment in Latin America in 1913



Source: Irving Stone, *The Composition and Distribution of British Investment in Latin America, 1865-1913* (New York: Garland Publishing, 1987), pp. 73A-74A (Tables 18 and 19).

Flandreau demonstrates nineteenth century European capital markets displayed a greater degree of sophistication than previously acknowledged: an ability to discriminate between potential recipients of capital based on sovereign debt maintenance, public finances and economic prospects, long before a formal international rating system existed.[10] Flandreau focuses on the financial studies unit within *Crédit Lyonnais,* but argues that the Council of Foreign Bondholders performed a similar role for the London capital market.[11] This level of sophistication is opposed to the thesis of dependency theory, which argues sovereign debt in

[10] Marc Flandreau, 'Caveat Emptor: Coping with Sovereign Risk under the International Gold Standard, 1871-1913', in *International Financial History in the Twentieth Century,* ed. by Marc Flandreau, Carl-Ludwig Holtfrerich and Harold James (Cambridge: Cambridge University Press, 2003), pp. 17-50.

[11] Ibid.

Latin America was a political tool used to subdue, exploit and victimise the region.[12] It also rejects the idea that sovereign debt remained dictated by imperial politics. Recent scholarship suggests flows of British and French capital were determined by the behaviour of recipient nations, rather than by the politics of imperial powers.[13] As such, national political economy represents a far more important factor in the economic development of capital deficient countries. Cain and Hopkins demonstrate that adherence to the institutions of British imperialism, or what Lewis describes as the 'rules of the game', was a determinant of capital investment in Latin America.[14] Within the study of Latin American transportation infrastructure, Summerhill similarly argues that: 'political factors reigned supreme in the process of infrastructure concession, subsidy and regulation. Yet these remain poorly understood.'[15] This literature represents a strong justification for a focus on politics within Latin American transportation infrastructure development.

Edelstein argued that the migration of British capital overseas was unprecedented. Investments represented a larger percentage of national GDP than any migration of capital in history.[16] According to Davis and Huttenback British investments represented 75% of all international movements of capital at the turn of the century.[17] These flows fundamentally shaped the world economy during this period. Any Latin American nation which sought to receive large-scale investment, had to engage with the market on its terms. As can be seen in fig. 1.4, Latin American railways experienced two separate periods of substantial capital inflow from Britain.

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12 Carlos Marichal, *A Century of Debt Crises in Latin America: From Independence to the Great Depression, 1820-1930* (Princeton: Princeton University Press, 1989).

13 Rui Esteves and João Tovar Jalles, 'Like Father Like Sons? The Cost of Sovereign Defaults in Reduced Credit to the Private Sector', *Journal of Money, Credit and Banking*, 48 (2016), 1515–1545.

14 P.J. Cain, and A.G. Hopkins, *British Imperialism: Innovation and Expansion, 1688 – 1914* (London: Longman, 1993); Lewis, *British Railways* p. 98.

15 William Summerhill, 'The Development of Infrastructure', in *The Cambridge Economic History of Latin America,* Volume II: *The Long Twentieth Century,* ed. by Victor Bulmer-Thomas, John H. Coatsworth and Roberto Cortés Conde (Cambridge: Cambridge University Press, 2006), p. 295.

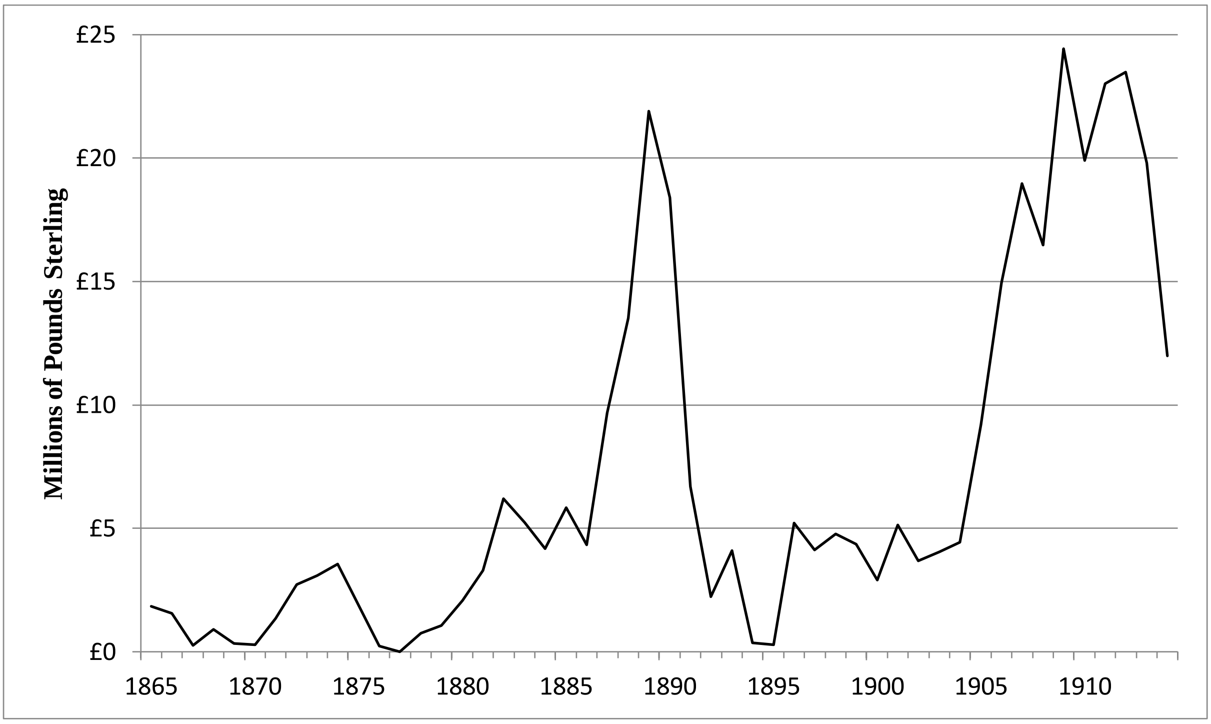
16 Michael Edelstein, *Overseas Investment in the Age of High Imperialism The United Kingdom, 1850-1914* (London: Methuen, 1982), p. 3.

17 Lance E. Davis and Robert A. Huttenback, *Mammon and the Pursuit of Empire: The Political Economy of British Imperialism, 1860-1912* (Cambridge: Cambridge University Press, 1986), p. 38.

The first ended with the Baring crisis, perpetuated by a speculative bubble in Argentine railway securities. Levels of capital investment in the sector did not return to similar levels until a second period of large-scale investment began around 1905. This period was ended by the outbreak of the First World War. As Marichal demonstrates, cyclical changes in the outflow of capital from the London capital market were the major determinant of the availability of capital in the capital-poor countries of Latin America.[18] However, the distribution of this capital was determined by competition between countries. Within this vein Summerhill argues: ‘worries on the part of investors over the prospect of excessive regulation or expropriation mean that infrastructure investment may languish at levels much lower than are warranted by prevailing conditions, and less than necessary for future growth’.[19] Adjusting public policy to mirror British institutions mitigated the perceived risk; government guarantees ensured sufficient profitability to attract investment. By so doing, they were abiding by North’s ‘rules of the game’.[20]

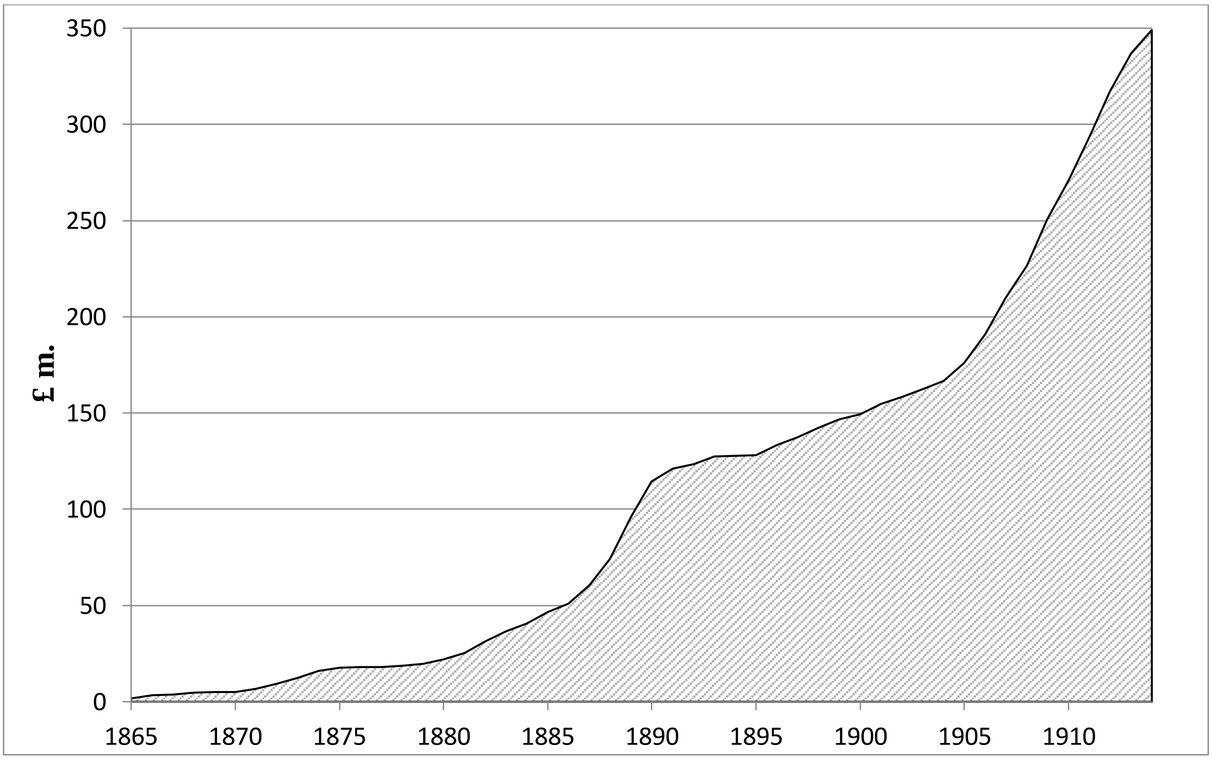
18 Marichal, *A Century*.
19 Summerhill, ‘Development of Infrastructure’, p. 295.
20 Douglass North, *Institutions, Institutional Change and Economic Performance* (Cambridge: Cambridge University Pres, 1990).

Fig. 1.4 – Annual British Investments in Latin American Railways, 1865-1914.



Source: Irving Stone, *The Global Export of Capital from Great Britain, 1865-1914* (London: Macmillan, 1999). pp. 342-51.

Fig. 1.5. – Cumulative British Railway Investment in Latin America, 1865-1914.



Source: Irving Stone, *Global Export*, pp. 342-51.

As fig. 1.5 demonstrates, the flow of British capital to Latin America between 1905 and 1914 was greater than the sum of all previous investments. In Colombia this coincided with the first sustained period of political stability since independence. The country's network looked primed for a new era of expansion. Yet by the beginning of the First World War, when large-scale British investment in Latin American effectively ended, investment in the railway sector was not much greater than it had been in 1890.[21] Why did the country miss out on this bonanza? Across Latin America economic historians have demonstrated that railways were a net positive for the economy.[22] The experience is summarised well by Coatsworth, who notes that 'the promise and the reality came much closer together … than it did in many other backward regions of the world'.[23] From a comparative perspective, Herranz demonstrates that the impact of the railway was dictated by the length of the railway network constructed.[24] Railways provided great advantages, and the competition for British railway investment had a profound impact on Latin American economies. Areas which attracted British investment were at a significant competitive advantage to those that did not. Defining why British railway investment in Colombia was lacking, is thus paramount to understanding its economic history.

In 1904, just as the period of the greatest flows of British capital to Latin America was about to start, Rafael Reyes was elected as President of Colombia. Railway development with British capital was a central component of Reyes's political platform. As this thesis shall demonstrate, in the short-term, his project was highly successful at attracting British capital. The first chapter

21 J. Fred Rippy, *British Investments in Latin America, 1822-1949: A Case Study in the Operations of Private Enterprise in Retarded Regions* (Hamden: Archon, 1966), pp. 39, 68.

22 Summerhill, 'Development of Infrastructure'; William Summerhill, *Order against Progress Government, Foreign Investment, and Railroads in Brazil, 1854-1913* (Stanford: Stanford University Press, 2003); John H. Coatsworth, *Growth against Development: The Economic Impact of Railroads in Porfirian Mexico* (DeKalb: Northern Illinois University Press, 1981); Lewis, *British Railways*; Colin Lewis, *Public Policy and Private Initiative Railway Building in Sao Paolo 1860-1889* (London: Institute of Latin American Studies, 1991); Alfonso Herranz, 'Transport Techonology and Economic Expansion: The Growth Contribution of Railways in Latin America before 1914', *Journal of Iberian and Latin American Economic History*, 32 (2013), 13-45.

23 Coatsworth, *Growth*, pp. 78-9.

24 Herranz, 'Transport technology'.

demonstrates that the Reyes administration revolutionised Colombia's relationship with foreign capital markets. The central focus of the thesis is Reyes's *Quinquenio* (1904-09) and the period between the fall of the *Quinquenio* and the outbreak of the First World War (1909-14). This period is largely overlooked within the scant national literature on railways. The thesis demonstrates that this period fundamentally shaped the railway development policy enacted in subsequent decades, which determined the economic trajectory of the country. The thesis also summarises events during 1914-30, to demonstrate that the policy formulated and solidified within national politics during 1909-14, was implemented increasingly aggressively in the interwar period. The thesis argues that the *Quinquenio,* and the policies implemented within it, were the last chance for Colombia to develop its railway network with British capital. More specifically, it argues that the end of the *Quinquenio* coincides with a sharp contraction in flows of capital to Colombia. This contraction – caused by hostile public policy – continued until 1914, when large-scale British investment in Latin American railway ceased. The thesis argues that the failure of Reyes to consolidate power, and emulate the continuity of the *Porfiriato*, inhibited the *Quinquenian* project of railway expansion. As a result, Colombia had to wait for large-scale North American investment in the 1920s to expand the embryonic railway network. The thesis argues the construction of this network in the 1920s was heavily influenced by public policy developed in the period 1909-14. This policy – which sought national ownership above all else – led to significant financial resources being expended on nationalising existing British railways, instead of expanding the existing route mileage.

1.3 **The Central Problem**

The experience of British railway companies is explored through five chapters which follow this introductory chapter. Chapter two focusses on the evolution of Colombian politics towards foreign investment. Chapter three focusses on the CNoRC and GNCRC which are termed as the 'northern railways', conceived to link the departments of Cundinamarca and Santander.

Chapter four focusses on the CNRC, which linked the capital Bogotá with the Upper Magdalena River valley. Chapter five explored the BRPC and SMRC, serving the Caribbean ports of Barranquilla and Santa Marta. Chapter six focusses on the DRC, which linked the upper and lower Magdalena River, providing a link between the CNRC and the Caribbean coast. A final seventh chapter presents the central conclusions of the thesis.

This thesis addresses the following question: Why did British railways in Colombia not expand as they did in Argentina, Brazil, Chile, or Mexico? The thesis argues that the causes were multifaceted, and quite different to those posited within the historiography to date. The first factor identified, is the negative relationship of Colombia with international capital markets. This is a major focus of attention within the second chapter. The chapter argues that Reyes's *Quinquenio* succeeded in improving relations on a macro-level, but ultimately failed in maintaining this relationship on a micro-level. This argument is further developed in subsequent chapters. The second factor is the evolution of national politics. The second chapter demonstrates how the *Quinquenio* (1904-09) represents a single period of political policy, within the wider development of national politics towards railways. Subsequent chapters demonstrate that a second period, from the fall of the Quinquenio to the outbreak of the First World War (1909-14), was dominated by developing nationalism towards British railways and foreign capital. The third, fourth, fifth, and sixth chapters demonstrate how this nationalism materialised on a local basis, ending continued expansion. The second chapter demonstrates that the transition between the two periods of national policy is symptomatic of a political struggle between the ideology of two political actors: Santiago Pérez Triana and Jorge Holguín. The third factor is the impact of the War of a Thousand Days. This is a major focus of the fourth chapter, but it also shown to have been a less influential but relevant factor for the other railway companies surveyed. Chapter four demonstrates how the financial costs of the war financially crippled the CNRC from the outset, and ultimately caused its bankruptcy and forced nationalisation. The fourth factor is the struggle for influence between local elites, national and local governments, and international capitalists. This is a central factor explored in the third, fourth, fifth, and sixth chapters. These demonstrate that the power dynamics in Colombia, were not conducive for the stable environment necessary for expansion of foreign railway companies. Moreover, the thesis demonstrates that this was a systemic problem, pervasive within the Colombian context. The fifth factor is corruption. The second chapter demonstrates corruption was a significant problem which paralysed early attempts to attract British investment. Subsequent chapters demonstrate that corruption remained a persistent problem for British railways. Santiago Pérez Triana, who played a pivotal role in the development of national railway policy, is shown to have repeatedly engaged in corrupt activities relating to railway projects. The final factor is contractual instability. This is a common thread running through each chapter, affecting every surveyed railway company. This contractual instability was caused or accentuated by each of the preceding five factors: relationship with foreign capital markets, growth of nationalism within national politics, civil conflict, corruption and complex political power dynamics.

1.4 **The Historiography**

1.4.1 *Colombia*

Ocampo demonstrated the central dilemma which defined nineteenth century Colombian history: finding a commodity which could be produced in the interior was simple, trading commodities successfully was an altogether different matter.[25] Before the development of railways, export industries were limited not by a lack of commodities, but by the inaccessibility of the interior. As Safford demonstrates, the cost of freight was prohibitive for all but the most

[25] José Antonio Ocampo, *Colombia y la Economía Mundial, 1830-1910* (Bogotá: Siglo Vientiuno, 1984).

valuable of cargoes.[26] Throughout the nineteenth century, local elites engaged in a series of short-lived speculative booms, aiming to find a commercially viable product for international trade. Until the development of the coffee economy, the only commodity which saw a modicum of success, and a sustained period of consistent trade, was the tobacco farmed on the banks of the Magdalena River, which offered a natural highway to the Caribbean ports.[27] Outside of the Magdalena River valley, the mining of gold remained fundamental to the economy until the take-off of coffee cultivation.[28] The country was thus blessed and cursed in equal measure by geography. Colombia's mountainous terrain and equatorial latitude enabled a plethora of agricultural commodities to thrive, but these same characteristics dislocated markets and isolated the interior.

The lack of transport infrastructure played a key role in nineteenth century Colombian history. Contemporary British observers such as landowner Robert Haldane, his neighbour and compatriot William Wills, or the British Foreign Office consistently identified it as a major cause of Colombia's lacklustre commerce and economy.[29] It is also almost universally acknowledged as a major factor within the nation's economic historiography.[30] It would seem logical, in a region in which the lack of transportation infrastructure had such a defining impact on its history, that explaining the lack of railways would have been a key topic within the national historiography. However, quite the opposite is true. Until relatively recently there was

26 Frank Safford, 'El Problema de los Transportes en Colombia en el Siglo XIX', in *Economía Colombiana del Siglo XIX*, ed. by Adolfo Meisel Roca and María Teresa Ramírez (Bogota: Banco de la Republica, 2010).

27 Luis Sierra, *El Tabaco en la Economía Colombiana del Siglo XIX* (Bogotá: Universidad Nacional, 1971).

28 William McGreevy, *An Economic History of Colombia 1845-1930* (Cambridge: Cambridge University Press, 1971).

29 Letter from Robert Haldane to John D. Powles, dated 9 October 1862, in John D. Powles, *New Granada: its internal resources* (London: Bailey and Co., 1863); Malcolm Deas, *Vida y Opiniones de Mr William Wills, Vol II* (Bogotá: Banco de La Republica, 1996); 'Report on the Agricultural Condition of Colombia' 1888, Vol. C, C. 5252-223.

30 Luis Nieto Arteta, *Economía y Cultura en la Historia de Colombia* (Bogotá: Ediciones Tercer Mundo, 1962); Frank Safford, and Marco Palacios, *Colombia Fragmented Land, Divided Society* (Oxford: Oxford University Press, 2002); Anthony McFarlane, *Colombia Before Independence: Economy, Society, and Politics Under Bourbon Rule* (Cambridge: Cambridge University Press, 2002); Safford, 'El Problema de los transportes'.

almost a complete silence on the subject. Specific studies of railways are almost entirely absent. Where they exist, they tend to focus on the subject from their operational and engineering history, or else provide a simple narrative on the construction of the network.[31] It is only recently that analytical studies have been carried out examining the economic impact of the railways. These studies have shown that the impact was important, but limited by the diminutive size of the constructed network.[32] More specifically, from a local perspective, where railways were built, they have been shown to have had an equally important impact on the economy as was the case elsewhere in the region.[33] New industries emerged as a direct result of railways.[34] The internal commerce in agricultural commodities expanded greatly as a result of their development.[35] Mining activities likewise increased in scale due to the expanding potential market created by a lower cost of freight.[36] Moreover, recently the construction of the nationalised railway network in the 1920s has been shown to have been operationally profitable.[37] Whilst the nationalised railway network constructed in the 1920s has received close attention in recent years, there is a complete silence on the British network which preceded it.

The explanation for this lack of focus lies with the central thesis of the two strongest currents running throughout the country's economic history. The first is dependency theory. The

31 Gustavo Arias de Greiff, *La Mula De Hierro* (Bogota: C. Valencia Editores, 1986); Alfredo Ortega, *Ferrocarriles Colombianos: Resumen Histórico*, 2 vols (Bogotá: Imprenta Nacional, 1920); Alfredo Ortega, *Ferrocarriles Colombianos: La Última Experiencia Ferroviaria Del País 1920-1930* (Bogotá: Imprenta Nacional, 1932).

32 María Teresa Ramírez, 'Los ferrocarriles y su impacto sobre la economía colombiana', *Journal of Iberian and Latin American Economic History*, 19 (2001), 81-122; Andrew Primmer, 'La historia económica del Ferrocarril de Girardot' (Master's Thesis, Universidad Nacional de Colombia, 2013); María Teresa Ramírez and Álvaro Pachón, *La infraestructura de transporte en Colombia durante el Siglo XX* (Bogotá, Banco de la República, 2006).

33 Primmer, 'Historia económica'.

34 Primmer, 'Historia económica', pp. 147-75.

35 Primmer, 'Historia económica', pp. 73-107.

36 Primmer, 'Historia económica', pp. 115-30.

37 Adolfo Meisel, María Teresa Ramírez, and Juliana Jaramillo, 'Too late but profitable: Railroads in Colombia during 1920–1950', *Investigaciones de Historia Económica - Economic History Research*, 12 (2016), 165-80.

development of railways has often been portrayed as a means of better facilitating the exploitation of Latin America's resources by foreign powers.[38] *Dependistas* thus link the railway with the idea of foreign domination and Latin American victimhood. They do not view railways as having benefitted the economy. On the contrary, they believe that these tied the country to a repeated boom and bust cycle, created by the fluctuating international demand for agricultural commodities.[39] The trailblazing study of McGreevy, which was the first to apply the New Economic History to the Colombian case, as well as more recent studies, demonstrate that railways were in fact a net positive for the Colombian economy.[40] The second strand focusses on geographical factor endowments, mirroring the argument made in *Is Geography Destiny*.[41] They have argued that railways were not suited to Colombian terrain, and that geographical challenges explain the lack of foreign investment.[42] A major flaw in this argument is the fact that geographical challenges failed to deter British investors elsewhere. The period which saw Colombia unable to compete for British capital with countries such as Argentina, Brazil, Chile, Cuba, and Uruguay saw the construction of the Sao Paolo and Imperial Mexican railways.[43] Both represented equally daunting engineering challenges and received much greater capital investment than any Colombian railway company. Neither of these currents provide their adherents incentive to investigate railway development. The first views the development of railways through the lens of victimhood, and the second argues Colombia was doomed to failure because of its factor endowments. Both currents are influenced by a wider trend identified by Brown, in which Latin America is understood historically as either a victim

[38] Oscar Zanetti, and Alejandro García, *Caminos para el azúcar* (Havana: Editorial de Ciencias Sociales, 1987).

[39] Ocampo, *Colombia y la Economía Mundial*.

[40] McGreevy, *An Economic History*; Ramírez, 'Los ferrocarriles y su impacto'.

[41] John Luke Gallup, Alejandro Gaviria, and Eduardo Lora, *Is Geography Destiny? Lessons from Latin America* (Stanford: Stanford University Press, 2003); Safford and Palacios, *Colombia*; Safford, 'El problema de los transportes'; McFarlane, *Colombia*.

[42] Safford, 'El problema de los transportes'.

[43] David Pletcher, 'The Building of the Mexican Railway', *Hispanic American Historical Review*, 30 (1950), 26-62; Lewis, *Public Policy*.

or a failure, lacking the necessary agency to shape its own destiny.[44] Hernán Horna's work on railways establishes a middle ground between these two currents.[45] His revisionist study of the railways of Javier Cisneros (the country's first regional railways built in the 1880s) demonstrates that Latin American engineers and national capital played a far more important role in the development of Colombian railways than had previously been acknowledged. Rather than conform to the predominant ideas of geographical impracticality, or political and economic dependency, Horna argued in favour of Latin American shaping its own destiny. This thesis develops this same argument by demonstrating how Colombian elites determined their relationship with British capital on their own terms, ultimately deciding to forgo the benefits of British railway investment to avoid a loss of national sovereignty.

The national historiography has hitherto focussed on two periods of railway development. The first is the 1880s in which the Cuban engineer Javier Cisneros built the first railways.[46] At the end of the 1880s, during a boom of British investment, most railroads were transferred to companies registered in London. As was true throughout Latin America, during the 1890s further investment was inhibited by the Baring banking crisis of 1890, caused by speculation in Argentine railway securities. Without access to foreign capital, national attempts to develop the network were largely ineffective. According to Rippy, during this period North American engineers failed in their railway endeavours because accumulations of capital in the United States for foreign investments 'were comparatively small until after 1910'.[47] The second period of focus is the 1920s.[48] During this decade the Ministry of Public Works used North American capital to build new and nationalize existing railways. The intervening period has been

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44 Matthew Brown, *From Frontiers to Football: An Alternative History of Latin America Since 1800* (London: Reaktion, 2014), pp. 8-9.

45 Horna, *Transport Modernization*.

46 Ibid.

47 J. Fred Rippy, 'Dawn of the Railway Age in Colombia', *Hispanic American Historical Review*, 33 (1943), 650-63.

48 Ramírez, 'Los ferrocarriles y su impacto'.

completely overlooked by historians. The lack of a study of British railways which represented the 'dominant' influence within the nations' transport infrastructure is striking.[49] Upwards of 60% of the diminutive network was British. Between the capital city Bogotá and the port city of Barranquilla, a chain of small British railways connected central Colombia with the outside world. British railway companies thus controlled the interior's link with the world economy. The export/import trade was monopolised by these British railway companies, helping to foment national political opposition and even affect diplomatic relations.[50] The infamy of the railways was such that the defeat of British railway workers in an impromptu game of football in 1927 was announced with jubilation by *the* national newspaper.[51] The period between 1902 and 1914 witnessed the greatest flow of British capital to the Latin American railway sector in history. This being the case, why did they not expand? This question is not only unanswered; until this thesis, it has never even been asked. This thesis shows conclusively that in Colombia – in stark contrast to countries like Argentina, Brazil, and Mexico – *avoiding*, rather than *ensuring* the expansion of British railways was central to public policy.

1.4.2 *Latin America*

Compared with Colombia, railways have featured far more prominently in the historiography of other Latin American countries. They have been engaged on both the left and right as a standalone object of study throughout the region. Both proponents of dependency theory and neo-classical analysis agree on the profound impact the railways had on the region. Whether in the now classic work of the Cuban school of dependency *Caminos para el azucar*, or the works of Summerhill and Coatsworth stemming from the New Economic History of North America,

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49 'Report on the Railways of Colombia' 1910, Vol. XCVI, Cd. 4968, p. 6.

50 Jorge Martínez L., *Los nuevos piratas del Estado la Corte Suprema de Justicia y sus impugnadores* (Bogotá: Editorial Manrique, 1926); República de Colombia, *La Nación contra the Colombian Northern Railway Company* (Bogotá: Imprenta Nacional, 1922).

51 'El equipo Honda de fútbol derrota a los ingleses de The Dorada Railway' *El Tiempo,* 20 December 1927.

the railways are acknowledged to have gone hand-in-hand with the currents of export-based economic development which swept through the region in the late nineteenth and early twentieth centuries.[52] Indeed, within Mexican economic historiography, historians across the ideological spectrum can agree on one thing: that railway development 'stimulated economic activity' and was the most important event of the late nineteenth century.[53] Railways have been shown to have been both products and progenitors of export-led development. The synergy between the two created a market for commodities produced in the hinterlands, whilst the ever-expanding radius of international commerce created demand for railways in those areas not already linked directly with the world economy.[54]

Many authors have documented how Latin American politicians went to considerable lengths to attract British capital.[55] Accessing British capital and railways was paramount to Argentine elites: ensuring the continuity of their link to British capital markets was a priority of public policy. As such, in 1870, when an economic crisis threatened the capacity to service its sovereign debt, President Nicolás Avellaneda promised Argentina would 'willingly suffer privations and even hunger to sustain the international credit and reputation of the national government'.[56] Argentina's positive relationship with the British capital market meant it was particularly successful attracting investment. Indeed, British investors were so confident, that a speculative boom in Argentine railway securities nearly crashed the entire financial system with the Baring crisis of 1890.[57] Latin American success in attracting railway investment correlates strongly with their relationship to the British capital market, which depended on compliance to British institutions. Lewis argues that in Argentina the central requirement for

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52 Summerhill, 'The Development of Infrastructure'; Summerhill, *Order*; Coatsworth, *Growth*; Lewis, *British Railways*; Lewis, *Public Policy*; Herranz 'Transport Technology'; Zanetti and Garcia.

53 Paul Garner, *Porfirio Díaz* (London: Pearson, 2001), p. 179.

54 Lewis, *British Railways*; Lewis, *Public Policy*.

55 Lewis, *British Railways*; Lewis, *Public Policy*; Cain and Hopkins, *British Imperialism*, I.

56 Marichal, *A Century*, p. 105.

57 A.G. Ford, 'Argentina and the Baring Crisis of 1890', *Oxford Economic Papers*, 8 (1956), 127-50.

investment was local elites following 'the rules of the game' of the emerging international financial system.[58] Wright demonstrates that Argentina's first example of serious nationalism occurred with the Andino Railway in 1907, and subsequently 'British-owned railways precipitated … antiforeign economic nationalism between 1909 and 1914'.[59] Similar developments occurred during this period in Uruguay.[60] In Mexico this period coincides with the nationalist revolution. By this point Argentine, Uruguayan, and Mexican railways were mature, and companies had laid hundreds or thousands of kilometres of track. The thesis demonstrates that this same reaction occurred in Colombia, but at a much earlier stage of railway development. In the case of the GNCRC, this was before the railway had completed its first 20km of line. The thesis argues that this can be partly explained by the Panamanian experience, and that Colombia was caught in the wider political currents of anti-imperialism. However, the thesis demonstrates that over and above the regional patterns, there was something fundamentally different about the Colombian elites' relationship with foreign capital. This thesis demonstrates that a significant factor in the lacklustre railway expansion performance in Colombia was that Colombian elites – in contrast to their regional counterparts – were determined to forge links with British capital on their own terms, refusing to cede their destiny to external economic influences.

1.5 **Methodology**

1.5.1 *Sources*

The sources used by this thesis have five main origins. The first is the Foreign Office section of the National Archives. Railway companies were afforded diplomatic assistance in disputes

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58 Lewis, *British Railways*, p. 98.

59 Winthrop Wright, *British-Owned Railways in Argentina Their Effect on Economic Nationalism, 1854-1948* (Austin: University of Texas Press, 1974), p. 103.

60 Gastón Díaz 'Uruguay' in *La expansión ferroviaria en América Latina*, ed. by Sandra Kuntz Ficker (Mexico City: COLMEX, 2015), p. 255.

with local government and political actors. Documentation for these was collected by Foreign Office officials in Colombia. The great advantage of these sources is that they contain correspondence from both the Colombian and British sides. These illustrate the Foreign Office's public position, and through their correspondence with Whitehall, their private position. The second is the railway section of the Ministry of Public Works archive held by the National Archive of Colombia in Bogotá. These provide much of the same documentation contained in the Foreign Office archive: official correspondence with British diplomats. However, the internal correspondence relating to these disputes gives a clearer perspective of the private position of Colombian officials. The Ministry of Foreign Relations section of the same archive provides correspondence of important Colombian political actors, whilst exercising roles in the Colombian consular offices in London. The third is the Guildhall Library stock exchange section. Annual Reports for railways provide operational and financial information which is used to reconstruct the financial and operational history of the railway companies. The daily newspaper *course of the exchange* held by the library, is used to create price series for Colombian sovereign debt bonds during the period 1822-1860. *Investor Monthly Manual* is used for the period 1870-1909. These sources are used to provide price series for other nations in Latin America providing a comparative perspective. The fourth is the British Board of Trade 'files of dissolved companies' section of the National Archive, and the Companies House archive. These provide shareholder lists by year and were used to analyse changes in ownership. The fifth is the Luis Ángel Arango library in Bogotá. This library holds many pamphlets, contemporary books, and manuscripts relating to the railway companies used throughout the thesis. The main drawbacks of the sources are the gaps in the records, and the overwhelming volume of material. Narrating and analysing all the relevant experiences of the railways contained within the archives would have been impossible within the word limit. This problem is addressed by focussing on the most important and influential experiences of each company. These vary, but each chapter generally focusses on one influential legal dispute, contractual and operational issues during expansion projects, and disputes with local political actors.

Where gaps in the archival record exist within the National Archives Foreign Office section, they have generally been filled with company annual reports. Gaps in the Ministry of Public Works archive have been filled with contemporary pamphlets and official serialised governmental publications. Chapter four presented the greatest problem in this regard. Gaps exist on both the British and Colombian side. Coverage was good within the Foreign Office archive for the first years of construction. This allowed an important analysis of British financier Henry Jenks's involvement. Contemporary Colombian literature provided a counter perspective on his role. Within the Ministry of Public Works archive, the papers for the CNRC have been misclassified, meaning it was impossible to access most of the material. By chance, one volume was located whilst researching the GNCRC. But this was the only archival material relating to the company available. Coverage of the railway within contemporary pamphlets and newspapers helped to better ascertain how the company was viewed within Colombia, but did not solve the problem entirely. Likewise, the material in the archive of the Ministry of Foreign Relations provided information for the actions of Colombian political actors connected to the CNRC in London. With the available material, determining the CNRC's perspective was difficult. Lacking sources for detailed qualitative analysis, chapter four implements quantitative analysis which includes a counterfactual projection. Sources existed in abundance for the experience of the railway during the War of a Thousand Days, allowing an initial qualitative analysis of the impact of the war. This analysis was combined with data for company finances, to demonstrate the long term financial impact of the conflict. The projection demonstrates that the costs of the war set the company on a path to bankruptcy from its inception. The chapters for which the best records exist, are Chapters three and six. A mix of

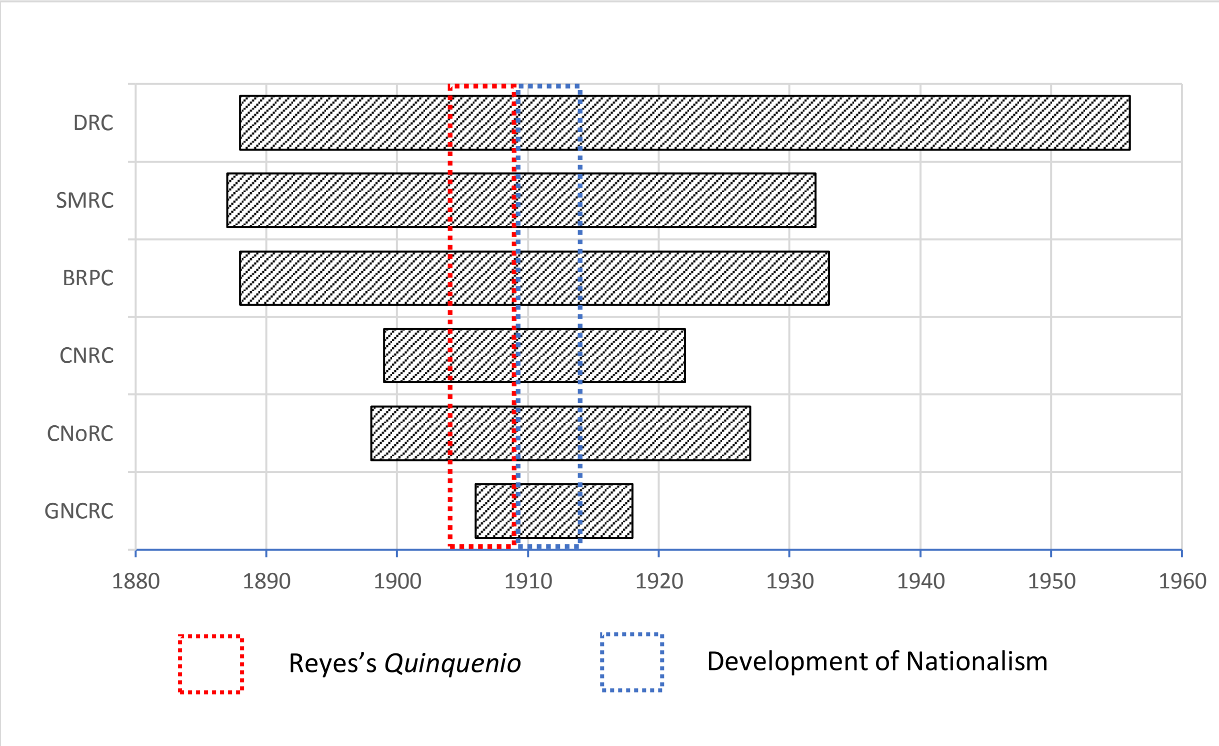
Foreign Office and Ministry of Public Works archival material, as well as pamphlets and newspapers, provide an uninterrupted record for both the Colombian and British perspective. This was also the case for the SMRC in chapter five. The record for the BRPC was complete on the Colombian side. However, on the British side sources were almost entirely absent, other than for the legal case of 1909. Gaps were addressed using company annual reports. The problems were less acute for the BRPC than the CNRC, because the lack of sources on the British side was not a result of misclassification. To summarise, within the thesis, where records are more extensive, a more detailed qualitative analysis of politics and everyday experiences has been utilised. Where records are scanter, analysis focusses more on company finances and shareholding patterns.

1.5.2 *Quantitative and Qualitative Methods:*

The thesis applies a mixed method incorporating both quantitative and qualitative analysis. As previously discussed, this mixed method has been adapted to address gaps in the source material. In chapter two, price series for sovereign debt bonds are created from monthly price data to demonstrate the evolution of Latin American country's politics towards foreign capital. These are analysed comparatively to demonstrate how Colombia differed from Argentina, Brazil and Chile. In chapter three, a counterfactual projection of company finances is realised to illustrate the impact of the War of a Thousand Days. In chapter six, a detailed graphical analysis of debt levels and profitability of the Manizales-Ambalema ropeway is included, to demonstrate the financial viability of expansion. In addition, chapters three, four, five, and six, all include a detailed analysis of company finances. These illustrate that given the required motivation, the companies could expand, illustrating the impact of institutional failure. In chapters three, five, and six, qualitative analysis of Company correspondence is utilised to demonstrate the everyday experiences of operating in the Colombian environment. These demonstrate that the development of nationalism, the government policy of railway nationalisation, associated legal disputes, corruption, and the complex nature of political power dynamics were the major factors precluding further expansion of the railways with British capital.

1.5.3 *Chronology:*

Fig. 1.6 – Lifespan of British railway companies (incorporation to nationalisation)



Sources: See footnote.[61]

As is evident in fig. 1.6, the dates of incorporation as British companies and nationalisation varied significantly. To accommodate these differences, the chronology implemented in the thesis is flexible. The general limits of the thesis are the end of the War of a Thousand Days,

[61] Dates of Incorporation: DRC: TNA, BT31/4108/26379; SMRC: TNA, BT31/31074/24941; BRPC: 'Escritura No. 528 de 8 de Junio de 1888' AGN, República, Ferrocarriles, Vol. 322, ff. 110-15; CNRC: TNA, BT31/16224/62637; CNoRC: TNA, BT31/31593/55900; GNCRC: TNA, BT31/18051/92784. Dates of Nationalisation: DRC: 'Britain gets poor price for a railway' *Daily Mail*, 17 July 1956; SMRC: Eduardo Posada-Carbó, *The Colombian Caribbean A Regional History, 1870-1950* (Oxford: Oxford University Press, 1996), p. 171; BRPC: Posada, *Colombian Caribbean*, p. 170; CNRC: Theodore H. Hoffmann, 'A History of Railway Concessions and Railway Development Policy in Colombia to 1943' (unpublished doctoral dissertation, American University, 1947), p. 157; CNoRC: Hoffman, p. 233; GNCRC: Juan Santiago Correa, *Café y ferrocarriles en Colombia: los trenes santandereanos (1869-1990)* (Bogotá: CESA, 2012), p. 81.

and the beginning of the Great Depression (1902-1930). However, since the central question of the thesis relates to railway expansion using British capital, which ended on a large scale by 1914, the central focus of the thesis is the period 1904-1914. The total period surveyed for each railway varies depending on its experience. Each chapter aims to analyse the most important events for each railway under British ownership, to explain the expansion policy. In each case, the aim is to demonstrate how the railway arrived at a point at which further expansion with British capital was highly unlikely. This varied for each railway. To give sufficient context for the central analysis which follows, each chapter contains an origins section with a different start point reflecting the date of incorporation (often before 1902). The GNCRC – the railway with the shortest lifespan – was established as a British railway company in 1906. The bond dispute in 1909 made the chance of subsequent British investment effectively nil. However, negotiations between the company, the British Foreign Office, and local and national governments continued for many years. For this reason, the analysis of the GNCRC in Chapter three focusses overwhelmingly on the bond dispute and subsequent national propaganda campaign against the company. Subsequent negotiations and eventual nationalisation are covered briefly, but only to demonstrate that the railway followed a similar pattern to others surveyed in the thesis. The DRC, with the longest lifespan, was established as a British company in 1888, and was not nationalised until 1956. The DRC also continued expanding with British capital into the 1920s, unique within the Colombian context. It went through a protracted legal case termed the ‘Tolima tax’ from 1923 to 1936, the origins of which date back to the 1880s. In order to establish context, cover the ropeway expansion of 1913-22, and the legal dispute of 1923-36, a much wider chronological focus was necessary than implemented in other chapters. The chronology for the other railway companies falls somewhere between the concise focus of the GNCRC, and expanded view of the DRC. In general, each chapter focusses on the expansion of the railway company during the period 1904-09, before detailing how the change of government policy during 1909-14 ended prospects of future expansion. This is followed by a brief rundown of the path towards eventual nationalisation after 1914. As is evident in fig. 6, the date of nationalisation differed substantially, meaning a different cut-off point for each chapter. The GNCRC was nationalised in 1918, the CNRC in 1922, the CNoRC 1925, the BPRC in 1933, the SMRC in 1936, and the DRC in 1956.[62] As such the differing start and end points for British investment are reflected throughout the analysis implemented in the thesis.

1.6 Contextual and Theoretical Framework

1.6.1 *Local Elites*

The concept of local elites is ubiquitous within the study of Colombian history, and that of the Latin American region more broadly. Throughout this thesis, where the term 'local elites' is used, it refers to this concept. In the Colombian context, especially in areas of the country with large indigenous and slave populations, the term has a strong racial component. As Peter Wade argues, 'the political and economic elite [of Colombia] prided itself on its *limpieza de sangre*, clean blood, supposedly free from the "taint" of black or indian blood'.[63] However, ethnicity was but one factor which defined the small political and economic elite of Colombia. Whiteness, whilst helpful to social mobility, was not in of itself a marker of elite membership. In places with substantial Spanish descended populations, such as Boyacá, Cundinamarca, or Antioquia, whites occupied positions throughout the social strata. As Victor Uribe-Urán demonstrates, this white criollo elite intermarried to form clan like social formations, which monopolised administrative positions within the colonial government.[64] By the independence

62 DRC: 'Britain gets poor price for a railway' *Daily Mail*, 17 July 1956; SMRC: Posada, *Colombian Caribbean*, p. 171; BRPC: Posada, *Colombian Caribbean*, p. 170; CNRC: Hoffman, p. 157; CNoRC: Hoffman, p. 233; GNCRC: Correa, *Café y ferrocarriles*, p. 81.

63 Peter Wade, *Blackness and Race Mixture: The Dynamics of Racial Identity in Colombia* (Baltimore: John Hopkins University Press, 1993), p. 9.

64 Victor Uribe-Uran, *Honorable Lives: Lawyers, Family, and Politics in Colombia, 1780–1850* (Pittsburgh: University of Pittsburgh Press, 2000), pp. 20-44.

era, these colonial families had been intermarrying for many generations, and a small, strong, and insular group had formed at the top of Colombian society. Entry to this small group was delimited by barriers such as whiteness, wealth, education, membership of a profession, politics, and religion. Examples of entry to the inner circle of the criollo elite were few. One such example is immigration of British and European gentleman of social pedigree such as William Wills, or foreign mercenaries such as Daniel O'Leary, who were accepted for the valour and honour they showed in in the revolutionary war. There were also examples of white Colombians such as Pepe Sierra or Marco Fidel Suárez from lower social classes, who achieved social mobility by amassing great wealth, or through national politics. The most important information in the context of this study is that 'local elites' held membership to a small group of intermarried family clans, who enjoyed an incredibly strong grip on economic and political power. As the thesis demonstrates, these were largely unwilling to cede power to foreign interests.

1.6.2 *Imperialism*

Latin America had to bow to British institutions to access its capital market. As such, Latin American countries were compelled to accept a subservient commercial relationship to benefit from the advantages of British capital. In the analysis of Latin American history, dependency theory has rightly classified this economic relationship as unequal.[65] However, rather than focussing on subservience or exploitation, Knight prefers to ask *cui bono*: who benefited from this flow of capital? This approach is appropriate for British railways in Latin America.[66] Quantitative studies of Latin American railways suggest foreign railways were a net economic benefit. British capital commanded significantly lower interest than native capital markets (if they were available at all), which represents a net gain. Secondly, social savings calculations

[65] Marichal, *A Century*.
[66] Alan Knight, 'Rethinking British Informal Empire' in *Informal Empire* ed. by Brown, p. 46.

demonstrate that the benefits of railways in the region were generally high.[67] The question should therefore be: which factors were decisive in the allocation of British capital to Latin American infrastructure works?

The thesis focusses on the agency of local elites in the face of British capital, and its impact on investment. Gallagher and Robinson identify 'collaborating elites' as a key component of British Imperialism, and a particularly important factor in informal imperialism.[68] Cain and Hopkins argue that the driving force of British imperialism was a group of wealthy private investors termed 'gentlemanly capitalists'.[69] Based on the theoretical frameworks of Cain and Hopkins, and Gallagher and Robinson, within the Colombian context, the relationship between foreign investors and local elites represents the foundational basis of British imperialism. Combined, the concepts of 'informal imperialism' and 'gentlemanly capitalism' provide a theoretical framework for analysing railways as a transnational intersection of imperialism. But the Colombian case does not fit the 'colonizing, immigrative railway imperialism' model of Robinson et al.[70] The lack of immigration connected to the railway, enabled significant local agency in areas dominated by foreign interests.[71] The relationship between local 'collaborating' elites and 'gentlemanly capitalists', is the clearest and most important intersection of British imperialism in Colombia. Studying their relationship within railways as the most significant British investment, is the most efficient manner of observing Cain and Hopkins's 'British imperialism' in action. The thesis argues that fundamentally, it was the agency of Colombian

67 Summerhill, *Order*; Coatsworth, *Growth*; Herranz, Alfonso, 'Transport Technology'.

68 John Gallagher and Ronald Robinson, 'The Imperialism of Free Trade', *The Economic History Review*, 6, 1 (1953), 1-15.

69 Cain and Hopkins, *British Imperialism*, I.

70 *Railway Imperialism*, ed. by Clarence B. Davis, Kenneth E. Wilburn and Ronald E. Robinson (Westport: Greenwood, 1991), p. 187.

71 Catherine C. LeGrand 'Living in Macondo Economy and Culture in a United Fruit Banana Enclave in Colombia' in *Close Encounters of Empire: Writing the Cultural History of U.S.-Latin American Relations* ed. by Gilbert M. Joseph, Catherine C. LeGrand, and Ricardo D. Salvatore (London: Duke University Press, 1998), pp. 333-368 (pp. 354-5).

elites in the face of British capital, inspired by a determination to maintain sovereignty and shape their own destiny, which inhibited investment.

1.6.2 *Transnational Capitalists and Middle-Class Capitalists*

In addition to the idea of 'gentlemanly capitalists', the concept of 'transnational capitalists' is applied within the thesis to explain the patterns evident within the shareholding of the railways. Sklair has argued that the current process of globalisation is connected to what he terms the 'transnational capitalist class'. The economic interests of this social class depend on economic processes which operate across borders, and they cannot be understood as a standard national capitalist class.[72] Sklair's analysis is Marxist, but the delineation of the social group he identifies applies equally to the shareholding patterns presented within the thesis. As such, even though the wider Marxist conceptual framework is counterintuitive to that of the thesis, his classification of a social class based on transnational economic interests is highly appropriate.

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[72] Lesley Sklair, 'The transnational capitalist class and the discourse of globalisation', *Cambridge Review of International Affairs*, 14, 1, (2000) 67-85; Lesley Sklair, *The Transnational Capitalist Class* (London: Wiley, 2000).

Fig. 1.7 – Conceptual Framework for the delineation of Social Classes with interests within the Shareholding of British Railway Companies

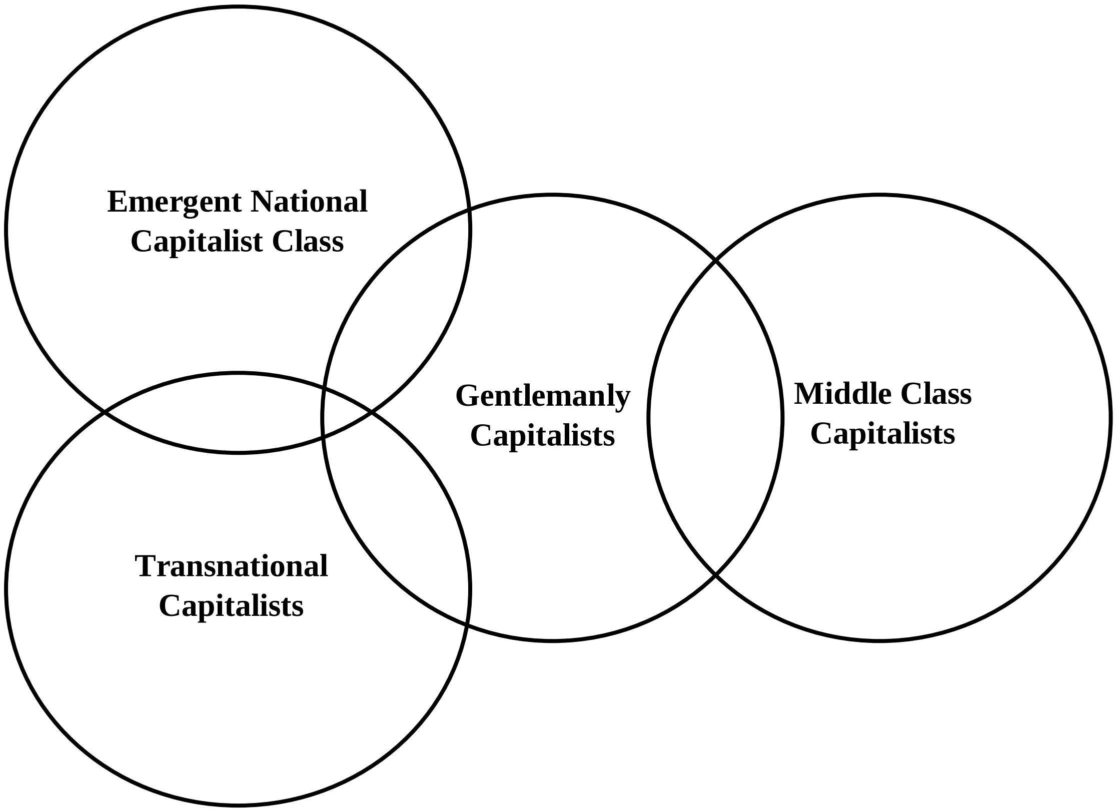

Fig. 1.7 illustrates the conceptual framework applied to interests in the railways. Colombian 'local elites', or what is termed throughout as the 'emergent national capitalist class', represent a standard national capitalist class. Skair's 'transnational capitalist class' is referred to throughout as 'transnational capitalists'. The thesis argues that 'transnational capitalists' held sway over ownership of certain railways, and that pursuit of their interests – over those of the region – was detrimental to railway development. The thesis illustrates that 'gentlemanly capitalists' held a dominant role within British railways, but a separate social class which does not fit Cain and Hopkins's definition also features. On one layer this group was comprised of professionals such as accountants, clerks, banking clerks, lawyers, doctors, etc. On another it included the proprietors of small businesses such as butchers, grocers, drapers, chemists, ironmongers, etc. This group is referred to as middle-class capitalists. Through the Colombian case study, the thesis delineates three levels of international capitalism and British imperialism

in Latin America. For the 'transnational capitalist', the railways directly served transnational economic processes such as banana exportation, from which their economic power was derived. Conversely, the interests of the emerging national capitalist class, the middle-class capitalists, and the 'gentlemanly capitalists', was dependent on the railway's operational profitability, which protected or supplemented their wealth. In all three cases, the strong connection of economic interests to their respective national economies means they cannot be considered as 'transnational capitalists'. The positions of authority 'gentlemanly capitalists' held within the London capital markets, allowed them to connect the other groups together. Within this context, the thesis provides a close view of the internal workings of international capitalism and British informal imperialism in Latin America in the early twentieth century.

1.6.3 *Political Economy*

According to North, 'Institutions are "the rules of the game" in a society or, more formally, are the humanly devised constraints that shape human interaction.'[73] These rules vary between societies. Companies, as vessels for the mobility of capital, need to adapt to or else shape or bend these rules to operate efficiently. Within this vein, Lewis argued that 'in order to establish a modern means of communication, Argentina was obliged to accept the rules of the game'.[74] Countries such as Argentina, Brazil, and Chile, which saw large-scale overseas capital investment, demonstrated sustained efforts to provide an attractive environment for foreign investment. Cain and Hopkins argue that the 'central requirement of the commercial pact between Britain and Argentina, was that sovereign debt should be honoured.'[75] Whilst these countries represented model debtors, as Deas argues, nineteenth century Colombia represented a model repudiator, especially under Nuñez.[76] Whereas the Argentine President would allow

[73] North, *Institutions*, p. 3.
[74] Lewis, *British Railways*, p. 98.
[75] Cain and Hopkins, *British Imperialism*, p. 291.
[76] Deas, 'Weapons of the Weak', pp. 173-86.

his nation to suffer 'hunger' to placate British investors, Colombian president Rafael Nuñez believed Colombia 'should only think of their debts after everything else that the country required had been amply provided for'.[77] The country spent most of the nineteenth century in default, and this was reflected in their standing in foreign capital markets.

North argues that an entrepreneur is an agent of change within a society, 'responding to the incentives embodied within the institutional framework'.[78] Investors in railway companies react to these same incentives. Change 'typically consists of marginal adjustments to the complex rules, norms, and enforcement that constitute the institutional framework'.[79] By focussing on the political economy of Colombia with respect to railway companies, this thesis illustrates how these marginal adjustments affected investment. The common application of a government guarantee of interest on railway bonds, is the most important example of marginal adjustments to national political economy which *positively* impacted investment. Rory Miller argues that in Latin America governments 'normally had to guarantee returns' to attract investment.[80] Guarantees were necessary to mitigate the perceived risk of investing in the region. Lewis and Summerhill demonstrated how guarantees were a determinant of British investment in both Argentina and Brazil.[81] For these reasons, the implementation of guarantees in railway financing during the *Quinquenio* is a key area of analysis throughout the thesis. The thesis illustrates that just as was the case elsewhere, the application of these policies significantly increased the availability of capital, mirroring the conclusions of Summerhill and Lewis.[82] North identifies how changes in the institutional framework modifies transactional and transformational costs.[83] On the macro-level these changes are embodied by the

77 Deas, 'Weapons of the Weak', p. 178; Marichal, *A Century,* p. 105.
78 North, *Institutions*, p. 83.
79 North, *Institutions*.
80 Miller, *Britain and Latin America,* p. 133.
81 Summerhill, *Order*; Lewis, *British Railways,* pp. 97-123; Lewis, *Public Policy,* pp.35-8.
82 Summerhill, *Order*; Lewis, *British Railways,* pp. 97-123; Lewis, *Public Policy,* pp.35-8.
83 North, *Institutions*, pp. 61-9.

development of the wider anti-imperialist political movement followed throughout the thesis. On the micro-level, the focus is specific issues emanating from the wider macro-level political changes, such as legal cases, levies on income, contractual renegotiations, expropriation, and bond disputes. The thesis illustrates that in accordance with North's theoretical framework, all these issues fundamentally influenced the cost and risk of doing business in Colombia, and as such, precluded further investment in the sector. Throughout this thesis, reference to 'political economy' relates to the impact of politics and institutions on the cost of business and availability of capital.

Chapter 2. – The Politics of Foreign Investment

2.1 **Introduction**

> In the city of London … [until] a few years ago … [Colombia] was looked upon merely as a misgoverned state, in a perpetual state of revolution, and as a place to be avoided, as the grave of all capital which anyone was foolish enough to invest in.[1] Francis Loraine Petre, Colombian National Railway Company Director, 1906.

Colombia spent the nineteenth century in default to British bondholders. Recent scholarship indicates nineteenth century European capital markets were sophisticated mechanisms, within which bodies such as the Council of Foreign Bondholders played integral roles.[2] Furthermore, Esteves and Tovar have shown that sovereign default had significant and long-lasting negative effects for private sector investment in the Latin American region.[3] However, within the Colombian context, the long-term impact of continued default remains unknown, because the national historiography largely overlooks how sovereign debt management influenced the perception of Colombia in international capital markets.[4] Junguito provides a comprehensive history of the country's fiscal mismanagement, and its role in Colombian underdevelopment, but the focus is internal.[5] Ocampo's 'speculative production' model, or Palacios's study of coffee, provide more external perspectives, but their focus is on Colombia's insertion into the world economy through export agriculture, and do not address how Colombia was perceived in Europe.[6] Thus whilst Colombian historiography acknowledges that repeated fiscal crises shaped the country's economic history, Colombia's image overseas is largely unknown. [7] This

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1 F. Loraine Petre, *The Republic of Colombia, an Account of Its People, Its Institutions and Its Resources* (London: Edward Stanford, 1906) p. 2.

2 Flandreau, 'Caveat Emptor'.

3 Esteves and Tovar, 'Like Father Like Sons?'.

4 From a general perspective, the national historiography focusses on internal finances and the export sector, rather than how financial mismanagement helped to mould Colombia's relationship with the world economy: Roberto Junguito, *La deuda externa en el siglo xix: cien años de incumplimiento* (Bogotá: Banco de la República, 1995); Mauricio Avella Gómez, 'El financiamento externo', in *Economía Colombiana*, ed. by Meisel and Ramírez; Ocampo, *Colombia y la Economía Mundial*.

5 Junguito, *La Deuda Externa*.

6 Ocampo, *Colombia y la Economía Mundial*; Marco Palacios, *Coffee in Colombia, 1850-1970: An Economic, Social and Political History* (Cambridge: Cambridge University Press, 1980).

7 Ocampo, *Colombia y la Economía Mundial*.

creates a problem. To understand British investment, we need to understand how Colombia was perceived in London.

The aim of this chapter is to provide this contextual base. The chapter establishes the following questions. First, how was Colombia's sovereign debt managed during 1822-1900, and what image did this cultivate in London? Secondly, to what extent was sovereign debt management dictated by politics, and if so, in what form? Thirdly, how did Colombia's sovereign debt management compare to regional counterparts? Fourthly, how did Colombia's sovereign debt management during the *Quinquenio* (1904-1909) differ, and how did this influence the image of the country in London? Finally, how can we best define the contrasting viewpoints on foreign investment in nineteenth and early twentieth century Colombia? The chapter argues that sovereign debt management was poor during the nineteenth century and cultivated a negative image of the country in London. It demonstrates that by the end of the century, repeated defaults were a result of a deliberate policy of repudiation of debt, indicative of the Colombian elite's misunderstanding of the long-term consequences for subsequent foreign investment. The chapter demonstrates that Colombia compares poorly with major competitors such as Argentina, Brazil, and Chile. It also shows that Mexican and Colombian bonds performed similarly during the first five decades of independence, but that Mexico diverged from the pattern of repeated defaults during the *Porfiriato*. This left Colombia as the only major Latin American nation still exhibiting the pattern of repeated defaults characteristic of the region in the 1820s and 1830s. Loraine Petre's comment which opened the chapter, illustrates the effect of Colombia's repeated default: at the dawn of the railway age in Colombia, the country's sovereign debt record represented an impermeable barrier to foreign investment.[8] This chapter argues that this barrier was removed by Rafael Reyes's rehabilitation of Colombia's relationship with European capital markets. Colombian politics following the loss

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[8] Petre, *The Republic of Colombia*, p. 2.

of the department of Panama are presented as a crossroads, dominated by the question of national sovereignty. The path the country would take regarding this question would fundamentally shape the fate of British railway companies.

2.2 A Century of Default - "*La verdad de la deuda*"

2.2.1 *Early nineteenth century experiences*

Rippy established that the first few decades of the nineteenth century were characterised by a near universal collapse of the credit of Latin American countries, which is evident in fig. 2.1.[9] Brazil was the only country to stay solvent during this period. As such, Colombia's experience mirrored that of the wider region. Ultimately, default was a result of wider systemic problems caused by the speculative boom of the 1820s, which created unserviceable levels of debt. However, by the 1840s a divergence occurred within relationships with the British capital market. Sovereign debt still relied on diplomatic intervention, since British investors were yet to establish a formal system to manage their relationships with foreign governments. Correspondence between British and Latin American diplomats illustrates the emerging gulf between Colombia, and what Cain and Hopkins term 'compliant satellites' of British imperialism.[10] Throughout correspondence, Colombian officials argued that repudiation was justified and a sovereign right, with Minister of State Manuel María Mosquera commenting that this was 'a condition tacitly comprised in all contracts that a nation concludes with private individuals, whether natives or foreigners'.[11]

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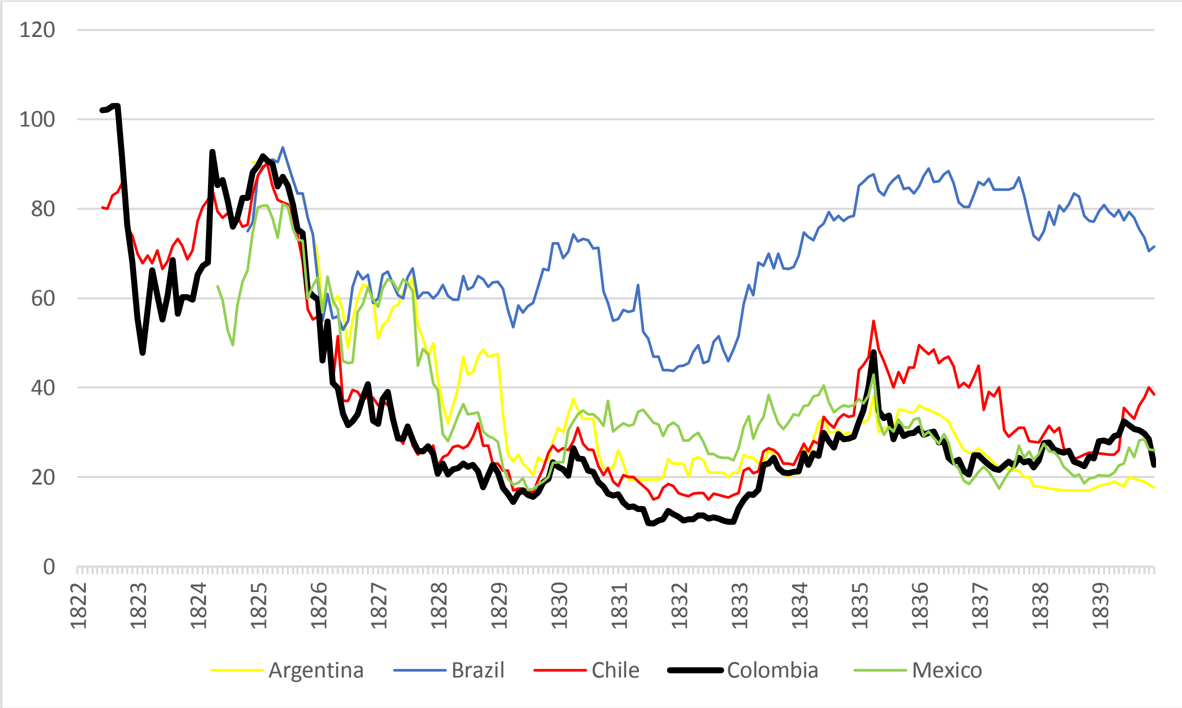
9 Rippy, *British Investments*, pp. 17-21.

10 Cain and Hopkins, *British Imperialism*, I, p. 58.

11 Mosquera to Palmerston, 27 March 1840, 'Correspondence with Foreign Powers relative to Loans by British Subjects, 1823-47'1847 Vol. LXIX, [839], p. 609.

Fig. 2.1 – Latin American sovereign debt bond prices, 1822-39 (Per cent of par value)



Sources: *Course of the Exchange*, 1822-1838.[12]

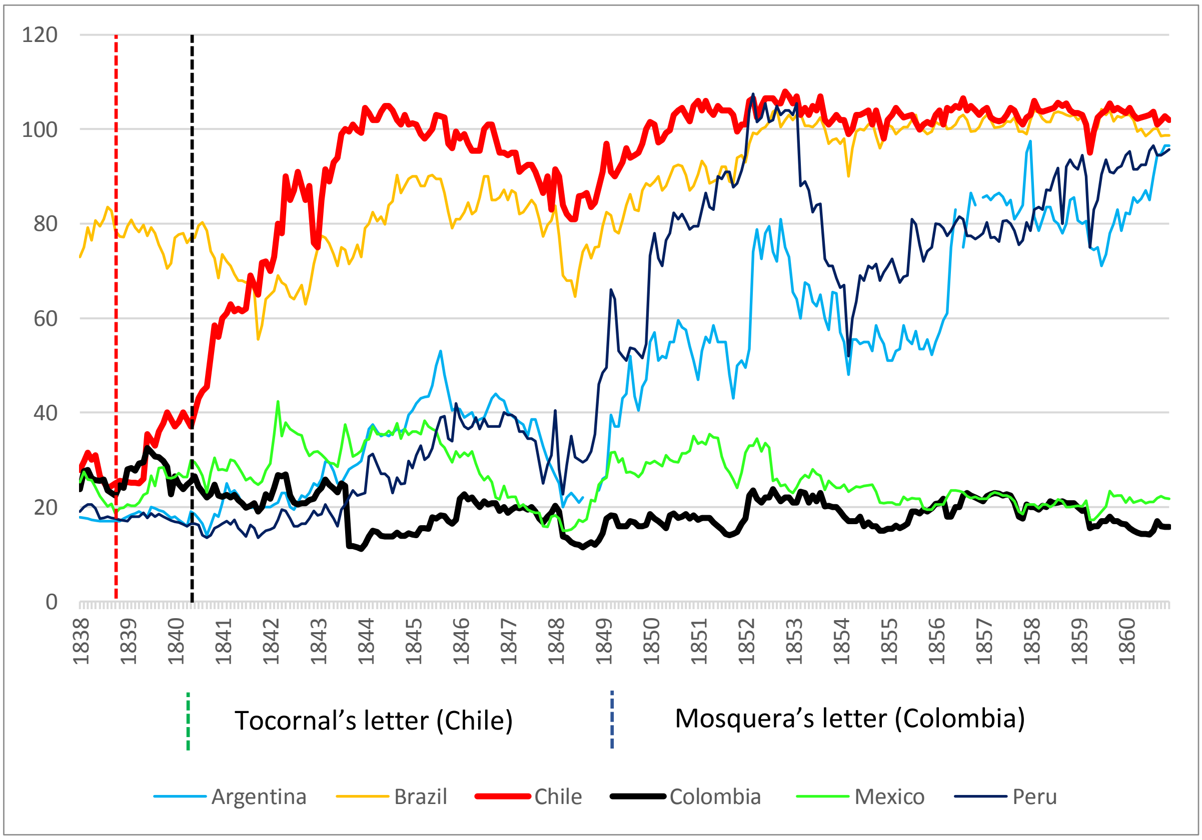
The contrast between communications made by Colombian and Chilean officials at this time, is indicative of the divergence in national political economy. When Chile was unable to pay interest due to internal armed conflict, Chilean officials wrote that they hoped the circumstances would:

[12] The price series throughout the chapter are constructed using the last available price for each month. Where a price was not available for the last trading day of the month, prices were taken for the last price quoted. Where no price was available for the whole month, a price was provided taking the mean for the previous and subsequent months. This only occurred sporadically. Where a security was suspended, the last price before suspension was used. Where a country had two bond issuances traded concurrently (such as the 1820s bonds for Colombia and Mexico), the mean average of the prices of each was used. Where a country had more than two bonds trading concurrently (such as Argentina in the late nineteenth century) the bond considered to be the most representative and important to the country's credit has been used. This was invariably the bond issuance with the largest total nominal value. This last case only became an issue with the data taken from Investors Monthly Manual, (1870-1929). The details of the bonds used are the following: Argentina: 1824-60 and 1869-71, 'Buenos Ayres 1824', 1872-89 'Argentine 6% 1871 Public Works', 1890-99, 'Argentina 5% 1889'; Brazil: 1824-60, 'Brazil 5% 1824', 1869-1889, 'Brazil 5% 1865', 1890-99, 'Brazil 4% 1889'; Colombia: 1822-24, 'Colombia 1822', 1824-1841, Average of 'Colombia 1822' and 'Colombia 1824', 1841-45, 'Colombia (ex. Venezuela)', 1845-51, 'New Granada', 1852-60, 'New Granada 1849', 1869-74, 'New Granada 1849', 1874-97, 'New Granada 4.5% debt converted', 1898-1930, 'Colombia 1.5%-3% 1896'; Chile: 1822-60, 'Chile 1822', 1869-90, ' Chile 1869 6%', 1891-99, 'Chile 1886 4%'; Peru: 1822-49, 'Peru 1822', 1849-60, 'Peru 1849', 1869-72, 'Peru 1862', 1873-90, 'Peru 1872 Consul'.

Induce the Government of Her Britannic Majesty, so distinguished for the impartial justice of its counsels, to consider the matter anew, and to view under a less unfavourable aspect, the conduct of the Chilean government.[13]

The Colombian officials made no such attempts to provide excuses for their conduct; they simply justified their default by arguing debts were always 'subordinate' to expenses. Viscount Palmerston retorted that had 'this doctrine had been made known beforehand to British capitalists … all parties concerned would have been saved from the necessity of carrying on the present discussions [as the British would not have provided the loan]'. [14] The contrast is clear, whilst the Chilean officials prioritised their relationship with British investors, Colombian officials prioritised national sovereignty.

Fig. 2.2 – Latin American sovereign debt bond prices, 1840-60 (Per cent of par value)



Source: *Course of the Exchange*, 1840-1860.

13 Tocornal to Walpole, 20 September 1838, 'Correspondence with Foreign Powers relative to Loans by British Subjects, 1823-47'1847 Vol. LXIX, [839], p. 722.

14 Mosquera to Palmerston, 27 March 1840, 'Correspondence with Foreign Powers relative to Loans by British Subjects, 1823-47'1847 Vol. LXIX, [839], p. 610.

These differing attitudes were reflected in price movement on the London Stock Exchange. As fig. 2.2 illustrates, between 1838 and 1844 Chile's bonds rose consistently from 24.5% of par to 5% above par value. As such, £1,000 of bonds which in September 1838 were trading at £245, were worth £1050 in June 1844. Chile's bonds remained over par value for much of the 1850s, and the country was the most reliable Latin American debtor throughout the nineteenth century. In contrast, Colombian bonds maintained their junk status throughout the 1840s and 1850s, seldom rising above 20 per cent of par, meaning that £1,000 of bonds could be traded on the capital market for £200 or less. Fig. 2.2 reveals Argentina and Peru both made similar (albeit slower) process re-establishing their creditworthiness in London. By 1860 they were in much the same position as Chile: their bonds were on the cusp of regaining their nominal value, three decades after independence. So, by 1860, of the large and historically influential countries of the Latin American region, all but Colombia and Mexico restored their standing in London. This led to greater availability of credit in these countries. Argentina and Chile, raised only £1,000,000 in the 1820s, and Brazil raised £3,200,000. By 1890, Argentina had raised £72,000,000, Chile £9,535,852, and Brazil £37,009,593 of sovereign debt. In contrast, Colombia, which raised £6,750,000 in the 1820s, had raised no additional capital at all.[15] As the next subsection will demonstrate, investment in the Colombian private sector was just as scarce.

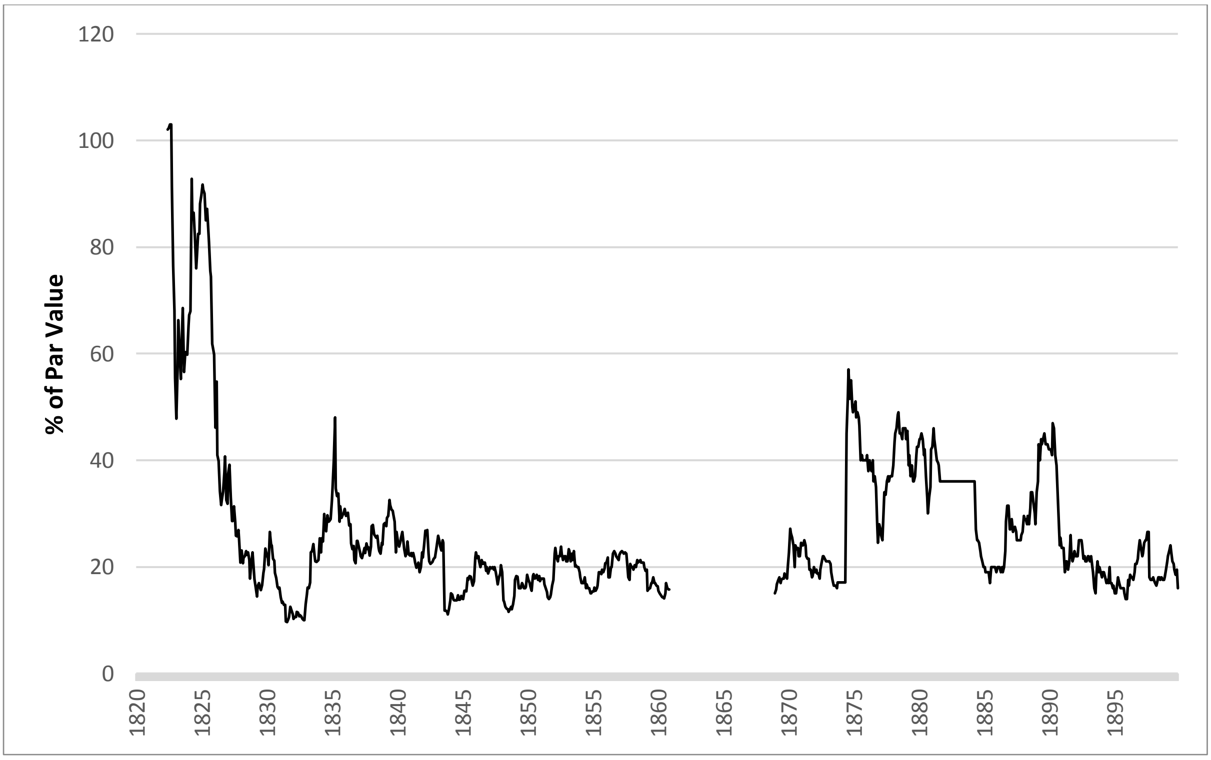
2.2.2 *1868-99 Renegotiations with the Corporation of Foreign Bondholders*

The Corporation of Foreign Bondholders was formed in 1868 to provide a formal framework for the London capital market to interact with debtor countries. By this point, Colombia had spent forty years in default. As fig. 2.3 demonstrates, during this whole period, its sovereign debt bonds had traded at around 20% of par, meaning Bondholders who purchased bonds in

15 Rippy, *British Investments*, p. 20, 37.

the 1820's, had lost upwards of 80% of their investment. Fig. 2.4 illustrates how different the experience of investors who invested in the bonds 'compliant satellites' such as Argentina, Chile and Brazil had been, which traded at or above par value. Sovereign bond prices represented a form of nineteenth century 'credit rating'. It should thus not be surprising there was a similar disparity in private sector investment as in government securities. By 1890 private sector investment stood at £84,978,788 in Argentina, £31,660,026 in Brazil, £14,812,795 in Chile, and £3,485,883 in Colombia.[16]

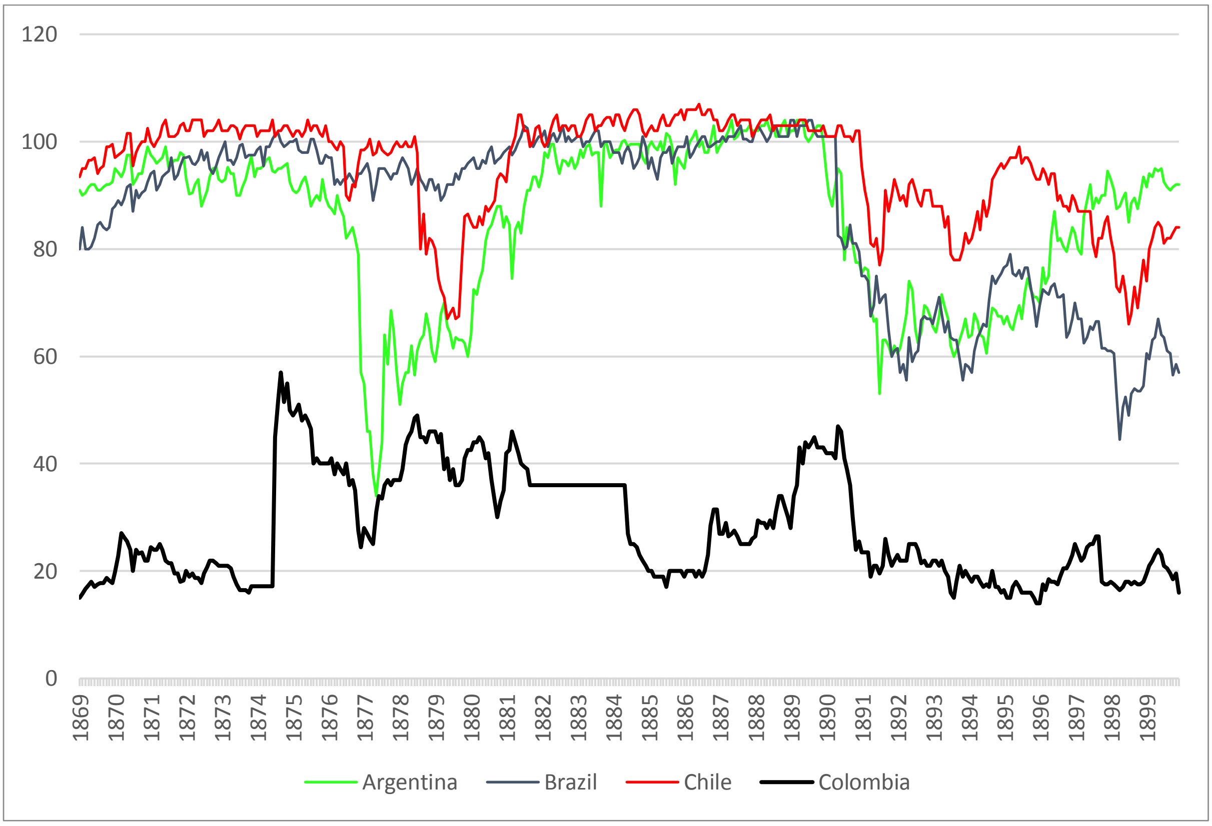
Fig. 2.3 – Colombian Sovereign Debt Bond Prices on London Stock Exchange, 1822-1899 (per cent of par value)



Sources: *Course of the Exchange*, 1822-1869; *Investors Monthly Manual*, 1870-1899.

16 Ibid.

Fig. 2.4 – Colombian, Argentine, Brazilian and Chilean sovereign debt bond prices, 1869-1899 (Per cent of par value)



Sources: *Course of the Exchange*, 1869; Investors Monthly Manual, 1870-1899.

The role of Colombia's repeated default and repudiation in this disparity was significant. Public utilities and railways have a long gestation period, and the stable environment offered by Chile, Brazil, and Argentina, attracted British investment in these sectors. Colombia's increased risk profile chased away investors seeking a long-term stable investment (from which the majority of British capital flows originated).[17] In Colombia, British investment was concentrated in the high-risk mining industry, which attracted a different kind of investor. In 1890, £2,912,449 had been invested in Colombia's mining sector, representing 83.5% of all British investment in the country, as opposed to 0.6% (£567,108) of British investment in Argentina, 7.6% (£1,131,748)

[17] In subsequent chapters, the thesis demonstrates investment in the railway sector came largely from 'gentlemanly capitalists': very wealthy shareholders from London and the home counties. Additionally, the CNRC's guarantee is shown to have attracted a large amount of capital from a long list of small and medium shareholders, looking for a stable and dependable long-term investment.

in Chile, and 2.4% (£770,027) in Brazil.[18] Correspondence presented by Costello, suggests early nineteenth century investors in Mexican mining companies were often overwhelmed by the adventure and excitement experienced through their investment. The promise of great rewards, which rarely materialised, led many to lose large sums.[19] The experience in the Colombian mining sector was much the same. Railways were too boring for these would-be adventurers, who flirted with the exoticism of Latin America through the periodic operational reports of the mining companies they were invested in.[20] Thus in essence, the perception of Colombia which was cultivated in London, resigned the country to the status of target *de jure* for British rainbow chasing.

Latin American countries utilised the formal framework established by the Corporation of Foreign Bondholders to renegotiate their debts, leading to the Peruvian 'Grace Contract' and Porfirio Díaz's renegotiation of the Mexican sovereign debt, both completed in 1886.[21] Peru and Mexico rehabilitated their credit to attract subsequent investment in the railway sector. In 1899, the sovereign debt of Ecuador was cancelled out in exchange for railway bonds to ensure completion of what Clark describes as the 'redemptive work' of the national railway expansion project.[22] Similarly, Colombia used the framework provided by the Corporation of Foreign Bondholders to renegotiate its debt in 1873, and again in 1889. But these renegotiations did not result in a long-term rehabilitation of it credit as had been the case for Peru or Mexico.

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18 Rippy, *British Investments*, p. 40.

19 Michael P. Costeloe, *Bubbles and Bonanzas: British Investors and Investments in Mexico, 1821-1860* (Lexington: Lanham, 2011) p. 169-90.

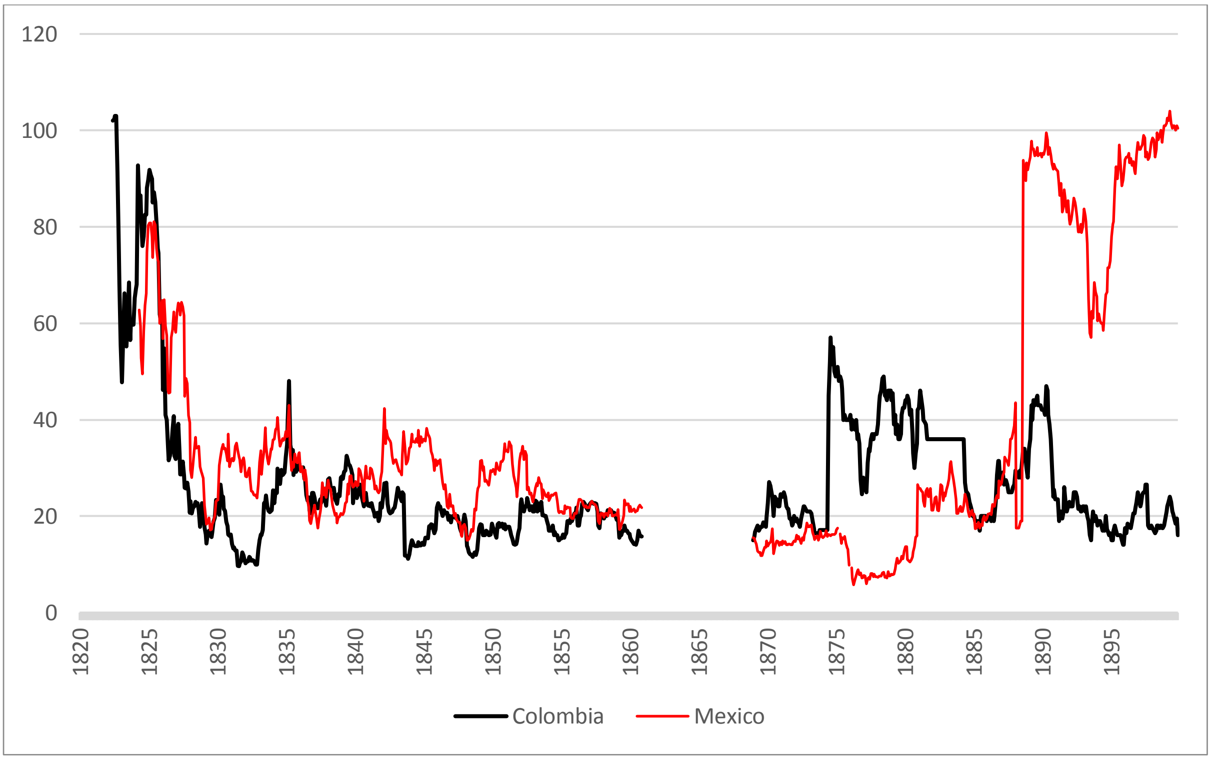
20 A good example of shareholders investing in Colombian mining endeavours can be found in the shareholder records of Contractors Ltd, a company formed to drain Guatavita Lake in search of El Dorado. The company succeeded in draining the lake, but when they got to the bottom they found little of the gold they were expecting. Investors which included: a princess, spinsters, a reverend, stockbrokers, accountants, army majors, an ironmonger and a tobacconist, lost every penny of the £40,000 invested in the project. 'El Dorado's Other Deposits' *Financial Times*, 1 December 1908; 'The Sacred Lake', *The Financial Times*, 3 March 1911; TNA, BT31/16346/65119.

21 Rory Miller, 'The Making of the Grace Contract: British Bondholders and the Peruvian Government, 1885-1890', *Journal of Latin American Studies*, 8 (1976), 73-100 (p. 169).

22 'External Debt of Ecuador', *Morning Post*, 15 March 1899; Kim A. Clark, *The Redemptive Work: Railway and Nation in Ecuador, 1895-1930* (Wilmington: Scholarly Resources, 1997).

Renegotiation was followed by initial optimism and upward price movements. Fig. 2.5 illustrates how the management of sovereign debt in Colombia and Mexico was analogous until the mid-1880s. Under Díaz Mexico became a dependable 'compliant satellite', whilst Nuñez maintained Colombia as an unrepentant repudiator. Nuñez's failure to rehabilitate Colombia's credit is covered in more detail later.

Fig. 2.5 – Comparison of nineteenth century price movements in Mexican and Colombian sovereign debt bonds, 1822-99 (Per cent of par value)



Sources: *Course of the Exchange*, 1822-1869; *Investors Monthly Manual*, 1870-1899.

The 1873 renegotiation awarded extremely advantageous terms to Colombia. Before renegotiation, the debt totalled £6,630,000. It was converted into £2,000,000 of new bonds, representing a write-off of almost 70% of the Colombian sovereign debt. In return, the Colombian government released 2,000,000 hectares of *baldíos* to bondholders.[23] Following renegotiation, the capital market viewed the country with a new sense of optimism, evident in

23 *Baldios* refers to unsettled frontier lands in the interior of Colombia. Corporation of Foreign Bondholders, *Twenty-Sixth Annual Report of the Council of the Corporation of Foreign Bondholders for the Year 1898-9* (London: Council House, 1889) p. 82.

fig. 2.3. The new bonds began trading at between 50-60 per cent of par throughout the last five months of 1874, but in July of 1876 civil war erupted, severely limiting the capacity to service the debt.[24] The war continued for another six months, during which the price of bonds dropped from roughly 40 to 25. After the end of hostilities payments of interest briefly resumed, before returning to full default on the 1 October 1879.[25] By 1886, at the dawn of Rafael Nuñez's poltical *Regeneración,* a bondholder holding £100 of the original £6,630,000 debt had an investment worth £6: a 94% loss. What caused this consistent default? Were politics of repudiation a conscious decision, or could things have been different?

2.2.3 *The Nuñez Regime – Opportunity Lost?*

Nuñez has been portrayed by Palacios as a zealot with a personal obsession for developing the Colombian railway network, exemplified by a personal motto: 'peace and railways – the rest is quackery'.[26] His protectionist policies supporting state-led import substitution have garnered favourable interpretations from national historians.[27] The revisionist account of his presidency presented here parallels the analysis of Deas.[28] But Deas is not alone in questioning the wisdom of the political and economic policy of the *Regeneración*.[29] The *Regeneración* led to fundamental changes in the political organisation of Colombia, which influenced subsequent experiences of British railways. The most notable of these changes was the end of federal 'sovereign states'. The aim of this subsection is to demonstrate that in addition to the drastic changes to the organisation of the Colombian state, the policies of the *regeneracíon* on foreign investment and the sovereign debt, were extremely detrimental to railway development.

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24 'Money-Market and City Intelligence', *The Times*, 14 Nov 1876.

25 Corporation of Foreign Bondholders, *Twenty-Sixth Annual Report 1898-9*, p. 83.

26 Marco Palacios, *Between Legitimacy and Violence: A History of Colombia, 1875–2002* (London: Duke University Press, 2006), p. 16.

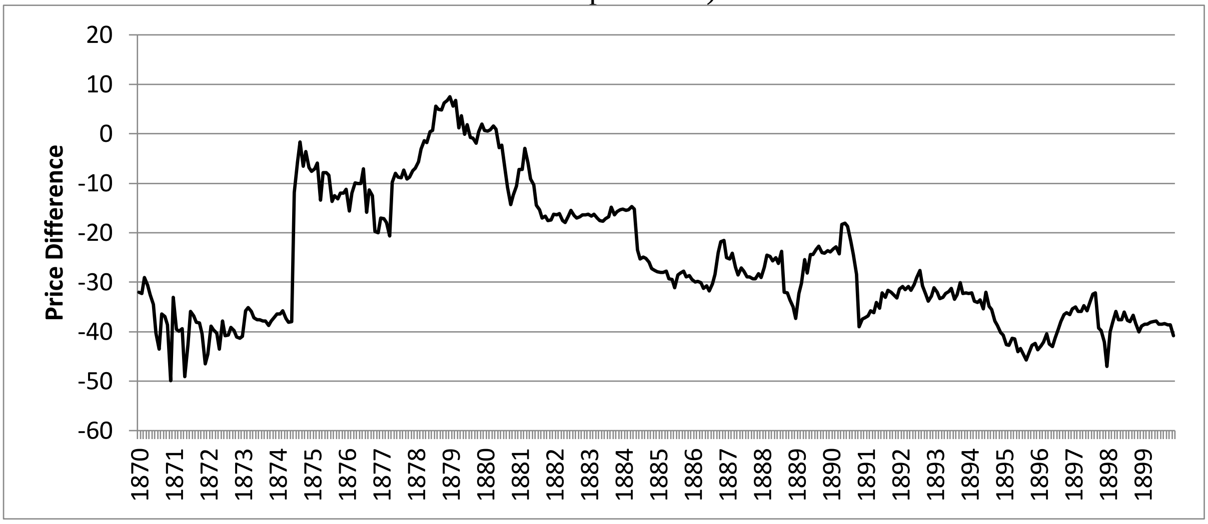
27 Luis Ospina Vásquez, *Industria y protección en Colombia 1810-1930* (Medellín: FAES, 1979).

28 Malcolm Deas, '"Weapons of the Weak"?'.

29 Charles Bergquist, *Coffee and Conflict in Colombia, 1886-1910* (Durham, NC: Duke University Press, 1986).

Nuñez's policy on sovereign debt repayment is summed up by his affirmation that '[Colombia] should only think of debts after everything else the country required [was] amply provided for'.[30]

Fig. 2.6 – Difference between Colombian bond prices and regional average, 1870-99 (Per cent of par value)



Sources: Investors Monthly Manual, 1870-1899. (The graph is computed by subtracting the equally weighted mean for the bonds of Mexico, Chile, Brazil, Argentina and Peru from the price of Colombian bonds.)

Fig. 2.6 quantifies the difference between the price of the Colombian debt and the average of its regional rivals. These data demonstrate clearly that the *Regeneración* of Rafael Nuñez was decidedly negative for Colombia's standing overseas. The improvement seen in the 1870s with the renegotiation of the debt, was completely undermined. Prior to default in 1879, the performance of the sovereign debt had moved above the regional average for the first time since the first years of independence. Nuñez's first ascent to power in April 1880, was followed by an immediate collapse in the price of Colombian bonds. Prices stabilised during 1882-84 whilst he was out of power, before collapsing again in 1884 when he returned. By the time he left office in 1892, the performance of Colombian bonds had fallen to the same level as prior

30 Malcolm Deas, '"Weapons of the Weak"?', pp.177-8.

to the renegotiation of 1873. Before the 1873 renegotiation, the debt was three times greater.[31] The country's fiscal revenues were also almost three times smaller.[32]

During the 1880s, Nuñez renegotiated the debt with the Corporation of Foreign Bondholders, coming to an agreement in June 1889. In August 1884, during the first stage of negotiations, the chairman of the annual meeting of the Colombian Bondholders was sceptical of Colombia's claim of being unable to pay interest:

> The chairman [asked] whether they were spending their money unwisely and extravagantly rather than meeting the claims of their creditors. … He thought the Colombian Government came to them now because they wanted to have credit. They … wished to stand well in … [the] markets [of] Europe … One feature of this agreement was that there was no proposal for a fresh loan. (Laughter, and a bondholder: "that comes afterwards.").[33]

The minutes illustrate the committee's negative view of Colombia. The Corporation acted as the British capital market's principal gatherer of information and were tantamount to a nineteenth century 'credit rating' agency, and greatly influenced the likelihood of future investment.[34] The bondholders were doubtful of Colombia's sincerity, and the price movements in fig. 2.3 illustrate the market held the same view. President Rafael Nuñez's interpretation of events was different than the bondholders', calling Colombia's management of the debt an 'act of civic heroism'.[35] Nuñez's motivation for repudiation was political, based on the protection of national sovereignty over foreign interests. But the following comments illustrate, that just like Manuel Maria Mosquera in 1840, he did not comprehend the full ramifications for the country's credit worthiness in London.[36]

> We heard from Paris, May 25 that: "The Colombian bonds after rising to 45 and 46 [per cent of par] have declined to 35 and 37." Well these ups and downs represent only a game … neither the 46 meant, then, good credit, or 35 poor credit. … In 1874 we were paying good dividends of

31 Corporation of Foreign Bondholders, *Twenty-Sixth Annual Report 1898-9*, p. 83.
32 Roberto Junguito, 'Las Finanzas Públicas' in *Economía Colombiana* ed. by Mesiel and Ramírez, p. 106.
33 'The Colombian Bondholders', *Leeds Mercury*, 16 August 1884.
34 Flandreau, 'Caveat Emptor', pp. 17-50.
35 'Credito Exterior' *El Porvenir*, 21 July 1889.
36 Mosquera to Palmerston, 27 March 1840, 'Correspondence with Foreign Powers relative to Loans by British Subjects, 1823-47'1847 Vol. LXIX, [839], p. 610.

> foreign debt, yet it was not possible to negotiate an additional loan. In 1880 we were no longer paying interest (suspended since 1876), yet additional borrowing was achieved because income was mortgaged on a railroad. What is therefore preferred [by creditors] is not the willingness to pay, but rather the capacity to pay.[37]

This idea expressed by Nuñez, that financiers were more concerned with an asset provided as security for a loan, than the history of payment of the debtor, was a common and enduring misconception within Colombian politics. It certainly outlasted his presidency. The same idea was presented by Marco Fidel Suárez, president of Colombia during 1918-21, regarding the construction of the Pacific Railway. Suárez believed that by investing sovereign loans in the railway, Colombia would have a sufficiently valuable asset to mortgage on future loans, solving Colombia's problem accessing foreign capital once and for all.[38] The reality was that for the British financier, mortgaging an asset within the debtor country was largely an irrelevance, because if the country decided to repudiate the debt, it was no easier to seize the asset than it was to enforce payment of the loan. Each would require military force. In part, this misconception was caused by the Colombian elite's belief in the interconnectivity of private interests and imperial politics, which meant they believed imperial powers were willing to utilise naval power to support the interests of British financiers at a moment's notice. Financiers were keen to encourage and benefit from these misconceptions: in Brazil, the Rothschilds allegedly threatened a British invasion if payments on the national debt ceased.[39] British financiers ultimately lacked the influence to make good on these threats, but Colombian (and Brazilian) elites were none the wiser. Despite their efforts to convince debtors otherwise, the

37 'Credito Exterior' *El Porvenir*, 21 July 1889.

38 The chapter 'El sueño del ferrocarril' sets out a vision of railway development in 1920s Colombia. The chapter was was dated the 13 June 1923. The piece presents a fictional conversation on the politics of railway construction between the protagonist Luciano Pulgar and Justino, a young and inquisitive Colombian with limited understanding of the political scene. Marco Fidel Suárez, *Obras. Suenos de Luciano Pulgar*, 3 Vols (Bogotá: Instituto Caro y Cuervo, 1966), II, pp. 536-49.

39 Steven Topik 'State Interventionism in a Liberal Regime: Brazil, 1889-1930', *Hispanic American Historical* Review, 60 (1980), 593-613 (p. 611).

reality was that foreign investors were largely powerless to enforce payment, hence why the record of repayment was so fundamental in the process of capital allocation.

On the 14 November 1890, just over a year after an agreement with the bondholders was completed, Nuñez and the Colombian congress passed legislation to modify the terms of payment. The bondholders who had already ceded so much, were visibly infuriated:

> The chambers in Colombia … [have] made very considerable and serious changes in the arrangement … For the first six years the Government proposed … [interest at] 1.5% instead of 3% … During the next four years … 2% instead of 3%, and in the ensuing four years … 3% instead of 4%. … (A voice, "disgraceful") In article 5 the amount of assigned customs was reduced from 20% to 7%. … What was proposed now by the government was virtually … a new agreement.[40]

The minutes of the meeting are indicative of the despair the bondholders felt towards Colombia. One bondholder's comment of 'disgraceful' in the midst of the chairman's speech, is particularly illustrative (as is the fact *The Times* felt it worthy of reporting).

It was becoming clear to Bondholders, and by extension the London capital market, that the Nuñez administration had no real intention of taking their obligations seriously. Negotiations were viewed as a means of improving the terms of payment and decreasing liability. In this instance, the agreement lasted only a few months. Nuñez argued that due to the low market value of the bonds, Colombia could easily negotiate yet another reduction of 50% of the capital outstanding.[41] Nuñez felt since the bonds were trading below par, Colombia could not be expected to pay interest on their nominal value. This argument, subsequently paralleled by Santiago Pérez Triana in *Desde lejos*, was based on a doctrine referred to by contemporaries as '*la verdad de la deuda*' (the true debt).[42] Pérez Triana's views are explored in more detail later in the chapter, but the important factor is that despite being political adversaries, Nuñez and

[40] 'The External Debt Of Colombia' *The Times* 16 January 1891.
[41] 'Credito Exterior' *El Porvenir,* 21 July 1889.
[42] 'Credito Exterior' *El Porvenir,* 21 July 1889; Santiago Pérez Triana, *Desde Lejos (Asuntos Colombianos)* (London: Wertheimer, 1907).

Pérez Triana's views on Colombia's sovereign debt were identical.[43] As such, their views were indicative of a wider and dominant current within nineteenth century Colombian politics regarding the merits of repudiation of sovereign debt. The doctrine maintained nominal liability should be modified to reflect the current market value of outstanding bonds, as a repeated and ongoing process. The naivety of this doctrine is clear to see. If implemented, any debtor could gradually wipe out its debt, simply by ceasing repayments on the loan, which would lead to an immediate halt to all capital migration. Jorge Holguín argued the naivety exemplified by the *verdad de la deuda* doctrine was an endemic problem which had 'seriously compromised' the future of the continent.[44] In a biting critique, Holguín lamented that many believed that raising capital was as simple as walking through the streets of London, to find one of the many bankers and capitalists offering credit to anyone 'willing to pay 3% annual interest'.[45] The predominance of the *verdad de la deuda* doctrine throughout the nineteenth century, is illustrative of the Colombian political elite's rudimentary understanding of the emerging world financial system alluded to by Holguín.

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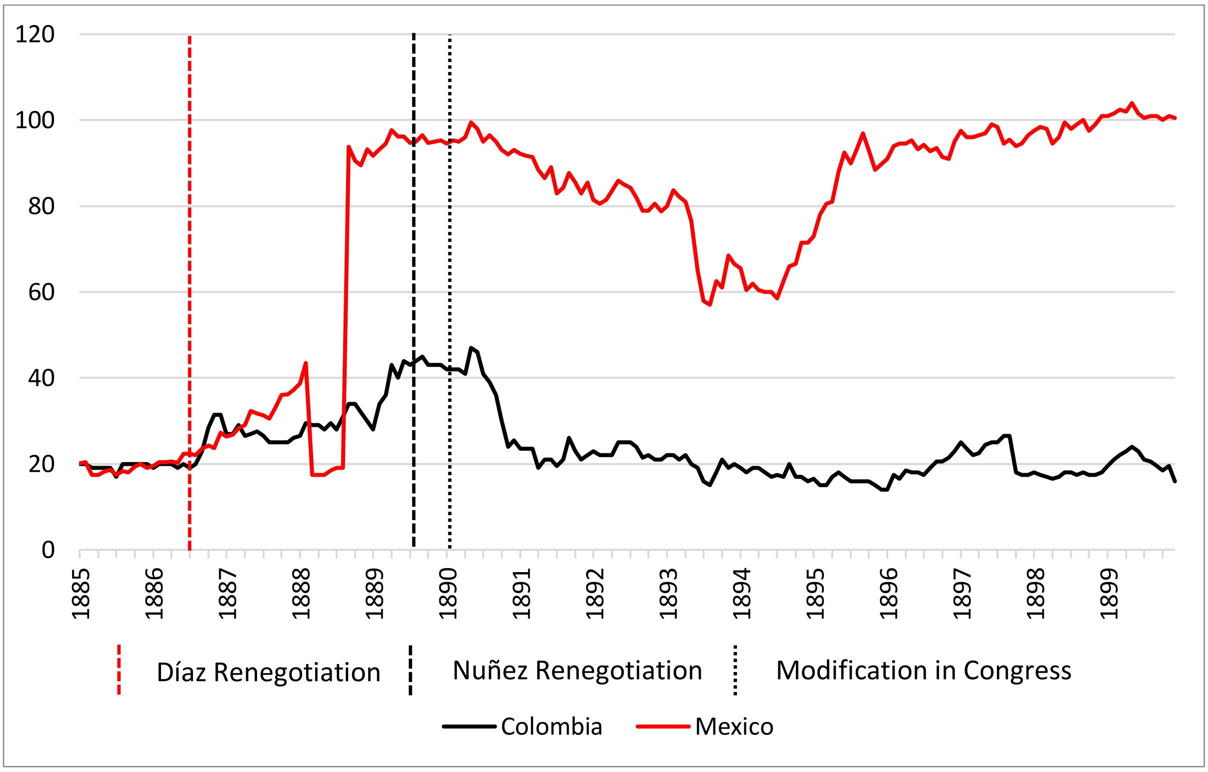
43 Peréz Triana was designated *hombre detestable oficialmente* and exiled by Nuñez' government for his role in the Antioquia Railway project. The similarities between their views on foreign investment demonstrate that repudiation and the '*verdad de la deuda*' doctrine were bipartisan in Colombia. Jane Rausch, *Santiago Pérez Triana (1858-1916): Colombian Man of Letters and Crusader for Hemispheric Unity*, (Princeton: Markus Wiener Publishers, 2017), p. 65. Rausch incorrectly states his arrest was a result of his involvement in the 'Northern Railway', an unconnected railway north of Bogotá, which was listed as the British company CNoRC. The railway is covered in detail in chapter 3. It is quite clear that Rausch simply made a mistake in this part of the text, since elsewhere she narrates that the episode occurred in Medellín.

44 Jorge Holguín was Colombia's chief financial agent in London during the Quinquenio and was responsible for the rehabilitation of Colombia's relationship with the capital markets of Europe. This rehabilitation will be covered in more detail in subsequent sections of the chapter. Jorge Holguín, *Desde Cerca (Asuntos Colombianos)* (Paris: Libraire Generale et Internationale, 1908), p. 77.

45 Holguín, *Desde cerca*, p. 72.

Fig. 2.7 – Movement in Colombian and Mexican bond prices during and after renegotiations during Díaz's *Porfiriatio* and Nuñez's *Regeneración*, 1885-99 (Per cent of par value)



Sources: *Investor Monthly Manual*, 1885-99

The impact of the continuation this doctrine in Colombia as opposed to the pro-foreign investment policies enacted by Díaz in Mexico is evident in fig. 2.7. Following Díaz's renegotiation, Mexican bonds moved rapidly towards par value, reminiscent of the rehabilitation of Chile's credit in the 1840s.[46] This willingness to abide by 'the rules of the game' of the capital market, led to a flood of capital into its railway sector. When the *Porfirian* renegotiation occurred, Mexico had 5,942km of railways. By 1910, when the regime ended, Mexico had 19,250km.[47] Because of the nascent state of Colombian railway historiography, it is not possible to give an exact figure for kilometres of railway constructed by 1889 when Nuñez's renegotiation of the sovereign debt occurred. What we can say, is that in 1885, just before the dawn of the *Regeneración*, Colombia had constructed 286km of track.[48] In 1904,

46 Tocornal to Walpole, 20 September 1838, 'Correspondence with Foreign Powers relative to Loans by British Subjects, 1823-47'1847 Vol. LXIX, [839], p. 722.

47 Coatsworth, *Growth*, pp. 36-7.

48 Alberto Pardo Pardo, *Geografía económica y humana de Colombia* (Bogota: Tercer Mundo, 1972), p. 398.

when Reyes took power this had increased to 565km, and in 1909, at the end of the *Quinquenio*, there were 909km.[49] This represents an average of 14.7 km per year whilst the *verdad de la deuda* doctrine was dominant (1885-1904), and 68.8km per year whilst Rafael Reyes and Jorge Holguín's opposing public policy was applied to foreign investment. Whilst modest in comparison to the gains made in Mexico, Reyes's performance was impressive compared with what had come before. Moreover, as the subsequent chapters demonstrate, but for resistance within his own administration and the about turn in policy after 1909, these gains would have continued and likely accelerated. What we can say with certainty, is that the public policy of the *Porfiriato* emulated by Reyes, was highly successful in attracting railway investment, whilst the *verdad de la deuda* doctrine espoused by Pérez Triana and Nuñez, was detrimental to foreign investment.

2.2.4 *Politics of Repudiation: Necessity or Choice?*

Clearly repudiation sullied Colombia's image in London, but was it a political choice or a result of harsh economic realities? The consensus within national historiography argues in favour of the latter, and views Colombia's sovereign debt management as doomed to failure because of what Deas describes as generalised fiscal weakness and 'feeble export performance'.[50] This view is itself influenced by a wider trend which attributes economic success in Latin America to exportation.[51] Colombian historiography's focus on internal fiscal administration is indicative of an implicit intention: supporting this historiographical consensus. Illustrating Colombia's repeated fiscal deficits supports the view that default was not caused by a policy of repudiation, but was a reaction to economic circumstances.[52] Where Colombian

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49 República de Colombia, *Informe que rinde el Ministerio de Obras Públicas ante el exelentisimo senor designado encargado del Poder Ejecutivo* (Bogotá: Imprenta Eléctrica, 1909), p. 148.

50 Malcolm Deas, 'The Fiscal Problems of Nineteenth-century Colombia', *Journal of Latin American Studies*, 14 (1982), 287–328, (p. 294).

51 Bulmer-Thomas, *Economic History*.

52 Junguito, *La deuda externa*; Avella Gómez, 'El Financiamento Externo'.

historiography focusses on the impact of public policy on the economy, it is within banking and the evolution of the Colombian peso.[53] In a recent edited volume on the political economy of nineteenth century Colombia, three separate chapters addressed these topics, yet only passing reference was made to the sovereign debt, and no chapter specifically addressed the attitude towards foreign investment or debt repudiation.[54] Considering how influential it was in determining capital allocation, the silence on the '*verdad de la deuda*' doctrine within Colombian historiography is problematic. Where Junguito addresses Nuñez's attitudes toward debt repudiation, he argues these were a result of government deficit, rather than an intentional policy.[55] In this subsection, I overturn this historiographical consensus, by illustrating quantitatively that default during the *Regeneración* was no longer an economic necessity, but an intentional political policy.

Fig. 2.8 shows that at mid-century, the Colombia's 1820s bond issuances were significantly greater in relation to population and exports than elsewhere. In 1850, the nominal value of the Colombian bonds represented almost four times annual exports, and almost £2.00 per capita of population, as opposed to under 50% in Argentina, Brazil, and Chile. As such, following independence persistent default was understandable, since Colombia's debt was proportionally greater than regional counterparts.

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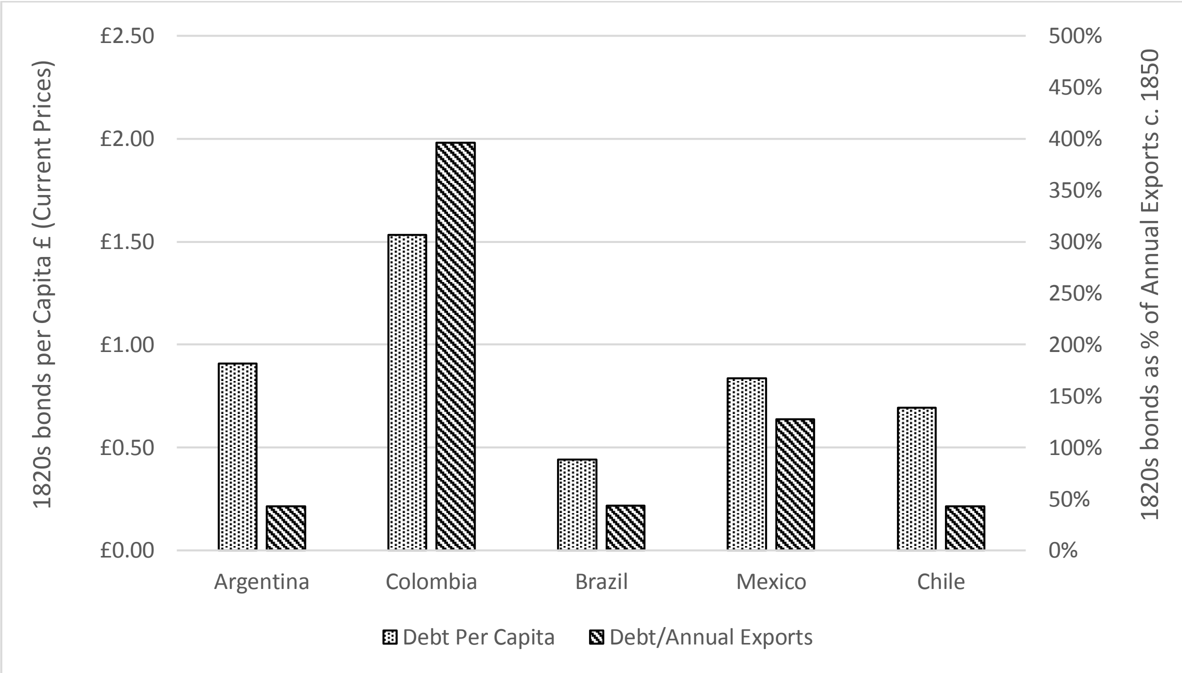
53 Andres Álvarez, 'Banca Libre, Federalismo y soberanía monetaria regional en el siglo xix en Colombia' in *Ideas y políticas económicas en Colombia durante el primer siglo republicano*, ed. by Andres Álvarez and Juan Santiago Correa (Bogotá: Universidad de los Andes, 2017), pp. 155-81; Juan Santiago Correa, 'Moneda y nación', in *Ideas y políticas*, ed. by Álvarez and Correa; Juan Carlos Acosta, 'Sobre la discusión en torno' in *Ideas y políticas*, ed. by Álvarez and Correa.

54 Álvarez and Correa, *Ideas y políticas*.

55 Junguito, *La deuda externa*, p. 214.

Fig. 2.8 – The 1820s Latin American sovereign debt bond issuances in comparison with national population and annual exports c. 1850. (current prices)



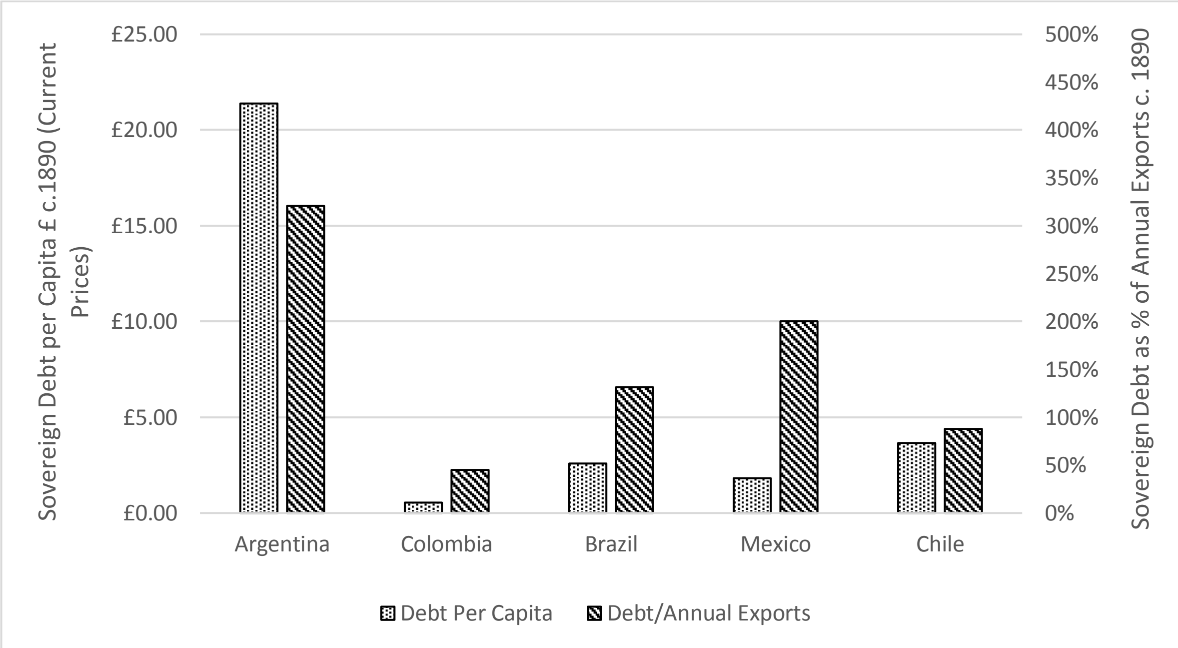
Sources: Rippy, *British Investments*, p. 20; Bulmer-Thomas, *Economic History*, pp. 432-3.

However, by 1890, a combination of population growth, debt renegotiation, and a burgeoning coffee export trade, had reversed this pattern. Following the 1889 renegotiation, Rafael Nuñez and congress justified repudiation in January 1890 on the basis that Colombia did not have sufficient revenues to comply. Nuñez even claimed compliance would 'endanger' the country's very existence.[56] Fig. 2.9 demonstrates that at this point the sovereign debt had dropped to approx. 50% of annual exports, in contrast to approx. 300%, 130%, 90% and 200% in Argentina, Brazil, Chile, and Mexico. In addition, Colombia's debt only represented £0.53 per capita, compared to £21.39, £2.58, £3.67 and £1.83 in Argentina, Brazil, Chile, and Mexico. As such, these regional counterparts were servicing debts which were proportionally much

[56] 'Deuda Exterior' *El Porvenir*, 1 March 1891

greater burdens on national income, yet none resorted to a long-term policy of debt repudiation as Colombia did during the *Regeneración*.

Fig. 2.9 – Latin American sovereign debt in comparison with national population and annual exports c. 1890 (current prices)



Sources: Rippy, *British Investments*, p. 37; Bulmer-Thomas, *Economic History*, pp. 432-3.

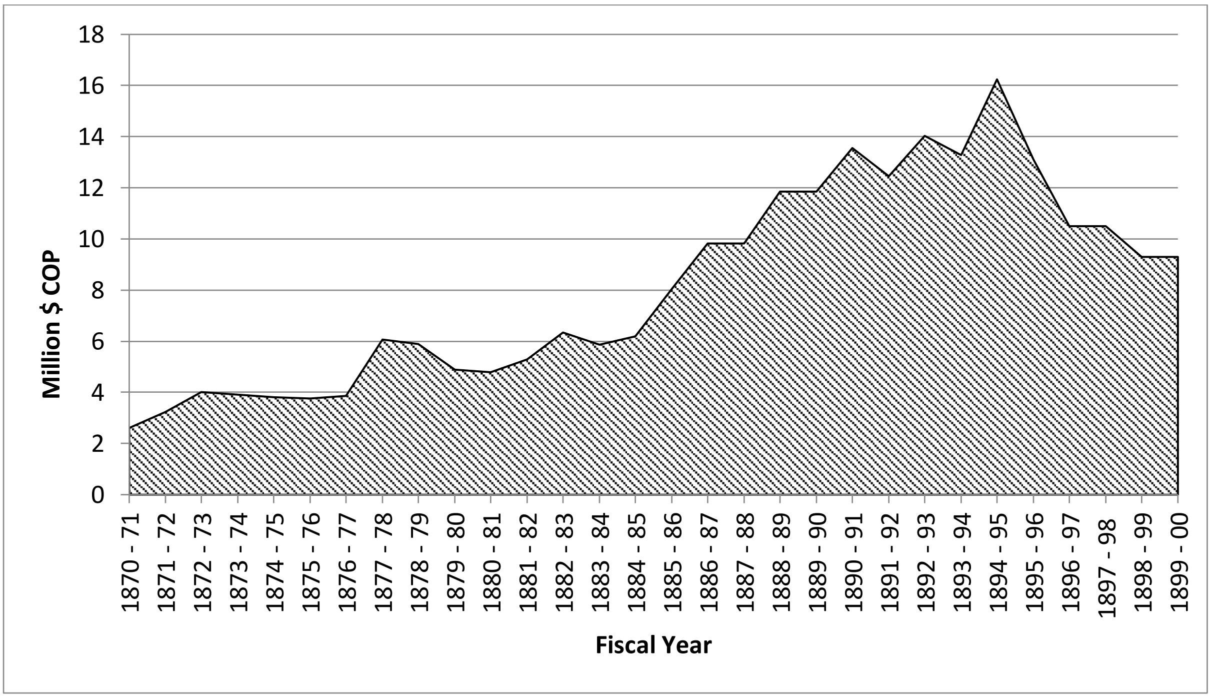
Fig. 2.10 illustrates how the *Regeneración* and Nuñez's 1890 repudiation coincided with an unprecedented rise in government revenues. Annual revenues following the 1889 renegotiation were three times greater than following the 1873 debt write off. Junguito argues that despite unprecedented levels of revenue, the *Regeneración* was characterised by consistent fiscal mismanagement and deficit spending.[57] Budget deficits were a result of his political priorities: statist intervention through the 'paper money' regime, which was used as a means of 'stimulating economic development'.[58] Essentially, Nuñez chose a different model of economic development. Rather than focus on placating foreign investors to attain capital for railway construction as Díaz did in Mexico, Nuñez chose protectionism to stimulate a nascent

57 Roberto Junguito, 'Las finanzas públicas', p. 119.

58 Helen Delpar, *Red Against Blue: The Liberal Party in Colombian Politics 1863-1899* (Tuscaloosa: University of Alabama Press, 1981), p. 139.

iron and steel industry in places like La Pradera, and a system of railway subventions and private concessions, both financed by the 'paper money' regime (fundamentally deficit spending enabled by printing fiat money).[59] As such, by this point repudiation had become a political choice. Paying interest on the debt was viewed as subordinate to these internal statist economic projects. This did not all go unnoticed by the Corporation of Foreign Bondholders. Following the 1890 repudiation, a member commented that 'within the last ten years the revenue of Colombia had been nearly doubled, … [and] if the republic was in a position seventeen years ago to undertake the payment of £95,000 or £100,000 in interest annually, she could bear now a heavier interest charge than £36,000.'[60]

Fig. 2.10 – Nominal Colombian fiscal revenues 1870-99 (COP current prices)



Source: Junguito, 'Las Finanzas Públicas', p. 106.

By any means of analysis, whether qualitative (based on the writings of president Nuñez and the views of the bondholders), quantitative (regional and chronographic comparisons of the

59 Junguito, *La deuda externa*, pp. 194-202; Alberto Mayor Mora, 'Historia de la Industria Colombiana. 1886-1930' in *Nueva historia de Colombia* ed. by Álvaro Tirado Mejía Jaime Jaramillo Uribe, Jorge Orlando Melo, Jesús Antonio Bejarano, Gloria Zea de Uribe (Bogotá: Planeta, 1989), V, pp. 313-332.

60 'The External Debt of Colombia' *The Times* 16 January 1891.

debt levels and fiscal income of Colombia), the idea that Colombia was unable to service its foreign debt if it chose to do so is spurious. By this point – in contrast to the early history of the country – repudiation had become a political policy, rather than a reaction to internal economic realities. Returning to the quotation which opened this chapter, as a result of these policies, the country was understood by international investors 'as the grave of all capital which anyone was foolish enough to invest in'.[61]

2.2.5 *The Punchard McTaggart & Lowther Affair, 1892-93 – 'verdad de la deuda' in practice*

In October 1892, the British firm Punchard, Taggart & Lowther were awarded a concession to build a railway between the Antioquian capital of Medellín, and Puerto Berrio.[62] The proposed £1,650,000 loan dwarfed previous British investments in the Colombian railway sector, and the subsequent collapse of the project illustrates the impact of the *verdad de la deuda* doctrine on private sector investment during the *Regeneración*. The legal case which came to be known as the 'Punchard-McTaggart affair', framed interaction with British capital in a particularly negative manner, and fundamentally influenced the long-term perspective towards foreign railways. For British diplomats, the project was a continuous reminder of the perils of Colombian contracts.[63] For Colombian elites, the case was infamous and viewed as a national humiliation perpetrated by foreign interests backed by powerful imperial diplomatic machinery.[64] This subsection argues these experiences were a catalyst for subsequent mistrust of foreign railway companies.

One year after the concession was granted, Punchard, McTaggart & Lowther argued that the Antioquian departmental government had 'illegally torn the contract to pieces' by refusing to

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61 Petre, *The Republic of* Colombia, p. 1.

62 Puerto Berrio was the closest point on the Magdalena River to the Antioquenian capital Medellín. The railways would provide direct fluvial access to the sea. In this regard it was a representative of attempts to connect each regional capital with the Magdalena River to enable export agriculture and the importation of manufactured goods.

63 Stronge (Minister Resident) to Grey (Foreign Secretary), 24 April 1911, TNA, FO 371/1101, f. 35.

64 'El Emprestito de los tres millones', *El Tiempo*, 21 May 1919.

make payments stipulated within it.[65] The government's justification was that the firm had charged for drawing up plans and carrying out surveys, arguing they would only reimburse construction costs, seemingly unaware these were considered as integral to the process of construction.[66] In addition, the national government's 'official engineer' Rafael Torres Mariño argued the breach of contract was justified because a previous £10,000 payment had been allocated to expenses incurred 'two years before the contract was signed'.[67] Torres Mariño also objected that the certificates had been 'signed by Francisco J. Cisneros in his role as agent' who resided in Barranquilla, whilst according to the contract, 'the agent should reside in London'.[68] Taken in isolation, this could be viewed as a pedantic and antagonistic application of minutiae within the terms of the contract. However, elsewhere Torres Mariño openly acknowledged his personal animosity for Cisneros: 'I have fought against him wherever our paths have crossed'.[69] Cisneros had argued that Torres Mariño's motivations were financial, commenting that under national administration the project provided 'a wage he would be unable to attain anywhere else'.[70] This politicisation of appointments was common throughout the Latin American railway sector. For example, in Argentina Winthrop Wright argued that 'from top to bottom' employees of the Central Northern and Northern Argentine railways 'held

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65 Cisneros, as the original holder of the concession, was using his significant contacts in London to act as mediator between the two parties. Javier Cisneros was an important figure in the early development of railways in Colombia with national capital. The majority of the British railway companies were created when Cisneros transferred his interests to London registered companies. Cisneros' role is explored in more detail in subsequent chapters. Punchard, McTaggard & Lowther to Cisneros, 29th September 1893, AGN, República, Ferrocarriles, Vol. 312, f. 205.

66 Spencer to Cisneros, 10 July 1893, AGN, República, Ferrocarriles, Vol. 312, f. 127.

67 The Colombian National Government through the Ministry of Public works assigned a national engineer to each foreign railway project to ensure works were proceeding to satisfaction. Rafael Torres Mariño, *Ferrocarril de Antioquia: situación actual de la empresa* (Medellín: Imprenta del Departamento de Antioquia, 1893), p. 1.

68 Ibid.

69 Rafael Torres Mariño, *Ferrocarril de Antioquia el gerente se defiende del señor F. J. Cisneros*, (Medellín: Imprenta de El Telegrama, 1894), p. 1.

70 Ibid.

their jobs as rewards for political services', and Cisneros had similar experiences elsewhere in Colombia.[71]

The two sides also clashed over the implementation of the "Abt" system, which British engineers argued would reduce costs and allow the railway to deal with greater inclines. [72] The Abt system could function with wood fuel on steep inclines, the two factors Safford argued precluded large-scale railway development in Colombia, which led the consulting engineers to comment that 'if ever there was a country where … the "Abt" system is pre-eminently suited it is Columbia (sic)'.[73] Torres Mariño argued against implementation not from an engineering perspective, but because it would not follow the specifications of the contract relating to inclines and curvature of the line.[74] Punchard, McTaggart & Lowther argued objections to the implementation of the system were politicised, and dismissively referred to Torres Mariño as an 'incompetent youth'.[75] The dispute resulted in the railway returning to local administration with Torres Mariño as the general manager.[76] The subsequent history of construction suggests

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71 Winthrop Wright, *British-Owned Railways*, p. 106; Horna.

72 The Abt System is a rack and pinion railway. This system was implemented on the Snowdon Mountain Railway which continues to run to this day. In a rack and pinion system, a third toothed rail known as a rack was generally installed between the two rails on the steepest and most arduous sections of the line. This rack would interface with a cogged wheel or pinion, applying all torque from the engine directly through this third rail. In the Abt system, three rails were placed between the two rails, into which a single cogged wheel with three teeth across its cross section would interface with each of the three central rails. The result was that the rack and pinion were always engaged, meaning much greater inclines could be attained with the same engine and fuel. Additionally, far less friction between the wheels and regular rails meant these would last far longer, and maintenance costs would be drastically reduced. The greater inclines possible would mean curves on mountainous sections of track could be much sharper, significantly decreasing the requirement for engineering ground works, and the length of track required. From the correspondence, it seems the reasons this system was objected to was that national engineers felt the firm was trying to cheat the government by scrimping on track and groundworks, rather than implementing a more efficient system. When the Ministry of Public Works completed the railway in the 1910s and 1920s, they implemented a regular system, meaning greater resources were directed towards groundworks. This in part explains why despite its short length, the construction of the railway was so protracted. Rafael Torres Mariño, *Ferrocarril de Antioquia: situacion*; Undated petition for implementation of Abt System, Punchard, McTaggart & Lowther to Cisneros, AGN, República, Ferrocarriles, Vol. 312, ff. 178-201.

73 Undated petition for implementation of Abt System, Punchard, McTaggart & Lowther to Cisneros, AGN, República, Ferrocarriles, Vol. 312, f. 203; Safford, 'El Problema de los transportes'.

74 Ibid, ff. 178-201.

75 Ibid, f. 201.

76 Rafael Torres Mariño, *Informe del gerente del ferrocarril de Antioquia* (Medellin: Imprenta del Departamento de Antioquia, 1894).

the firm was justified in its criticisms of local engineers, since the relatively short railway was not completed until 1929, thirty six years after the contract with the British engineers was rescinded.[77]

In addition to the factors listed above, the project's failure was a consequence of the policies explored previously. Persistent default on sovereign debt meant raising a £1,650,000 loan for a Colombian railway project was impractical. As was discussed in previous subsections, Colombian officials mistakenly believed that mortgages on government revenues were sufficient to attract investment. It seems improbable that Punchard, McTaggart & Lowther had no idea of the potential risks of the project. The Colombians therefore had a legitimate reason to feel aggrieved. But whether the firm only took on the project to extort damages from the national government as Colombians insinuated, is less clear. When it proved impossible to float the loan, local and national authorities proceeded to blame Punchard, McTaggart & Lowther, who were certainly not blameless. But ultimately, culpability rested with the Colombian administration, which as previous subsections detailed, had engaged in wilful repudiation of the sovereign debt, prejudicing subsequent private sector investment. Disputes over the breach of contract rumbled on for several years, before finally ending in the court of arbitration in Lausanne, Switzerland.[78] The Swiss court of arbitration eventually found in favour of the British, a painful decision for Colombia, and one which framed relations with British engineers, financiers and railway administrators in a particularly negative light.

Santiago Pérez Triana, a man who subsequently became influential in the development of economic nationalism towards foreign railways in the wake of the *Quinquenio*, was an important figure in the negotiations.[79] His influential role in Colombian railway history is

[77] Alfredo Ortega, *La última Experiencia.*
[78] Letter titled 'International Court of Arbitration of the of the Antioquia Railway' dated 20 February 1899, TNA, FO 135/242.
[79] Ibid.

woven throughout this and the next two chapters. He was the son of radical liberal ex-president Santiago Pérez de Manosalbas, and in 1892, acted as a mediator between the departmental government and the British firm.[80] The following year Pérez Triana was accused of financial improprieties which led to his arrest, escape, and exile in Europe.[81] The British firm and Nuñez's national government accused Pérez Triana of negotiating a bribe for 3% of the proposed loan (£49,500) for his service in the 'corruption of Colombian functionaries' to ensure the award of the concession to the firm.[82] This was an astonishingly large amount of money in nineteenth century Colombia.

When in September 1893 the departmental government became aware of Pérez Triana's actions, he attempted to flee Colombia. Whilst awaiting a river steamer in Honda to take him to Barranquilla and onwards to Europe, he was 'detained by the mayor on the orders of the national government.'[83] Pérez Triana acquired US citizenship whilst running an agency for Colombian exports in New York from August 1880 to February 1890, and Rausch describes how he used this as a 'trump card' to enlist American diplomatic assistance.[84] Throughout her study, Rausch is sympathetic to Pérez Triana as a proto left-liberal anti-imperialist, and in this case seems to take the American consular sources – which paint him as a persecuted political prisoner – at face value.[85] The evidence presented throughout this thesis, which chronicles the inconsistencies of Pérez Triana's political position, and subsequent accusations of financial improprieties, suggest he was not as innocent as American diplomats argued. After the American intervention, Pérez Triana was released on bail in Bogotá, but the national

80 Juan Santiago Correa, 'El ferrocarril de Antioquia: empresarios extranjeros y participación local', *Estudios Gerenciales - Journal of Management and Economics for Iberoamérica*, 28 (2012), 149-166 (p. 157).

81 Rausch, *Santiago Pérez Triana*, p. 32-8.

82 Document titled 'International Anglo-Colombian Court Arbitration - Antioquia Railway' dated 27 February 1899, FO 135/242 (Loose paper without folio nos.); Rausch, *Santiago Pérez Triana*, p. 30-8.

83 Sergio Elías Ortiz, *Santiago Pérez Triana* (Bogotá: Editorial Kelly, 1971), p. 54.

84 Rausch, *Santiago Pérez Triana*, pp. 25, 29, 37.

85 Ibid, pp. 30-8.

government intended to send him to Medellin 'to be tried for bribery'.[86] He used this opportunity to escape to Europe through an arduous four-month journey across the Colombian and Venezuelan llanos frontier.[87] The intervention of two imperial powers in the case, highlighted the extent to which foreign business interests could compromise sovereignty. Colombia was ultimately unable to enforce its laws on bribery, because of the American intervention.

Punchard, McTaggart & Lowther claimed innocence in the scandal, arguing their local agent had entered into this agreement without their knowledge. This seems hard to believe. Nevertheless, they made some interesting claims regarding Pérez Triana's character. They argued their representative Mr Ripley fell 'prey to the constant attempts of an insinuating, clever and unscrupulous man'.[88] We should perhaps be cautious in regards to the objectivity of these company documents, since contemporary observers considered their claims for compensation as exaggerated.[89] These included not only cash outlays, but also a £310,000 discount on a proposed loan (which was never floated), and £300,000 of 'imaginary' profits they may have made but for the breach of contract.[90] These claims for compensation created a negative association with British railway interests within the Colombian national consciousness. In 1919 the national press still considered the affair to have been one of the most 'major economic setbacks' and 'worst entanglements' the country had ever experienced.[91] Likewise, when the British legation was dealing with the fallout from the subsequent GNCRC project in 1911, the

86 Ibid, p. 38.
87 Ibid, pp. 39-46.
88 Letter titled 'International Court of Arbitration of the of the Antioquia Railway' dated 20 February 1899, FO 135/242.
89 'English Claim Upon Colombia – How Punchard McTaggart & Lowther make a bill against the republic for services which did not happen', *New York Times*, 20 October 1895.
90 As previously mentioned, considering how poor Colombia's credit was in Europe, and how difficult it was to find credit for even small projects connected to the country, it seems highly unlikely Punchard, MacTaggart & Lowther ever really intended a to float the £1,650,000 loan at all. In view of this, their claims for compensation seem even more extortionate, considering they represented 37% of the entire budget for the railway, and the firm never laid a single kilometre of track. Ibid.
91 'El Emprestito de los tres millones', *El Tiempo*, 21 May 1919.

issue was fresh enough in their minds for internal papers to nervously state they were eager to avoid 'another Punchard-McTaggart claim'.[92] Gustavo Pérez Ángel attempted to quantify the financial impact of these incidences of corruption in three railway projects, arriving at the figure of over 75% of all expenditure. The analysis demonstrates serious inconsistencies regarding construction costs, and his figure seems highly exaggerated.[93] He also principally blames what he views as exploitative foreign investors and financiers for these problems, paralleling the standard *dependista* argument. Despite the failings of his counterfactual analysis, Pérez Ángel's observation that the Punchard-McTaggart 'adventure' cost $200,000 (Approximately £41,000) and many years of work 'without a single meter of line to show for it' recapitulates Colombia's experience perfectly.[94]

2.3 **Crises**

2.3.1 *War of a Thousand Days*

Colombia fought a protracted civil war during 1899-1902, representing the most destructive in the country's history. The commonly cited figure for the dead is 100,000: 20% of the fighting age male population.[95] As subsequent chapters detail, the war impacted British railway companies both directly and indirectly. Companies suffered physical damage to infrastructure and rolling stock. The anarchy and power vacuum bred local political hostility and cut off lines

92 Stronge (Minister Resident) to Grey (Foreign Secretary), 24 April 1911, TNA, FO 371/1101, f. 35.

93 Gustavo Pérez Ángel, *Nos dejó el tren: la historia de los ferrocarriles Colombianos y los orígenes del subdesarrollo* (Bogotá: Ediciones Cisnecolor, 2008), p. 46. Within his counterfactual analysis Pérez Ángel argues without exploitative financiers and corruption the Girardot railway (CNRC) should only have cost $21,122/km (£4,355/km), yet provides no tangible quantitative evidence as to why. The figure is optimistic to say the least. For some perspective, the Argentina Great Southern railway's original section was built for £6,820/km on the flat Argentine Pampas, whilst The CNRC scaled the Colombian central cordilleras, the geography of which clearly required far greater investment. J. Valerie Fifer, *United States Perceptions of Latin America, 1850-1930: A 'New West' south of Capricorn?* (Manchester: Manchester University Press, 1991), p. 48.

94 Pérez Ángel, *Nos dejó el tren*, p. 47.

95 Palacios, *Between Legitimacy*, p. 41. Palacios argues this commonly cited figure to be inflated. They do not present concrete evidence for their assertion. They do however argue that railways were untouched by the conflict, a contention which evidence presented throughout this thesis proves is incorrect.

of communications with London. The war began in October 1899. Seven months later in May 1900 the liberal army was effectively defeated at the two week long bloody battle of Palonegro, after which the liberals carried out a guerrilla warfare campaign. Applebaum argues the war represented the 'consolidation of partisan identities and hatreds', whilst Delpar blames the closed nature of ideological distinctions, and conflict between families and social strata.[96] In Colombia, the liberal and conservative parties grew out of ideological debates dating back to the 'constitutional convention at Cucuta' of 1821, in which the delegates discussed whether 'the government should be centralized or more loosely federative'.[97] The centrist camp was subsequently led by Simón Bolívar, the federalist one by Francisco de Paula Santander. The Liberal party with Santander's federalist vision dominated Colombian politics during the period 1845-76, accompanied by a burgeoning export trade spurred on by laissez-faire economics. Yet conservatives largely had the 'same economic vision': the main contrast was religiosity.[98] The Liberal party used this hegemony to radically reform Colombia's institutions through the 1863 Rionegro Constitution, which created what were in effect nine sovereign countries connected in a loose coalition. Some argue the origins of this federalist impulse can be traced back to colonial regionalism.[99] In 1886, Rafael Nuñez began the *Regeneración*, which reorganised Colombia as a single centralist state composed of departments. Jorge Orlando Melo describes the *Regeneración* as the '*República de los blancos*' (the white republic), since in his view it reformulated national identity on the basis of Spanish heritage and whiteness.[100] The *Regeneración* was a coalition of conservatives and renegade 'independent' liberals united

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96 Delpar, *Red Against Blue*; Nancy P. Applebaum, *Muddied Waters: Race Region and Local History in Colombia 1846-1948* (London: Duke University Press, 2003), p. 115.

97 Safford and Palacios, *Colombia*, pp. 107-8.

98 Safford and Palacios, *Colombia*, p. 188; Helen Delpar, 'Aspects of Liberal Factionalism in Colombia, 1875-1885' *The Hispanic American Historical Review*, 51, 2 (1971), 250-74 (p. 251).

99 Applebaum, *Muddied* Waters, pp. 15-20.

100 Jorge Orlando Melo, 'Etnia, región y nación: El fluctuante discurso de la identidad (notas para un debate)' in *Identidad: Memorias del Simposio Identidad Étnica, Identidad Regional, Identidad Nacional*, ed. by Myriam Jimeno (Bogotá and Medellín: Instituto Colombiano de Antropología, 1989), pp. 135-56 (pp. 37-8).

under the banner of the 'national' party. The *Regeneración* thus pitted moderate 'independent' liberals and conservatives against radical liberals. The radicals, shut out of power, and betrayed by the moderate wing of their party, became increasingly agitated. By the onset of the War of a Thousand Days, these circumstances had led to an extreme polarisation of the political arena.

As Correa, Torres, and Meisel argue, and the Foreign Office discussed in despatches, financing the war created an inflationary crisis.[101] As has been mentioned previously, Nuñez's political project was financed by the '*papel moneda*' fiat currency. Lacking reserves, the government printed currency to finance the war, and by the end a billion pesos were in circulation.[102] The view of British consular official Spencer Dickson was the bills were effectively worthless.[103] Fig. 2.11. demonstrates that in six years the COP$/£ exchange rate increased exponentially from 11.8 to 800. Torres and Meisel argue this hyperinflationary crisis had lasting effects for Colombian economic development, and subsequent chapters illustrate the significant impact on railway companies.[104]

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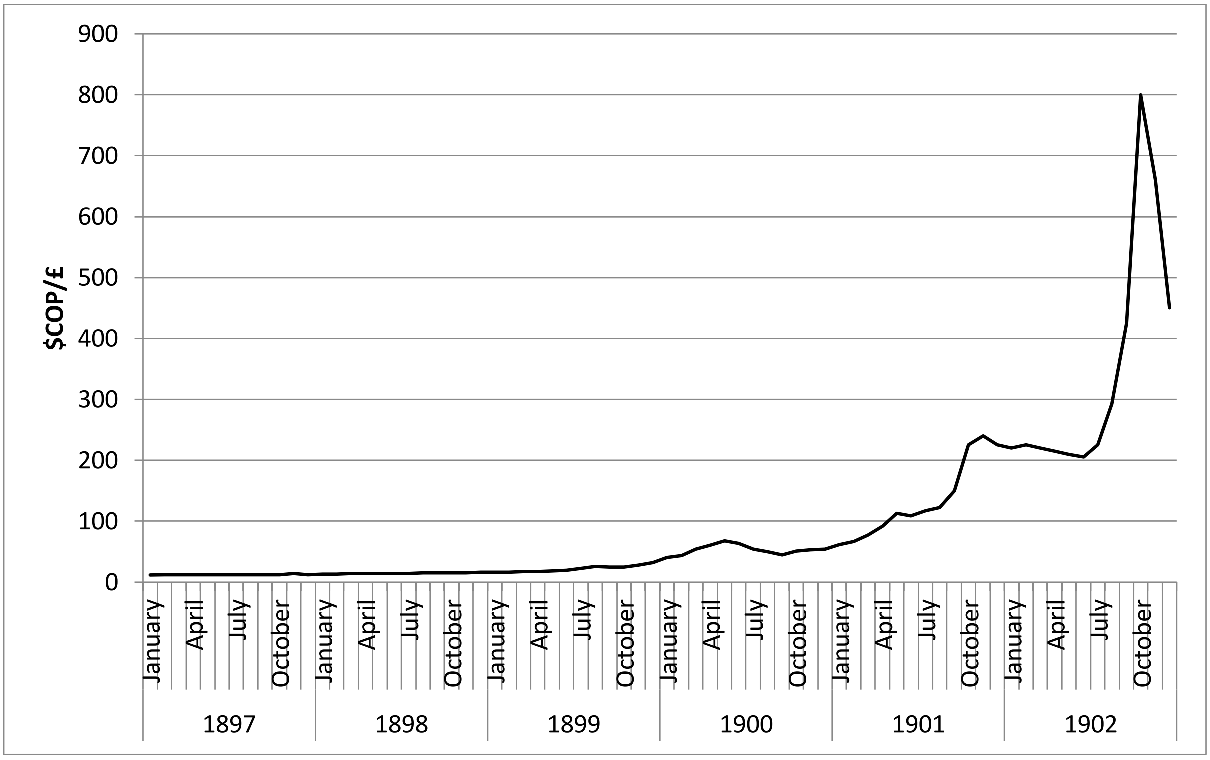
101 Juan Santiago Correa R., *Moneda y nación: del federalismo al centralismo económico en Colombia (1850-1922)* (Medellín: CESA, 2010) pp.84-6., 'Report by Mr Spencer S Dickson on the Financial Crisis in Colombia', TNA, FO 55/409, ff. 213-30; Guillermo Torres, *La historia de la moneda en Colombia* (Bogotá: Banco de la república, 1945) pp. 306-37; Adolfo Meisel, *El banco de la república: antecedentes, evolución y estructura* (Bogotá, Banco de la República, 1990) Section named 'Consecuencias monetarias de la Guerra de los Mil Días' in digital online edition: http://www.banrepcultural.org/blaavirtual/economia/banrep1/hbrep22.htm

102 Mallet to Paul, 2 October 1902, TNA, FO55/408, f. 214.

103 Ibid.

104 Torres, *Moneda,* pp. 306-37; Meisel, *El banco,* Section named 'Consecuencias monetarias de la Guerra de los Mil Días' in digital online edition: http://www.banrepcultural.org/blaavirtual/economia/banrep1/hbrep22.htm

Fig. 2.11 – Exchange rate of the Colombian peso against pounds sterling, 1897-1902



Source: TNA, FO 55/409, f. 221.

2.3.2 *Panama*

Historically Panama represented a bastion of liberal idealism, and as Correa argues, it acted as 'an important laboratory for liberalism'.[105] The fact that moving the national capital to Panama City was a topic of debate at the 1863 Rionegro convention, is illustrative of Panama's importance to Colombian liberalism.[106] In the context of the isthmus, liberalism was expressed in large part through calls for regional sovereignty. The extent to which this desire for self-determination was defined by ideology is questionable, since as McGuiness observes: 'Long before the gold rush, elite Panamanian desires for self-rule had been linked to their determination to rebuild Panama's transit economy.'[107] Whether the Panamanians were

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105 Juan Santiago Correa, *The Panama Railroad Company o cómo Colombia perdió una nación* (Bogotá, CESA, 2012), p. 131.

106 Delpar, *Red Against Blue*, p. 196 (n. 54). The convention of 1863 led to the institutional reorganisation of Colombia into 'sovereign states'. That the delegates considered making Panama City the capital of this new institutional entity demonstrates the importance of Panama to the liberal project.

107 McGuiness, *Path of Empire*, p. 193.

motivated primarily by economics or ideology, is largely irrelevant from our perspective, because Colombian liberal elites encouraged expression of these local desires through the lens of liberalism. Separatist sentiments were encouraged by the radical liberals, to exploit them for political gain. Constructing a canal through Central America was 'a major strategic issue' for the United States, and two potential routes had been identified, one through the Isthmus of Panama, and the other through Nicaragua.[108] As McGuinness's study demonstrates, a struggle of sovereignty on the isthmus had been ongoing since the mid-nineteenth century.[109] In addition, culturally, socially, and economically, Panama had been distinct from the rest of Colombia since this time.[110] Local liberals had also begun diverging from the wider Colombian liberal elite during the gold rush.[111] This political rupture and distinctness, provided all the prerequisites for the construction of a sovereign country, long before the canal crisis. All that was required were the right circumstances for the rupture with the rest of Colombia to become formal.

These circumstances were provided in the midst of the civil war, when the Hay-Herrán treaty was signed in September 1902, which 'clearly compromised Colombia's sovereignty' by granting the United States control of the canal zone.[112] The perceived loss of sovereignty caused significant political opposition in Colombia. As head of this opposition against the canal, ex-president Miguel Antonio Caro successfully lobbied the senate to vote down the treaty in 1903. For Caro et. al. the loss of sovereignty of a part of Colombian territory was unacceptable. The pro-canal lobby was headed by Rafael Reyes, who felt 'the question of infringements on Colombian sovereignty was subordinate to the issue of economic

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108 Joseph Smith, *The United States and Latin America A history of American Diplomacy, 1776-2000* (London: Routledge, 2005), pp. 71-2.
109 McGuinness, *Path of Empire*, pp. 54-83.
110 Ibid, pp. 84-122.
111 Ibid, p. 195.
112 Bergquist, *Coffee and Conflict*, p. 215. It should be noted that this the timing was especially important since some of the worst fighting took place on the isthmus itself.

reconstruction'.[113] Reyes 'worked for approval of the canal and served as informal liaison between [president] Marroquin and the United States legation in Bogotá' in the run up to the senate vote. On the 5 August, 1903, United States Secretary of State John Hay received a telegram from the American legation in Bogotá, informing him that rejection of the canal treaty by the Colombian senate was imminent.[114] Two months later 'demonstrations calling for independence from Colombia erupted in the province'.[115] On the pretext of the 1846 US-Colombian treaty, which required the US to 'maintain order', the Americans used the navy to prevent 'Colombian troops from putting down the revolt'.[116] With US protection assured, the Panamanian's desires for self-determination, forged through decades of radical liberal agitation, were finally realised. Paradoxically, Panama's 'laboratory of liberalism', had lost Colombian liberals their most prized asset.[117]

There were two necessary components for what transpired. The first was a power vacuum created by anarchic conditions provided by the civil war. The second was the political support of a world power. The key perspective in the context of this study, is that Panama sets Colombia apart from the rest of Latin America with the exception of Mexico. Colombia was unique in losing a part of its territory to an imperial power. This resulted in an understandable nationalistic reaction which was intensified by the brazen attitude of the United States: President Roosevelt boasted in 1911 that he had 'taken' the canal zone in 1903.[118] This caused 'deep resentment against the United States … among Colombians'.[119] The reaction was particularly acute against foreign railway companies: Reyes's and the Panama Railroad

113 Bergquist, *Coffee and Conflict*, p. 215.
114 Beaupré to Hay, 12 August 1903, in *The Panama Canal: Correspondence Relating to the Negotiation and Application of Certain Treaties on the Subject of the Construction of an Interoceanic Canal and Accompanying Papers* (Washington, D.C: Government Printing Office, 1914) pp. 419-20.
115 Smith, *The United States*, p. 73.
116 Ibid, p. 73.
117 Correa, *The Panama Railroad*, p. 131.
118 Smith, *The United* States, pp. 74.
119 Smith, *The United* States, pp. 74.

Company's respective roles in the crisis created an indelible association between the railway contracts of the *Quinquenio*, and a threat to national sovereignty. The rationale was clear. The support of a world power had been fundamental to the loss of Panama, and any dispute over a British railway company would be supported by the world's preeminent naval power. An article published in *El Republicano* in 1911, is indicative of these fears. The newspaper argued that 'separatism started to germinate in Panama under the shadow of the [American] railway company' and 'became the lynchpin of the succession movement' and Colombia must nullify the threat by nationalising the railways.[120] Reyes's role in the pro-canal lobby cast him in the eyes of many as a collaborator to foreign capital, resulting in resistance against railway companies in receipt of *Quinquenian* contracts which were viewed as scandalous relics of his collaboration.

The loss of Panama demonstrated that pure ideological liberalism was incompatible with the everyday realities in Colombia. Two central strands of Colombian liberalism (mobility of capital and regional sovereignty) had combined to rob Colombia of its most prized asset. Liberals placed the blame on the centralising policies of the *Regeneración*, which had alienated the Panamanians. The whole of Colombia would blame the 'yankees' for their role. But it had been the mid-nineteenth century radical liberal project that had agitated the desire for self-determination. Within this context, the American Panama Railroad Company became a convenient scapegoat. Colombian historians continue arguing its decisive role in what transpired.[121] Men like Santiago Pérez Triana, who this thesis argues was influential in the development of a nationalistic perspective towards railway companies, blamed the interests of foreign capital for the Panamanian crisis, projecting this belief onto current relationships with foreign railway companies operating in the country. Pérez Triana was not willing to betray his

[120] 'Grave Peligro para la integridad de la Nacion – Necesidad de Nacionalizar los Ferrocarriles de la Nacion', *El Republicano,* 11 August 1911.
[121] Correa, *The Panama Railroad*.

liberal ideals on some issues, but was more flexible on others. As Delpar put it, liberals would not go so far as to 'embrace authoritarian political doctrines'.[122] The Panamanian disaster forced liberals to give up on federalism and mobility of capital, and from a wider perspective liberals increasingly spurned economic liberalism. This change was expressed through an economic pivot towards the left, advocating national ownership of railway companies.

2.4 The *Quinquenio*, 1904-09

2.4.1 *Desde lejos, A Macro Perspective*

Marco Palacios's scathing summation of Rafael Reyes as a 'failed businessman who had roamed half of Colombia in search of fortune', is representative of the general historiographical representation of a particularly divisive president.[123] Biographies of the President either portray him as a hero who fought to modernise Colombia, or a dictator who sold out his country to foreign capitalists.[124] Palacios presents Reyes as local collaborator, and an agent of the interests of foreign capital, describing the end of his rule in the following terms: 'he slipped aboard a United Fruit Company boat and sailed off into exile'.[125] Kalmanovitz provides a more nuanced analysis, arguing that the administration 'was extremely controversial' but ultimately modernised important aspects of the economy, and provided a cohesive 'plan for infrastructure construction'.[126] Rausch comments that historians have found the '*Quinquenio* a difficult period to evaluate', but concedes that regarding abandoning the *verdad de la deuda* doctrine, 'succeeding developments suggest [the] policy was appropriate'.[127] Was Reyes as Palacios infers, an agent of imperialism, who betrayed his country in support of the interests of foreign capital? Or was he, as Kalmanovitz suggests, an economic pragmatist? In early twentieth

122 Delpar, *Red Against Blue*, p. 189.
123 Palacios, *Between Legitimacy*, p. 61.
124 Palacios, *Between Legitimacy*; Lemaitre, *Rafael Reyes, biografía de un gran colombiano* (Bogotá, Ediciones espiral, 1967); Mario H. Perico Ramírez, *Reyes, de cauchero a dictador* (Tunja: UPT, 1974).
125 Palacios, *Between Legitimacy*, p. 63.
126 Salomón Kalmanovitz, *Nueva historia económica de Colombia* (Bogotá: Taurus, 2010), p. 118.
127 Rausch, *Santiago Pérez Triana*, pp. 67, 72.

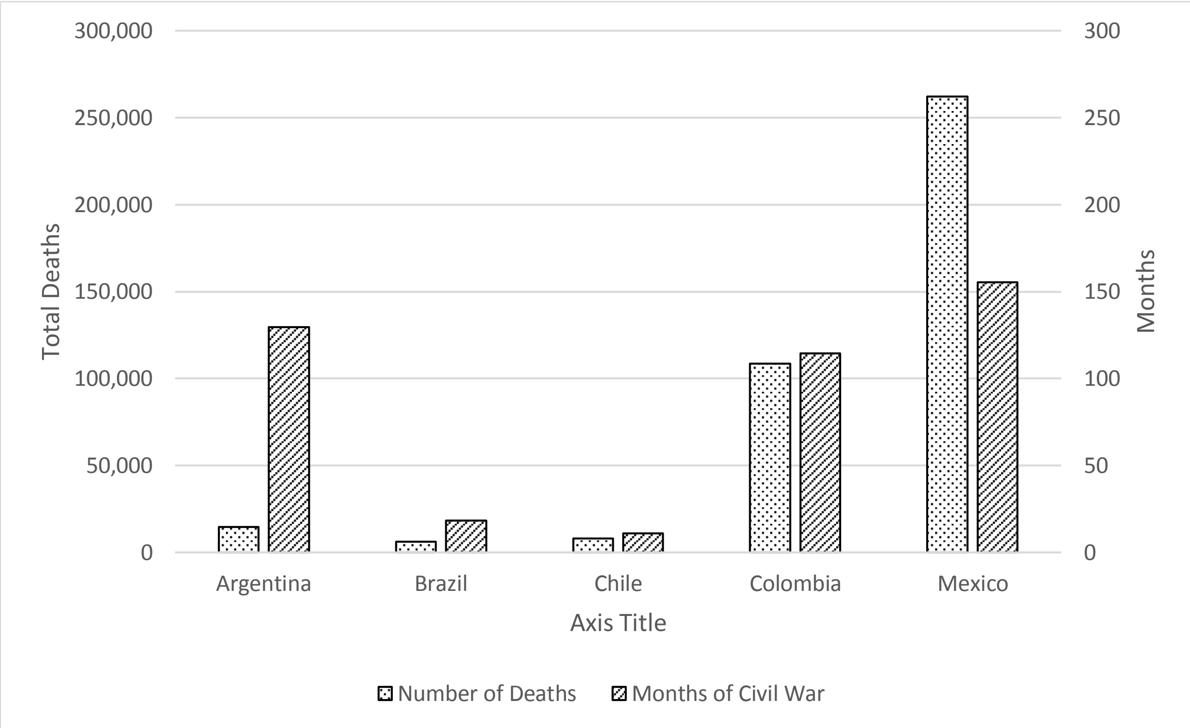
century Latin America, were the two even mutually exclusive? Could a weak country such as Colombia realistically expect to develop its economy without some compromise with foreign interests? The work of Miller and Lewis would suggest not.[128]

When Coatsworth described Mexico on the eve of the *Porfiriato* as 'a backward, war scarred, wreck of a nation', he could easily have been describing Colombia at the start of the *Quinquenio*.[129] After years of guerrilla warfare which converted a war 'of principles into a theatre of pillage', Colombia's economy was in tatters.[130] Its territory had also been recently mutilated by the US. The comparison with Mexico and the *Porfiriato* is therefore highly appropriate. Garner argues that Porfirio Díaz's success in consolidating power in Mexico, was achieved by combining the archetype of a nineteenth century *caudillo*, with a brand of 'radical "jacobin" liberalism' tempered by 'pragmatism and a good degree of cynicism'.[131] A key tenant of the Mexican *Porfiriato* was a commitment to the 'free and sovereign states'.[132] In Colombia this same liberal federalism had been reversed by Rafael Nuñez's centralist *Regeneración*. When Reyes came to power and initiated the *Quinquenio*, his coalition of renegade liberals and conservatives precluded the application of this same liberal organisational model. The *Quinquenian* project was one based on economic 'progress' though the application of the railway, mobility of capital, and international trade. In this regard Reyes mirrored the economic liberalism of the *Porfiriato*. The caveat to the liberal economics, was a strong *caudilloesque* regime to impose order on the country, attract capital, allowing international trade to flourish. That Colombian conservatives and moderate liberals went along with this programme is unsurprising, since as Delpar, Safford, and Palacios all contend, there was little difference in

128 Miller, 'Making of the Grace Contract'; Miller, Britain and Latin America; Colin Lewis, *British Railways*; Colin Lewis, *Public Policy*.
129 Coatsworth, *Growth*, p. 175.
130 Bergquist, *Coffee and Conflict*, p. 190.
131 Garner, *Porfirio Díaz*, pp. 224-5.
132 Ibid, p. 225.

economic ideology between the parties.[133] Palacios described the post-civil war 'conservative hegemony' as 'liberal economics, conservative politics', and Delpar argues many liberals had abandoned their commitment to federalism.[134] The loss of Panama had created a political atmosphere in which the dividing line between Reyes and his detractors was not economic or political ideology, but views on national sovereignty.

Fig. 2.12 – Cumulative civil war battle dead and cumulative months of conflict, c. 1914



Source: Melvin Small and J. David Singer, *Resort to Arms International and Civil Wars 1816-1980* (London: Sage, 1982) p. 223-240.

Previous subsections illustrated that historically Mexico and Colombia had similar records managing their sovereign debt. Fig 2.12 demonstrates similar experiences with regards to internal conflict. Whilst this was a systemic problem throughout the region, it was more intense and persistent in Colombia than elsewhere. The common estimate of 100,000 for the deaths in just one conflict, the Colombian War of a Thousand Days (1899-1902), dwarfs cumulative war

133 Delpar, *Red Against Blue*, p. 80; Safford and Palacios, *Colombia*, p. 188.
134 Palacios, *Between Legitimacy*, pp. 48-92; Delpar, *Red Against Blue*, p. 189.

dead for Argentina, Brazil and Chile c. 1914.[135] More significantly, for Colombia and Mexico the majority of these casualties occurred during the period of greatest British investment in the region.[136] Argentina was also blighted by conflict as a result of its 'perennial constitutional problem', which inhibited initial railway expansion in the country.[137] But these problems, and the barrier to investment they represented, were resolved by 1880 when the federalisation of Buenos Aires established 'internal order … until 1929'.[138] In Mexico Díaz provided similar stability until 1910. Thus, Argentina and Mexico were open to British investment throughout the period of greatest capital migration from Britain (1880-1914). The *Quinquenio* sought to impose a similar level of order in Colombia.

The authoritarian regimes of the *Porfiriato* and the *Quinquenio* improved relations with foreign capital markets, and addressed the contractual instability, repeated civil conflict, and complex power dynamics which had represented barriers to investment. In Mexico, Garner argues Díaz used his influence to implement 'legislative protection of property rights' to enable foreign investment.[139] Likewise, in Colombia Reyes resolved to 'disregard the interference of congress and other bodies, which consider[ed] themselves as the authorised mouthpieces of public opinion'.[140] Reyes's solution to contractual instability, which had been aggravated by the requirement to pass concession contracts through the congress and the senate, was to suspend the function of both bodies. This newfound institutional predictability allowed British railway companies to flourish, leading to their rapid expansion. Only Reyes's opinion mattered in this new reality, meaning companies no longer needed to placate multiple political actors. These

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135 Palacios, *Between Legitimacy*, p. 41.

136 The majority of the war dead for Colombia and Mexico were suffered during the War of a Thousand Days (1899-1902) and the Mexican Revolution (1910-1920).

137 William Fleming, 'Profits and Visions', in *Railway Imperialism*, ed. by Robinson, p. 76; Lewis, *British Railways*, p. 44.

138 Lewis, *British Railways*, p. 44.

139 Paul Garner, *British Lions and Mexican Eagles: Business, Politics, and Empire in the Career of Weetman Pearson in Mexico, 1899-1919* (Stanford: Stanford University Press, 2011), p. 139.

140 'Policy of the Reyes Administration', TNA, FO 55/421, f. 425.

measures, as well as the repression of the free press, were predictably unpopular. Liberals were willing to abandon federalism, but under no circumstances would they 'embrace authoritarian political doctrines'.[141] Within the Colombian context, these measures were necessary for Reyes to achieve his goals, but they further alienated his opponents. After the horror of war, during the first years of the administration liberals were generally willing to accept Reyes's 'program of *concordia nacional*' (national unity), but this goodwill did not continue indefinitely.[142] The loss of Panama led to economic nationalism steadily replacing economic liberalism as the dominant ideology. This increasingly weakened Reyes's position, because of the central position of economic liberalism within his political project. Whereas in Mexico Díaz combined the most popular aspects of liberalism with *Caudillismo,* in Colombia Reyes formed his programme around aspects of liberalism which were becoming increasingly unpopular.[143]

Under Reyes, national sovereignty was subordinate to ensuring foreign investment by following what Lewis termed the 'rules of the game' of the emerging world financial system.[144] The type of political economy implemented by Reyes, has been identified by Cain and Hopkins, Lewis, Miller, Garner, and Summerhill as indispensable for railway investment elsewhere in Latin America.[145] One integral policy was implementation of the gold standard, which imbued would-be investors with confidence, because it was associated with orthodox fiscal policy.[146] In contrast to fiat currency, with a gold backed currency, deficit spending could (in theory) only occur by issuing sovereign bonds in the capital market.[147]

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141 Delpar, *Red Against Blue*, p. 189.
142 Bergquist, *Coffee and Conflict*, p. 228.
143 Garner, *Porfirio Díaz*, p. 225.
144 Lewis, *British Railways*, p. 98.
145 Cain and Hopkins, *British Imperialism*, I; Lewis, *British Railways*; Lewis, *Public Policy*; Summerhill, *Order*; Garner, *British Lions*; Miller, 'The Grace Contract'; Miller, *Britain and Latin America,* p. 133.
146 Flandreau, 'Caveat Emptor'; Marc Flandreau, *The Glitter of Gold: France, Bimetallism, and the Emergence of the International Gold Standard, 1848-73* (Oxford: Oxford University Press, 2003); Marc Flandreau and Frederic Zumer, *The Making of Global Finance 1880-1913* (Paris: OECD, 2004).
147 There are of course many examples of governments manipulating metallic currencies to engage in deficit spending throughout history, an early example being the debasement of the Roman Silver Denarius.

Cain and Hopkins argue that these orthodox fiscal policies and receptiveness to foreign investment enabled the construction of 'compliant satellites' of British imperialism elsewhere in Latin America.[148] Reyes was certainly perceived as a conduit for British interests by contemporaries in the city of London. When news of the end of the *Quinquenio* was received, it was met with 'severe disappointment', since it had been 'hoped that he would do the same for Colombia what has been done for Mexico by Porfirio Díaz'.[149] In previous subsections, the evolution of Mexican bond prices provided a visual representation of exactly what Díaz 'had done for Mexico', and Reyes sought to emulate the Mexican leader. As Bergquist argues, his speech at the 1901 Pan American conference revealed both admiration for Díaz, and reverence of railways as the universal harbinger of 'civilisation' and 'progress'.[150] In a similar speech given by Reyes in 1911 at a banquet of the Pan-American society, Reyes commented on his admiration for what he referred to as the ABC: Argentina, Brazil, and Chile, where the policies he promoted had already been implemented, resulting in rapid economic development.[151] Reyes believed 'railways could only be built with foreign capital' which could only be attracted with the right 'climate' and 'necessary guarantees'.[152] As such, Reyes recognised successful railway development depended on adopting the brand of political economy described by Cain and Hopkins.[153]

Unlike many of his predecessors, Reyes and his administration seemed to understand both the importance of the perception of Colombia in foreign capital markets, and the workings of these same financial markets. It is unclear why this was the case. Reyes and Holguín had spent time outside of Colombia on diplomatic missions, yet so had Nuñez, and when Pérez Triana wrote

Nevertheless, the capacity for manipulation and catastrophic inflation was diminished by adherence to the gold standard in the minds of investors.

148 Cain and Hopkins, *British Imperialism*, I, p. 58, pp. 288-311.
149 'The Situation in Colombia', *The Economist*, 31 July 1909.
150 Bergquist, *Coffee and Conflict*, p. 221, originally quoted in: *La Opinion*, 10 February 1902.
151 Rafael Reyes, *Las dos Americas* (New York: Frederick Stokes Company, 1914), p. 64.
152 Bergquist, *Coffee and Conflict*, p. 222.
153 Cain and Hopkins, *British Imperialism*, I, pp. 288-311.

Desde lejos, he had lived in Europe for over a decade. But one factor which sets Reyes and Holguín apart from their contemporaries was their willingness to trade sovereignty for material progress. Another was their receptiveness to the capital market's criticisms of Colombia's prior conduct, and disposition to take responsibility for this conduct, instead of justifying it on budget deficits and economic crises. As such, the central policy of the regime was resumption and maintenance of payments on the sovereign debt, which British diplomats recognised as a seismic shift of national political economy.[154] This shift depended on Jorge Holguín's negotiations with the Corporation of Foreign Bondholders, which culminated with the Holguín-Avebury agreement in 1905. These negotiations were covered in detail by Holguín in *Desde cerca*, which demonstrated an impressive knowledge of international financial markets and classical economics. A critique was published by Santiago Pérez Triana, which is representative of a wider pivot towards left-wing economics and anti-imperialism.[155] As has been mentioned in previous subsections, these theses led to a national debate, of which Junguito provides a modern interpretation, arguing that the agreement's perceived generosity to external creditors led to widespread criticism.[156] Reyes's policies meant that by the 30 June 1908, half of interest arrears accumulated during previous defaults had been liquidated.[157] Subsequent interest payments had also been made punctually, with interest even having been paid on bonds in advance. All of this had been achieved amid the worst fiscal crisis in Colombia's history.[158] But this had not come without costs, prioritising external obligations meant the salaries of many 'minor officials' had not been paid.[159]

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154 Welby (Minister Resident) to Villiers (Assistant Under-Secretary for Foreign Affairs), 20 March 1905, TNA, FO 55/429, f. 68.

155 For the national political debate on the Avebury-Holguín agreement see: Holguín, *Desde Cerca*; Pérez Triana, *Desde Lejos* .

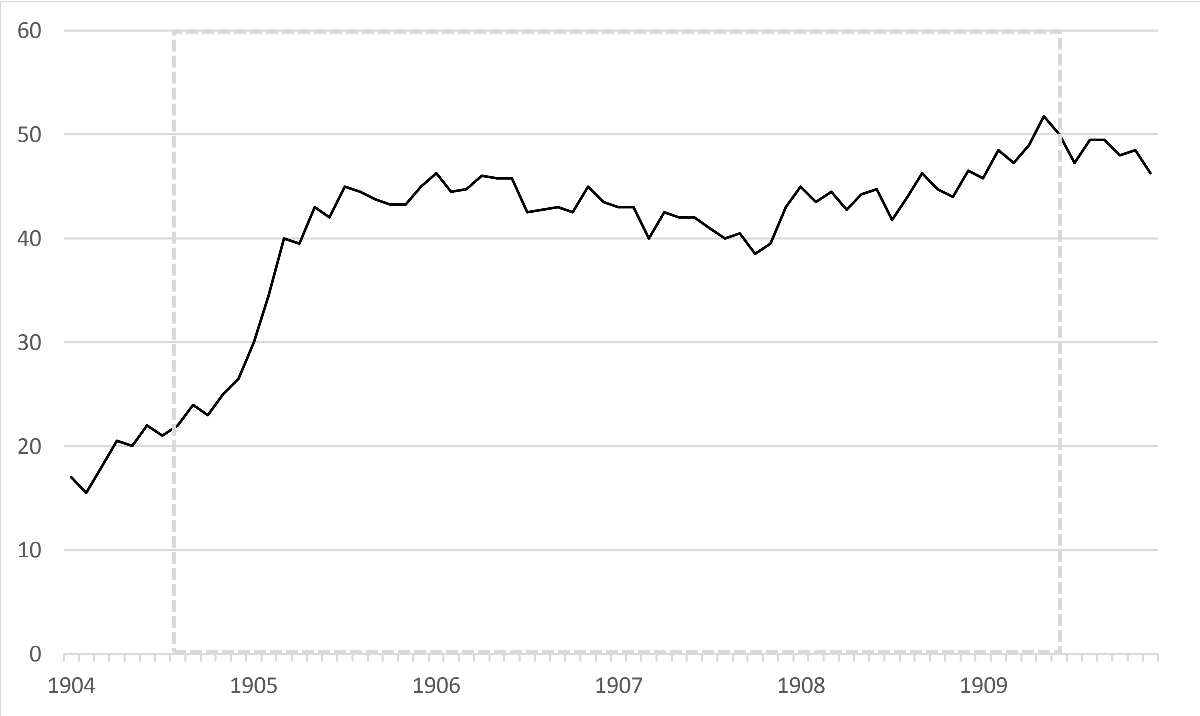
156 Roberto Junguito, *La deuda externa*, pp. 250-60.

157 'Extract from the Report Presented to the National Assembly by the Acting Member of Finance', 29 July 1908, TNA, FO371/437, f. 223.

158 Ibid.

159 Stronge (Minister Resident) to Grey (Foreign Secretary), 30 July 1908, TNA, FO371/437, f. 231.

Fig. 2.13 – Price of Colombian sovereign debt bonds 1904-09 (Percent of par value, box represents the *Quinquenio*)



Source: *Investor Monthly Manual*, 1904-09.

In the city of London the administration made a concerted effort to appear finally ready to take its place (in the words of Cain and Hopkins) as a another 'compliant satellite' of British imperialism in Latin America.[160] An article in *The Times* from September 1905, demonstrates how the London capital market viewed Reyes: 'what the president has already done for this country is shown in the price of Colombian bonds' which as a result of his policies now traded 'thirty points higher'.[161] As is illustrated in fig 2.13, in the short-term Reyes had successfully emulated the *Porfiriato's* restoration of the relationship with the London capital market. *The Times* argued Reyes did not share the views of his 'ignorant' countrymen, who presented 'foolish obstruction' to foreign capital by raising 'the cry that foreigners are fleecing the country'. They described Reyes as 'the best hope, politically for Colombia', who was 'fully alive to the fact' that transportation infrastructure works 'can be carried through only by foreign

160 Cain and Hopkins, *British Imperialism,* I, p. 58.
161 'We published a few days ago an emphatic', *The Times*, 29 September 1905.

capital'. Reyes responded with a telegram to the editor, underlining his intent to adhere to the rules of the game of British economic imperialism: 'Colombia is grateful for the defence of "The Times" … and will know how to guarantee foreign capital and win and maintain a place among earnest and civilised nations'.[162] Reyes may well have been, as Palacios put it, a 'failed businessman' and an agent of imperialism, but his willingness to cede the national will to the desires of the British capital market produced an upsurge in the availability of capital.[163] Only one year into his presidency, positive interactions with the capital market and their mouthpiece *The Times* had allowed Reyes to raise Colombian bonds to the highest level they had traded at since the renegotiation of 1873. According to the Foreign Office, Jorge Holguín had also made similar inroads in the French capital market.[164]

This subsection has demonstrated that Reyes's *Quinquenio* was highly successful in emulating Díaz's rehabilitation of the national debt. As subsequent chapters demonstrate, Reyes's success led to significant British investment flowing into Colombia's railway sector. The next subsection will investigate to what extent the regime successfully emulated the consolidation of power of the *Porfiriato*, which overcame another barrier to investment: political instability. It will argue that the London capital market's rosy view of Reyes and Colombia was not entirely congruent with the reality on the ground in Bogotá, and that the regime was fundamentally unstable on a local basis.

2.4.2 *Desde cerca, A local perspective*

To consolidate power, Reyes needed to monopolise force, and as such, his first action was to confiscate 65,505 weapons.[165] Reyes also wished to break the link between popular politics and fiscal and monetary policy, by creating an independent central bank with a share capital of

162 Reyes to the Times (Telegram), 17 November 1905, TNA, FO55/429 f. 240.
163 Palacios, *Between Legitimacy,* p. 61.
164 Dickson to Petty-Fitzmaurice (Foreign Secretary), 15 July 1905, FO55/429, f. 151.
165 Diario Oficial, no. 13737, 13738, 21 July 1909.

£1,600,000, and adopting the gold standard.[166] Guillermo Torres argues how influential these policies were to the history of the Colombian peso and the economy.[167] In adopting the gold standard, Reyes was rejecting 'paper money', a key ideological tenant of the *Regeneración,* which had been a long term aim of the radical liberals.[168] As Meisel argues, financing the War of a Thousand Days created a hyperinflationary crisis, resulting in huge emissions of bills.[169] In order to reinstate the gold standard, all the bills in circulation would need to be substituted for gold backed currency. Reyes's administration needed to find capital abroad equal to the totality of the Colombian currency in circulation, which was not an easy task. British consular official Spencer Dickson argued Reyes had the support of Colombia's *comerciantes* (merchant class), whose business was increasingly difficult because a 'worthless paper currency' was their only means of exchange.[170]

Reyes made mistakes implementing the policy. He appointed José María Sierra (better known as Pepe Sierra) as the head of the fiscal division of the central bank.[171] Sierra had become the richest man in the country by building up huge tracts of land speculating in agrarian property. Sierra's business strategy, relayed throughout the biography written by his grandson Bernardo Jaramillo Sierra, was quite simple: he reinvested all his profits purchasing additional land.[172] In some places such as the area surrounding the capital Bogotá, he had created a virtual

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166 Welby (Minister Resident) to Petty-Fitzmaurice (Foreign Secretary), 16 March 1905, TNA, FO55/430 f. 98-9.

167 Torres, *Moneda,* pp. 306-37.

168 Delpar, *Red Against Blue*, p. 139; The colloquial term 'Paper Money' is the used throughout Colombian historiography to refer to the adoption of a fiat currency not backed by metallic reserves. The ideological component of the implementation of this system of currency was its enablement of statist intervention in the economy. According to Delpar, Nuñez used fiat currency as a state led 'means of stimulating economic development'. For this reason, Nuñez has generally been viewed favourably by historians on the left, whilst Reyes has been viewed negatively because of parallels with modern neo-liberalism. A recent and important exception to this is Kalmanovitz.

169 Adolfo Meisel, *El banco*, Section named 'Consecuencias monetarias de la Guerra de los Mil Días' in digital online edition: http://www.banrepcultural.org/blaavirtual/economia/banrep1/hbrep22.htm

170 'Policy of the Reyes Administration', TNA, FO 55/421, f. 426.

171 Dickson to Petty-Fitzmaurice (Foreign Secretary), TNA, FO55/429 f. 154.

172 Bernardo Jaramillo Sierra, *Pepe Sierra: el método de un campesino millonario* (Medellín: Bedout, 1947), pp. 107-15

monopoly on the rents on agricultural land, and potable water.[173] This led him to be considered the most 'hated man in Colombia', especially among the peasantry.[174] Sierra's ascent to wealth and social status illustrates that race represented a greater barrier to social mobility than social background. Like the 'illegitimate son of a washerwoman' President Marco Fidel Suárez (1918-21), Sierra came from a white peasant family.[175] Yet these origins did not preclude either from rising right to the top of Colombian society. This is a sharp contrast with the experience of left-liberal populist leader Jorge Eliécer Gaitán, who despite coming from the middle class, as a *mestizo*, was disparagingly referred to as '*el negro Gaitan*', and barred from entry into elite social clubs.[176] Sierra cemented his place in the Colombian elite by marrying his children into elite criollo families, not unlike Gabriel García Márquez's character Lorenzo Daza in *Amor en los tiempos de cólera*.[177] One such marriage between Sierra's daughter and Reyes's son made the men *consuegros*, and stoked further public discontent: Sierra's lack of education or knowledge of international finance, and the family ties to Reyes led to claims of nepotism.[178]

173 Luis Fernando Molina Londoño, 'Don Pepe Sierra: prototipo del empresario antioqueño; el arriero más rico del país', *Revista Credencial Historia*, 16 (1991). Online edition: http://www.banrepcultural.org/blaavirtual/revistas/credencial/abril1991/abril2.htm accessed 06/02/2016

174 Dickson to Petty-Fitzmaurice (Foreign Secretary), TNA, FO55/429 f. 154.

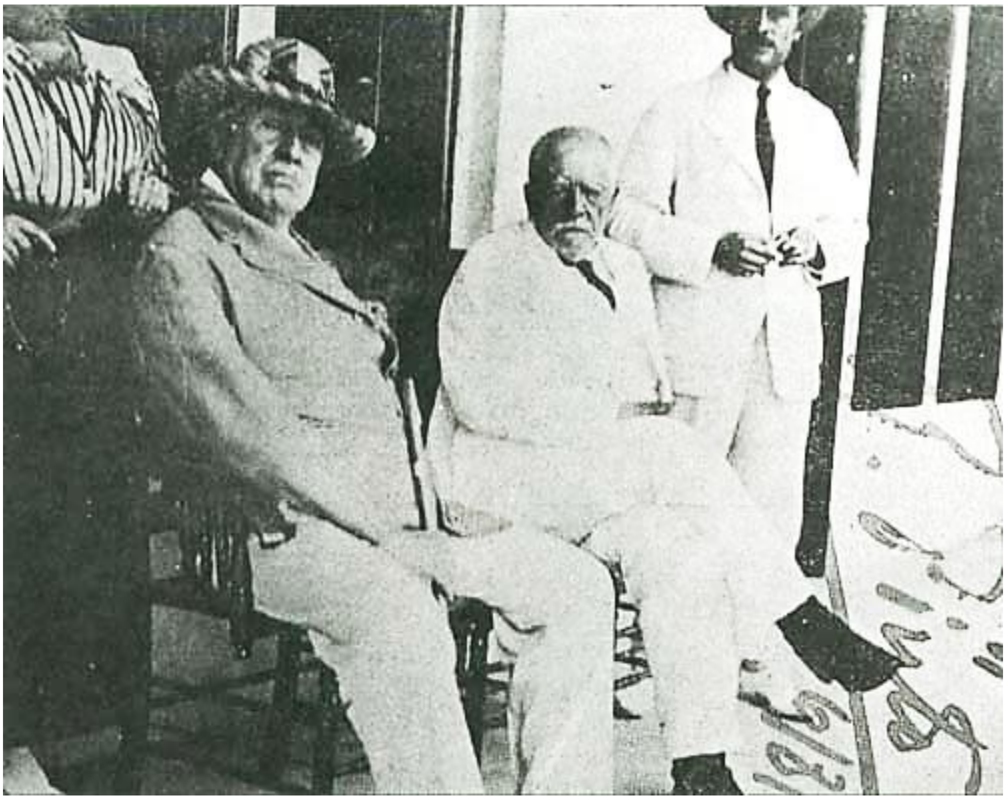
175 Delpar, *Red Against Blue*, p. 161.

176 W. John Green, *Gaitanismo, Left Liberalism, and Popular Mobilization in Colombia* (Gainesville: University of Florida Press, 2003), pp. 120-21.

177 It is unclear if Lorenzo Daza is based on Pepe Sierra or similar social climbers with low social origins, but there are certainly many similarities between the story told by García Márquez and Sierra's grandson Bernardo Jaramillo Sierra. Jaramillo Sierra, *Pepe Sierra*; Gabriel García Márquez, *El amor en los tiempos de cólera* (Bogotá: Oveja Negra, 1985).

178 Sierra's daughter Clara was married to Reyes's son Enrique. It is important to underline the importance of these types of extended familiar links within Latin American culture. The very word to describe this link does not even exist within the English language. In a Latin American context, the relationship of *consuegro* is as significant as that of *suegro* (father-in-law) from which the word originates. In the environment of elite Colombian society, marriages between the younger members of two families was often used as a means of cementing or giving witness to the importance of a personal relationship between the heads of these families. For a detailed analysis of the dynamics of kinship in Latin America see: Manuel L. Carlos and Lois Sellers, 'Family, Kinship Structure, and Modernization in Latin America' *Latin American Research Review*, 7 (1972), 95-124.

Fig. 2.14 – The *Consuegros* Don Pepe Sierra and Rafael Reyes



Source: Luis Fernando Molina Londoño, 'Don Pepe Sierra : prototipo del empresario antioqueño ; el arriero más rico del país' *Revista Credencial Historia*, vol. 16 April 1991, http://www.banrepcultural.org/blaavirtual/revistas/credencial/abril1991/abril2.htm accessed 06/02/2016

A significant proportion of government revenues were required for Reyes's plan to take the large emissions of paper currency out of circulation. Sierra was tasked with creating new state monopolies and taxes, to fund the creation of a central bank, and move to the gold standard.[179] This gave Sierra economic power 'surpassing that of president Reyes', upon which the 'fiscal stability of the polemic regime depended'.[180] The new monopolies and taxes were created in 'industries which form[ed] the livelihood of a large portion of the population'.[181] One of these was a levy on each hide from a slaughtered cow.[182] British consular official Spencer Dickson argued these benefitted 'a few capitalists', yet alienated the peasantry who were already obliged

179 Dickson to Petty-Fitzmaurice (Foreign Secretary), TNA, FO55/429 f. 154.

180 Luis Fernando Molina Lodoño, *Empresarios Colombianos del siglo XIX* (Bogotá: Banco de la República, 1998), pp.138-9,

181 Dickson to Petty-Fitzmaurice (Foreign Secretary), 15 July 1905, FO55/429 f. 150.

182 Molina, *Empresarios Colombianos*, p. 138.

to pay Sierra for access to agricultural land and potable water.[183] Many had lost livelihoods from the creation of state tax monopolies, most notably on cigarettes and matches. These circumstances created hostility across Colombia.[184] As a result, only eleven months into the administration, discontent was at boiling point.

Reyes and his administration were skilled at cultivating a positive view in London, managing to create the perception of political stability where none existed. British consular official Spencer Dickson was concerned by this inconsistency, and warned the British Foreign secretary Henry Petty-Fitzmaurice of 'a possible rising on the part of the famine-stricken lower classes'. Dickson felt race was an important dynamic within the brewing rebellion: 'the "indio" class has been regarded as quite unimportant factor in the programmes of past governments', which the white elite had historically considered to be without agency: 'incapable of resistance and devoid of initiative'.[185] This case illustrates several important points. Firstly, we see the London capital market remained reliant on formal signals of sovereign respect of the 'rules of the game' in the process of foreign capital investment allocation. Prompt payment of sovereign debt remained the most important factor. Signalling willingness to engage on investors' terms could override the reality of internal instability as a barrier to investment, at least in the short-term. Even more political turmoil followed. At the end of 1905, Reyes uncovered a plot involving major shareholders of the CNoRC to remove him from power.[186] Shortly afterwards, in January 1906 he 'miraculously' survived an assassination attempt, in which 'no less than eight shots were fired at him from three directions, five of which hit the vehicle'.[187]

As the previous subsection demonstrated, in the short-term the *Quinquenio* was ultimately successful in its attempts to remould Colombia's relationship with the British capital market.

183 Dickson to Petty-Fitzmaurice (Foreign Secretary), 9 August 1905, FO55/429 f. 154.
184 Ibid, ff. 148-9.
185 Ibid.
186 Dickson to Grey (Foreign Secretary), 23 December 1905, FO371/42, f. 42.
187 Loraine Petre, *Colombia*, pp. 116-7.

This subsection has demonstrated that this was achieved despite major failings maintaining a stable internal environment. Subsequent chapters will continue documenting this failure, focussing specifically on the impact on railway companies. Reyes was highly successful in emulating the *Porfiriato* with regards to relations with international capital. He was less successful emulating Díaz's consolidation of power and imposition of order internally. This subsection has demonstrated the reasons for this were two-fold. First, the different political environment of Colombia made it impossible for Reyes to fully placate calls for ideological purity from liberals, especially on the radical fringe. Reyes's inability to commit to liberal social principles to the same extent as Díaz, explains the greater degree of resistance to his administration and economic project. Reyes's abandonment of liberal principles in the social sphere, led to resistance from liberals of his economically liberal programme. Some of his social policies, even inspired resistance from conservatives.[188] The following subsection illustrates that the liberals' critiques of his economic policy, were inspired by systemic contradictions within the liberal capitalist system. Advocates of liberalism valued sovereignty, both at the national and federal level. They also valued progress, international mobility of capital, and international trade. Panama had demonstrated these two ideals were fundamentally incompatible. As the work of LeGrand and McGuiness demonstrate, Colombia could not play host to foreign railway companies, or act as a conduit of international trade, without a loss of sovereignty.[189] Colombian national politics were experiencing a crisis of liberalism. The inconsistencies and contradictions in the liberal international capitalist system, were forcing a necessary pivot towards left-wing economics, leading to the birth of a new movement: left-liberalism. As the next subsection will demonstrate, the resistance against the excesses of global capitalism in Latin America, were increasingly expressed through the lens of social

[188] Bergquist, *Coffee and Conflict*, pp. 228-9.
[189] LeGrand 'Living in Macondo'; McGuiness, *Path of Empire*.

justice, a central foundation of left-liberalism. This focus on social justice, had a decidedly outward perspective, linked to anti-imperialism and sovereignty. This divide in Colombian politics over sovereignty, and anti-imperialism versus collaboration, was initiated in large part by the loss of Panama, and further polarised by the controversial *Quinquenio*. The polemic solidified within national political discourse with theses published by Santiago Pérez Triana and Reyes's minister of finance Jorge Holguín. I argue throughout this thesis that the struggle between these contrasting viewpoints fundamentally influenced Colombian economic development in the pre-war period. The result of the debate would decide the fate of British railway companies. The central question which developed was: should Colombia implement the policies countries such as Argentina, Brazil, Chile, Uruguay, or Mexico had implemented historically? Or, should it mirror the current nationalistic policies being implemented by these countries against their extensive foreign owned railway networks?

2.4.3 *Desde lejos and Desde cerca*

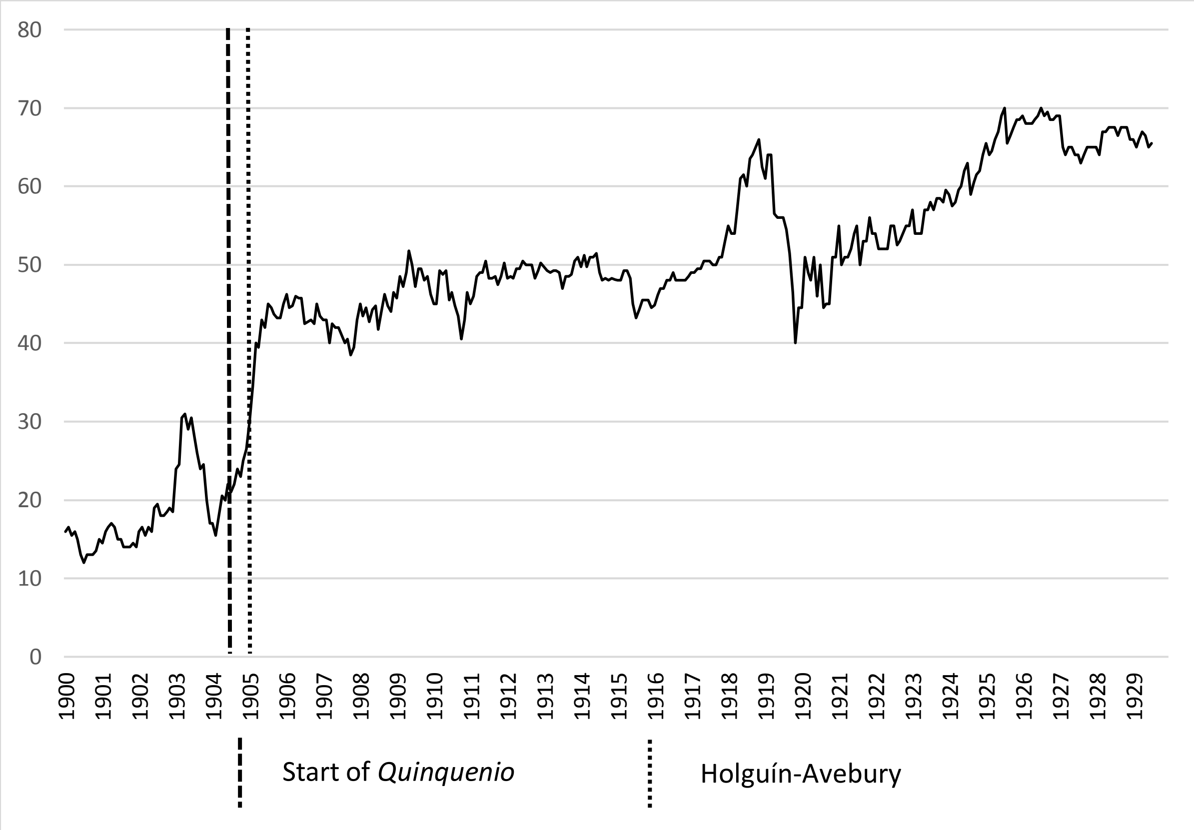
When Santiago Pérez Triana fled to Europe in 1893, Rafael Nuñez's government labelled him as *hombre detestable oficialmente*, and forbade his return to Colombia.[190] When Reyes came to power in 1904, his exile had lasted a decade and he was settled in London. On the 20 April 1905 Reyes's chief financial agent in London Jorge Holguín signed the Holguín-Avebury agreement, which resumed payments of the Colombian sovereign debt, and opened up Colombia to large-scale British investment for the first time since independence. Colombia's sovereign debt remained at a nominal value of £2,700,000, and Holguín agreed to pay interest accumulated whilst in default using 15% of customs revenue.[191] In addition, the bonds would carry 3% interest moving forwards. The long-term impact of this policy is clear to see in fig. 2.15: the agreement revolutionised Colombia's relationship with the British capital market.

190 Rausch, *Santiago Pérez Triana*, p. 65.
191 Holguín, *Desde cerca*, pp. 251-2.

Opponents of the regime such as Pérez Triana, argued the agreement was overly generous to British bondholders, and advocated application of the *verdad de la deuda* doctrine, which had dominated Colombian politics throughout the nineteenth century, and maintained – largely from a moral standpoint – that debtors should not be tied to pay interest on the nominal value of debts which were heavily devaluated in the market.[192] As such, Reyes's and Holguín's policies were truly revolutionary in the Colombian context. When Reyes took office in August 1904, Colombian bonds were trading at 22 per cent of par value (£100 of bonds worth £22).[193] Pérez Triana felt the national government should have negotiated a discount. But in truth, from a Latin American perspective, the terms of the Holguín-Avebury agreement were highly favourable to Colombia, since interest was set at 3%, far below the rate of interest on outstanding sovereign loans for Argentina, Brazil, and Chile at that time, which varied between 4% and 6%.[194] Holguín responded to Pérez Triana's critique by publishing his own thesis: *Desde cerca*. These theses stimulated a national public debate which Abel Cruz Santos argued represented 'one of the most interesting polemics in the economic history of Colombia'.[195] Lamentably Cruz Santos's astute observation has not been acted upon by the wider national historiography, which has not recognised the debate as the defining historical moment it represented.

192 Pérez Triana, *Desde lejos*, pp. 174-82
193 'Foreign Government Stocks', *Investor Monthly Manual*, August 1904. p. 452.
194 'Foreign Government Stocks', *Investor Monthly Manual*, April 1905, p. 176.
195 Abel Cruz Santos, *Economía y Hacienda Pública* ed. by Abel Cruz Santos and others, Historia extensa de Colombia, XV, T.2, (Bogotá, Editorial Lerner, 1966), p. 122

Fig. 2.15 – Long term impact of the *Quinquenio* and Holguín-Avebury agreement on sovereign debt bonds, 1900-29 (per cent of par value)



Source: *Investor Monthly Manual*, 1900-29.

Holguín's thesis was surprisingly objective and pragmatic regarding the question of foreign debt and imperialism in Latin America. It is easy to see why the analysis presented was viewed as so controversial. Regarding the loss of Panama, Holguín blamed the actions of previous Colombian governments repudiating the debt owed in London. He noted that if Colombia had 'fulfilled its obligations … Britain would not have recognised … the independence and sovereignty of Panama.'[196] He subsequently argued that coming to terms with British investors was paramount, because had the country continued in its repudiating ways, the next time civil strife was to blight another Colombian province, Britain would be sure to quickly recognise its independence as punishment.[197] Holguín made a cutting critique of the application of the *verdad de la deuda* to Colombia's financial affairs. He argued that during the 1870 Franco-

196 Holguín, *Desde cerca*, p. 55.
197 Ibid, p. 55.

Prussian war 'the income of the French dropped more than 50%, yet it never occurred to the French to use the quotation of their national debt' as a justification for a renegotiation of the debt outstanding. He continued in this same manner, commenting that during the Napoleonic wars it 'never occurred to the Whigs or Tories to take advantage of the devaluation of their consolidated debt', and that during the Spanish-American war, it had never occurred to Spain to use it as an excuse to avoid payment.[198] Holguín never used the word, but his implicit meaning is clear: Holguín felt Colombia was not acting as a 'civilised' country in dealing with its financial affairs in this manner. Holguín also accused Colombians, and indeed South Americans more generally, of being embarrassingly ignorant of the workings of financial markets. He argued that many believed in the capitals of Europe, there were 'powerful bankers and rich businessmen, with no idea what to do with their millions, … walking through the streets … looking for anyone willing to accept capital at 3% annual interest, with a mortgage on customs duties'.[199]

Desde lejos contrasts strongly with Holguín's study, and its pragmatic vision of how to attract foreign investment. This is unsurprising, since in *Desde lejos* Pérez Triana made it clear attracting foreign investment was not his aim, because he believed 'borrowing from abroad would bring not only economic slavery but also endanger national sovereignty'.[200] Pérez Triana acknowledged the need to overcome the 'medieval backwardness' of Colombian transportation, but argued allowing foreign railways to do so presented a 'mortal danger for our existence as a sovereign and independent people'.[201] McGreevy argues that it was the mid-century radical liberal project which first opened Colombia to the world economy.[202] Pérez Triana was the son of President Santiago Pérez de Manosalbas, an influential radical liberal

198 Ibid, p. 56-7.
199 Ibid, p. 72.
200 Rausch, *Santiago Pérez Triana*, p. 70.
201 Pérez Triana, *Desde lejos*, p. 50.
202 McGreevy, *An Economic History*, pp. 97-116.

figure. The fact that a political figure with this background now viewed foreign investment and mobility of capital in this manner, illustrates the profundity of the crisis of liberalism evident in early twentieth century Colombia, since the views espoused in *Desde lejos,* were the opposite of economic liberalism. Pérez Triana left the reader in no doubt as to why this ideological change was necessary: 'the painful experience [of Panama] demonstrates we cannot continue as before. Our territory has been mutilated'.[203] He warned imperial powers may have designs on other parts of Latin America:

> The European powers have spent the nineteenth century dividing the rest of the globe amongst themselves: there is no place where they have not launched their armies. … [these] Imperialists would no doubt have done to Latin America, as they did to Africa, Asia, and Oceania… [had it not been for] the Munroe doctrine.[204]

As such, the politics of foreign investment had transcended party politics and ideology, with national sovereignty becoming the dominant question within Colombian politics.

Pérez Triana's views were becoming increasingly anti-imperialist, although it is unlikely he would have viewed himself in this manner. He carried out several significant actions in this regard. He penned an open letter to President Taft of the United States, published as a pamphlet in London and circulated among elite circles in Colombia.[205] He created the cultural periodical *Hispania*, which Rausch argues aimed to inspire the 'solidarity of the Hispanic world as a buffer' against imperial powers.[206] He also served as Colombia's representative at The Hague conference of 1907, in support of the Drago Doctrine, which sought to outlaw military action enforcing debt repayments. This was a reaction to the 1902-3 Venezuelan crisis, where British, Italian, and German navies bombarded the repudiating Venezuelan government into

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203 Pérez Triana, *Desde lejos*, p. 50.

204 Ibid, p. 48.

205 Santiago Pérez Triana, *Letter to President Taft. An Appeal for International Honesty* (London: Wertheimer, 1909).

206 Jane Rausch, 'An Overlooked Contributor to a Unique Colombian Periodical. Enrique Pérez and the journal Hispania (1912-1916)', *Historia Crítica*, 68 (2018), 95-110 (p. 108).

submission. At The Hague, in a speech which drew many plaudits for its eloquence, Pérez Triana argued that the weak and defenceless nations of Latin America were being victimised and exploited by the imperial powers: 'the principle of coercion depends on a strong creditor and weak debtor … the attack on our integrity and independence can never be justified'.[207] Pérez Triana's critique of international capitalists in his speech at The Hague, carries uncanny similarities to J.A. Hobson's *Imperialism* albeit with the theatrical twist representative of his political discourse: 'the spirit of Shylock is omnipotent in our modern civilisation … [and] Shylock will continue demanding his pound of flesh'.[208]

Pérez Triana's transformation from a liberal export merchant, into a proto-anti-imperialist, is representative of the pivot towards social justice and left-wing economics within early twentieth century Colombian liberalism. But his disdain for international capitalism and foreign railway companies should not be misunderstood as opposition to railways themselves. Pérez Triana was as supportive of railways as any other late nineteenth century Colombian political elite. The review he posited was over the form of ownership. In the final chapter of *Desde lejos*, Pérez Triana laid out an alternative system of railway expansion based on national ownership.[209] In 1909, he republished the chapter under the title *De ferrocarriles* through a Colombian publisher for a much wider audience.[210] This advocated the nationalisation of existing railways and was mirrored by public policy in subsequent decades. Pérez Triana argued that since the government had to guarantee bonds on railway bonds to entice investors, it may as well raise the bonds itself and build the railway under governmental administration.[211] This was on the face of things a sound and reasonable argument. It was a model which had been employed elsewhere, most notably in Peru. However, the model brought additional

207 Santiago Pérez Triana, *La doctrina drago colección de documentos* (London: Wertheimer, 1908) p. 117.
208 Pérez Triana, *La doctrina drago*, p. 117; Hobson, *Imperialism*, pp. 46-63.
209 Pérez Triana, *Desde lejos*.
210 Santiago Pérez Triana, *De ferrocarriles*, (Medellín: Tipografía industrial, 1909).
211 Ibid.

complications and risks. In Peru, a collapse of government revenues at the end of the guano boom led to default on the government bonds used to finance the railway network, meaning the insolvent national government was forced to hand over ownership to the Peruvian Corporation. The result was a single British company dominating the country instead of many smaller foreign railway companies.[212] This model had also been put into practice for the Antioquia railway, which collapsed spectacularly with the Punchard-McTaggart litigation, within which Pérez Triana was a central figure.

As the similarities between Pérez Triana's political discourse and Hobson's *Imperialism* demonstrate, his ideas did not develop within a political vacuum. During this period, a nationalistic perspective towards foreign railway companies was developing throughout Latin America. In Uruguay during his second term as President (1911-15), José Batlle y Ordóñez instituted *batllismo*, a brand of economic nationalism which 'faced off against British companies in Uruguay instituting measures which would impede their businesses'.[213] Likewise, in Argentina, British owned railways experienced 'a new wave of anti-foreign economic nationalism between 1909 and 1914'.[214] This period also coincides with the fall of Porfirio Díaz and the subsequent Mexican nationalist revolution. Rausch was correct in arguing Pérez Triana was an important but hitherto unrecognised figure within a wider Latin American anti-imperialist movement.[215] But Rausch herself overlooked Pérez Triana's most influential anti-imperialist activity: formulating the nationalistic railway policy which was implemented in post -1909 Colombian public policy, a link which is also absent within the scant literature on Colombian railways. This change in public policy has never been recognised as the defining historical moment it represents. This thesis argues that between the loss of Panama and 1914,

212 Miller, 'Making of the Grace Contract'.
213 Gáston Díaz, 'Uruguay' in: Sandra Kuntz Ficker (ed.), *La expansión ferroviaria en América Latina* (Mexico City: COLMEX, 2015) p. 255.
214 Wright, *British-Owned Railways*, p. 103.
215 Rausch, *Santiago Pérez Triana*, pp. 75-84.

there is no comparable event in national politics with such long-term effects for the country's economic development.

2.5 **Conclusions**

This chapter has set out the foundations for the following chapters. It has illustrated that up until the *Quinquenio*, the attitude towards sovereign debt and foreign investment was a consistent political choice based on the application of the *verdad de la deuda* doctrine. It created an insurmountable obstacle to investment. The *Quinquenio* represents a revolutionary period in which almost a century of politics dominated by this doctrine was overturned. The chapter has indicated that this revolutionary rehabilitation of national credit was enduring: Colombia did not return to repudiate the national debt in the following decades. Throughout the 1910s and 1920s, Colombia prioritised sovereign debt over other expenses, and by 1929 Colombian sovereign bonds had risen to just under 70 per cent of par, permanently removing this barrier to foreign investment. Poor credit was no longer a significant factor in railway development. In this regard, we can categorise politics of Colombian sovereign debt management into two periods: before and after the beginning of the *Quinquenio* (1904). With regards to wider foreign investment, the picture is more complex. The loss of the department of Panama created a nationalistic reaction. The chapter demonstrated that at the start of the twentieth century, Colombia was at a major political crossroads. Colombia had to decide whether to risk further incursions on national sovereignty assuring modernisation of its transportation system, or risk forgoing the economic advantages of railway development by going its own way with a policy of national ownership. The chapter has illustrated this political crossroads was defined by the contrast between Holguín's, Reyes's, and Pérez Triana's opposing views on foreign investment. As such, the debate between these political actors represented the struggle over the future economic trajectory of the country. The loss of Panama was the catalyst which ultimately precipitated this incredibly important economic decision.

Would Colombia continue to implement the *verdad de la deuda* doctrine, or would it abide by the 'rules of the game' of British imperialism? Would the country continue to encourage foreign railway companies to expand, or would they implement the national ownership model advocated by Pérez Triana? As fig. 2.15 illustrates, Holguín won the argument on the *verdad de la deuda* doctrine. However, as subsequent chapters will demonstrate, with regards to the role of foreign railway companies in the development of national infrastructure, Pérez Triana's model of national ownership and a programme of nationalisation of foreign railway companies dominated the two decades following the end of the *Quinquenio*. We can therefore split the period following 1904 until the start of First World War into two periods: The *Quinquenio* and the post-*Quinquenio* nationalistic era. The chapter has demonstrated the rehabilitation of Colombia's sovereign debt was an immensely important and lasting achievement of the *Quinquenio*. However, as subsequent chapters will attest, despite short-term successes during the regime Reyes did not fulfil his vision of modernising Colombia with railway technology through direct foreign investment. The type of railway development which characterised the *Porfiriato* was replaced by a policy of national ownership. A central tenet of this policy was to nationalise railways which were currently under British control.

Chapter 3. – The Northern Railway Companies

3.1 **Introduction**

> [President Reyes and the Minister of Public Works] nailed down [the first rails] with their own hands … nobody supposed … that soon after it would be said … that all this was solely illusionary … that the works carried out … were only built on sands, because their basis which is the contract, is not legally exact for the simple reason that, although the engine runs across the wilderness, there is still wanted the consent of the national congress'.[1] J. Fletcher Toomer, Director of the Great Northern Railway of Colombia, 1911.

When Fletcher Toomer and the GNCRC entered the Colombian railway sector, they were naïve of Colombia's unstable economic environment. As the above quote illustrates, Fletcher Toomer was forced to reconcile the nature of the unpredictable political milieu in which he was entwined. However, right up to the point the GNCRC was forced into nationalisation, they maintained the hope they would receive fairness, justice, and contractual stability if only they could move past the current contractual dispute. In contrast, as a leading member of Colombia's political and economic elite, the CNoRC's dominant shareholder and managing director Juán Manuel Dávila never expected to be treated with fairness or justice. As such, he manoeuvred within what Safford terms Colombia's 'catch-as-catch-can' national business culture just as skilfully as the political actors with whom he and his company interacted. This assured not only the completion of his railway, but also its transformation into one of the most profitable lines in the Latin American region.

3.1.1 *Structure and Argument*

The central aim of the chapter is to answer the following question: what impeded the 'northern railway' companies expanding in the same way as other British railway companies in Latin America? The chapter is split chronologically into five periods: the nineteenth century origins, the period of crisis delineated by civil war and the loss of Panama (1899-1903), the *Quinquenio* (1904-09), the post-*Quinquenian* nationalistic reaction (1909-14), and the period of legal cases

1 Toomer to Minister of Public Works, 10 April 1911, TNA, FO371/1101, ff. 280-1.

and enforced nationalisation of British railways (1914-27). Within these chronological sections, the chapter focusses on two railway companies: the Colombian Northern Railway Company (CNoRC), and the Great Northern Central Railway of Colombia (GNCRC). The parts on the history of the CNoRC, describe how the London based company was a vehicle used by General Juan Manuel Dávila and his associates to monopolise the important trade route between the Bogotá and the salt mines of Zipaquirá, and that personal rather than national interests dominated company policy. The chapter shows how the CNoRC subsidiary, the Colombian Central Railway Company (CCRC), was created to protect these personal interests, first by hiding the influence of interested parties, and second by enabling expansion of the railway without diluting the profits from the monopoly on the transportation of salt. The guarantee system is demonstrated to have successfully stimulated the CNoRC to expand operations through the CCRC subsidiary, with expansion being terminated because of the development of a nationalistic perspective within national politics. Subsections focussing on the GNCRC illustrate how the positive perception of Colombia in London cultivated by Reyes, combined with the guarantee system, enabled large sums of capital to be raised in Europe with relative ease. These subsections document how the intervention of key political actors in a dispute over bonds eroded investor confidence in Europe, and arrested expansion of the railway. The bond dispute is shown as part of the wider anti-imperialist current explored in the previous chapter. In this manner, the chapter argues that positive macro-level interactions with international capital were overridden by negative micro-level interactions.

3.2 **Origins**

3.2.1 *Origins of the 'Northern Railway'*

The railway companies addressed by this chapter should be understood as components of a single 'northern railway'. In Colombia, there was no predetermined and specific plan of development as was the case with the 'redemptive work' in Ecuador.[2] However, there was a general consensus for the focus of development. This included: coastal railways linking each Caribbean port with the Magdalena River, a link between each regional capital in the interior with the Magdalena River, and a 'northern railway' running along the highlands of Cundinamarca, Boyacá, and Santander, connecting the capital Bogotá with Bucaramanga. A railway of this kind was first envisaged by the influential British-Colombian William Wills in 1864.[3] During the mid-1870s, the national press debated a proposed project named '*Ferrocarril del Carare*' (Carare Railway), which sought to connect both Santander and Cundinamarca with the river at a single point at Carare. It was at this point that a polemic emerged over national policy. Some proposed large railway projects (such as the Carare or 'Northern Railway') which would integrate the country; others favoured short regional railways linking each population centre individually with the Magdalena River.[4] Salvador Camacho Roldán favoured a short railway linking Bogotá with the Magdalena River at Girardot, and opposed the 'Northern Railway'.[5] Another vocal opponent was the national engineer Indalecio Lievano.[6] The mid-1870s support was led by the influential and famous contemporary Colombian economist Aníbal Galindo.[7] A railway of the scale envisaged by Galindo et. al. (similar to the Antioquia Railway explored in chapter two) would require foreign financing. As the second chapter illustrated, the political policy of repudiation made financing such a project unrealistic. As a result, during the 1880s and 1890s Colombia focussed on the development of small-scale local

2 Clark, *The Redemptive Work*.
3 William Wills, 'Un Nuevo Pacto de Union', *El Tiempo*, 22 June 1864.
4 Salvador Camacho Roldán, *Ferrocarril del Norte: artículos publicados en el Diario de Cundinamarca; Parte primera: aspecto financiero* (Bogotá: Imprenta de Gaitán, 1874); Indalecio Lievano, *Comparación de los proyectos Ferrocarril del Carare y Ferrocarril de Guarumó: nota dirijida al señor Presidente de la Junta Ausiliar para la construcción del Ferrocarril del Norte* (Bogotá: Tipografia de Nicolas Ponton, 1875); Galindo, Anibal; 'Ferrocarril del Norte', *Diario de Cundinamarca*, 1 June 1874.
5 Camacho Roldán, *Ferrocarril del Norte*.
6 Indalecio Lievano, *Comparación de los proyectos*.
7 Galindo, Anibal; 'Ferrocarril del Norte', *Diario de Cundinamarca*, 1 June 1874.

railways, and the 'Northern Railway' morphed from a national project into a small local railway connecting the salt mines of Zipaquirá with the capital.

3.2.2 *General Juan Dávila*

In 1892 the concession for the construction of a railway to the salt mines of Zipaquirá was purchased by General Juan Davila for $360,000 (approx. £72,000) who was bankrolled by Antonio Roldán.[8] In the 1880s Roldán was alleged to have rented out government land worth $500 per annum for only $70, pocketing part of the difference.[9] Thus from the outset, the purchase of the railway was associated with corruption and rent-seeking. Nuñez's *Regeneración* government provided Dávila with a $15,000 subvention per km (approx. £3,000), which critics argued fully covered construction costs, meaning Dávila had attained the railway with nothing more than political capital.[10] The contract of 1884 included a levy on net receipts, payable to the then State of Cundinamarca.[11] This 'tax' was supposed to have been rescinded in the 1892 concession contract, which transferred the railway to Dávila. However, repeated contractual disputes (explored later in the chapter) occurred in subsequent decades, ultimately resulting in expropriation and forced nationalisation in the 1920s. Construction was financed through a mix of government subvention and credit, for which Dávila owed 'significant sums in both Colombia and overseas'.[12] In an attempt to deflect criticism, Dávila claimed the railway had 'cost much more than the $15,000 per kilometre' subvention.[13] A Foreign Office report on British railway companies in Colombia, completely contradicted this

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8 'Report on the Railways of Colombia' 1910, Vol. XCVI, Cd. 4968, p. 21; Empresa del Ferrocarril del Norte, *Rectaficaciones de la Empresa del Ferrocarril del Norte al Informe de la Comision de Formento de la Camara de Representantes* (Bogotá: Imp. De E. Espinosa Guzmán, 1898), p. 5.

9 Anonymous, *El señor doctor Antonio Roldán i sus Contratos* (Bogotá: Imprenta del Diario de Cundinamarca, 1884).

10 Juan Manuel Dávila, *Solicitud del General Juan M. Dávila ante el Senado de la República* (Bogotá: Imprenta de Luis M. Holguín, 1898).

11 Ibid. The levy on net receipts was 5% during the first 20 years of operation, 10% during the next 20 years, and subsequently 15% per year for the rest of the life of the railway. From 1886 onwards, the State of Cundinamarca became the Department of Cundinamarca,

12 Ibid.

13 Ibid.

statement, stating ‘the subvention of £3,000 fully represents the cost of construction’.[14] As such contemporary criticisms were not without foundation.

3.3 **Finances and Shareholders**

3.3.1 *Finances*

Safford argues the main factor which inhibited railway expansion in Colombia was the mountainous terrain.[15] When construction of the railway to Zipaquirá began, there was no access to Bogotá other than by mule trails. The Cambao cart road was built specifically to enable the transportation of the materials and machinery required, but transportation of bulky goods remained expensive.[16] If Safford is correct company finances should provide evidence of a struggle to service interest payments on the heightened capital expenditure imposed by the terrain. The pattern evident in table 3.1 is the opposite. Throughout 1905-24 net profits were greater than debenture interest, and by the end of the 1910s, the CNoRC was a highly profitable enterprise.

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14 ‘Report on the Railways of Colombia’ 1910, Vol. XCVI, Cd. 4968, p. 22.

15 Safford, ‘El problema de los transportes’.

16 Jacobo Weisner, *La verdad acerca del camino de Cambao: Octubre de 1884* (Bogotá: Imprenta de Medardo Rivas, 1884).

Table 3.1. - The Colombian Northern Railway Company Accounts F/Y 1905/6-1924/5

The Colombian Northern Railway Company							
F/Y	Gross Receipts (£ - Pounds Sterling)	Working Expenses (£)	Net Receipts (£)	Capitalisation	Capital Costs	Return on all invested Capital	Return on Share Capital
1905/06	£29,948	£12,965	£16,983	£480,000	£9,000	3.54%	2.66%
1906/07	£30,311	£12,220	£18,091	£480,000	£9,000	3.77%	3.03%
1907/08	£37,163	£15,926	£21,237	£480,000	£9,000	4.42%	4.08%
1908/09	£37,880	£14,560	£23,320	£480,000	£9,000	4.86%	4.77%
1909/10	£41,019	£14,593	£26,426	£480,000	£9,000	5.51%	5.81%
1910/11	£42,492	£15,600	£26,891	£480,000	£9,000	5.60%	5.96%
1911/12	£42,182	£13,746	£28,436	£480,000	£9,000	5.92%	6.48%
1912/13	£48,702	£14,308	£34,394	£480,000	£9,000	7.17%	8.46%
1913/14	£53,999	£14,782	£39,216	£480,000	£9,000	8.17%	10.07%
1914/15	£53,864	£17,150	£36,715	£480,000	£9,000	7.65%	9.24%
1915/16	£58,132	£17,722	£40,410	£476,300	£8,815	8.48%	10.50%
1916/17	£61,771	£18,490	£43,281	£471,860	£8,593	9.17%	11.50%
1917/18	£75,780	£32,191	£43,588	£467,300	£15,865	9.33%	23.36%
1918/19	£87,796	£41,124	£46,672	£463,235	£15,662	10.08%	19.49%
1919/20	£99,473	£36,975	£62,498	£457,335	£15,367	13.67%	31.42%
1920/21	£108,567	£46,841	£61,726	£447,050	£14,853	13.81%	31.25%
1921/22	£96,185	£42,710	£53,476	£439,730	£14,487	12.16%	25.99%
1922/23	£101,398	£41,859	£59,538	£433,380	£14,169	13.74%	30.25%
1923/24	£114,247	£47,116	£67,130	£433,380	£14,169	15.49%	35.31%
1924/25	£109,804	£44,425	£65,379	£415,200	£13,260	15.75%	34.75%

Sources: Guildhall Library, Stock Exchange Reports, Boxes 928, 974, 1021, 1067, 1115-6, 1167, 1217-8, 1267, 1318-9, 1369-70, 1420-1, 1469, 1512, 1557, 1602, 1647, 1693, 1738, 1782, 1830.

Davis and Huttenback use companies' annual reports to ascertain the returns on overseas investment. The method of analysis applied throughout this thesis is modelled on their 'return on all capital claims' approach and utilises the same source base.[17] Fig. 3.1 illustrates the utility of this approach, since it immediately becomes clear how remunerative the CNoRC was. By the end of the period the net receipts of the railway represented over 15% of the total invested capital. But after allowing for the interest due on debentures, the return on share capital was even more impressive. CNoRC returns were many multiples of the average figures of 6%, 5.33% and 5.7% given by Lewis, Edelstein, and Davis and Huttenback for Argentine, Latin

[17] Davis and Huttenback, *Mammon*, pp. 81, 106.

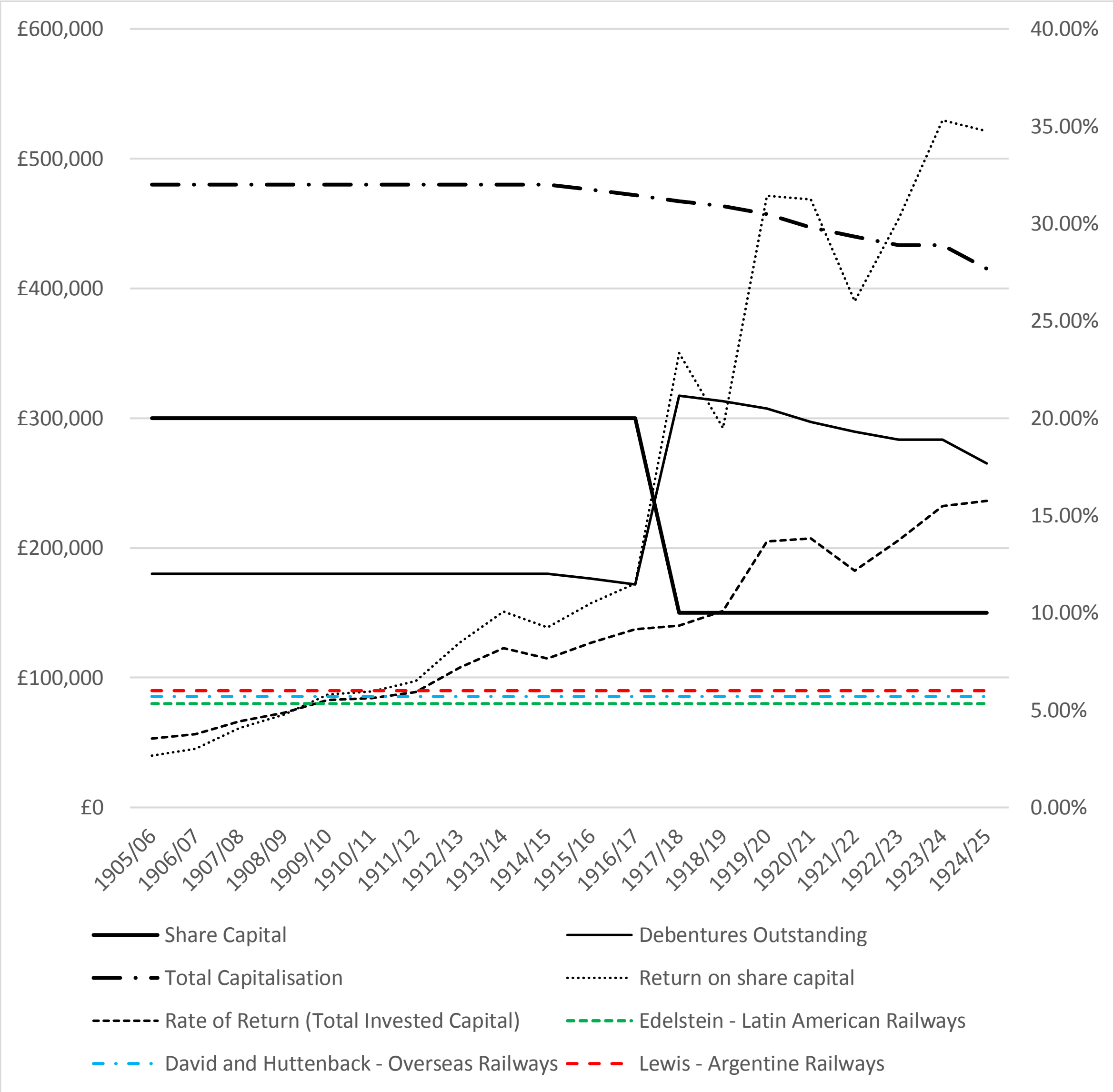
American, and British Overseas Railways.[18] Like for like comparisons with the accounting record of similar British railways in Latin America would provide an even better measure of the fundamental profitability of the CNoRC from a regional perspective. But there are no studies of individuals railways which provide a similar level of detail to the analysis presented here. Nevertheless, these data illustrate the CNoRC was significantly more profitable than the average level of profitability necessary for British railway enterprise to be viable elsewhere in the world.

In F/Y 1917/18, the directorship decided to decrease share capital to £150,000 by raising an equal number of debentures. The balance raised by these was paid to each shareholder at the rate of £5 per £10 share, resulting in a sharp increase in returns on share capital. The Dávila's 60% shareholding meant they received a one-off payment of approximately £90,000 without relinquishing any control over the enterprise. From F/Y 1913/14 onwards, when the return on share capital reached 10%, the CNoRC was able to pay down debt, and enabled the directorship to slowly repay the debentures raised for the one-off payment to shareholders. This resulted in a decrease in outstanding debentures from £317,300 in F/Y 1917/18, to £265,200 in F/Y 1924/25. By F/Y 1923/24 when the national government expropriated the railway, the return on the remaining share capital was over 35%, illustrating the questionable basis of the historiographical consensus regarding the historical utility of Colombian railways which Safford is representative of.[19]

18 Lewis, *British Railways*, pp. 217; Davis and Huttenback, *Mammon*, p. 107; Edelstein, *Overseas Investment*, p. 125.

19 Safford, 'El problema de los transportes'.

Fig. 3.1 – Levels of share capital, interest bearing debentures, total capitalisation, return on share capital, and return on all invested capital of the CNoRC – F/Y 1905/06 – F/Y 1924/25



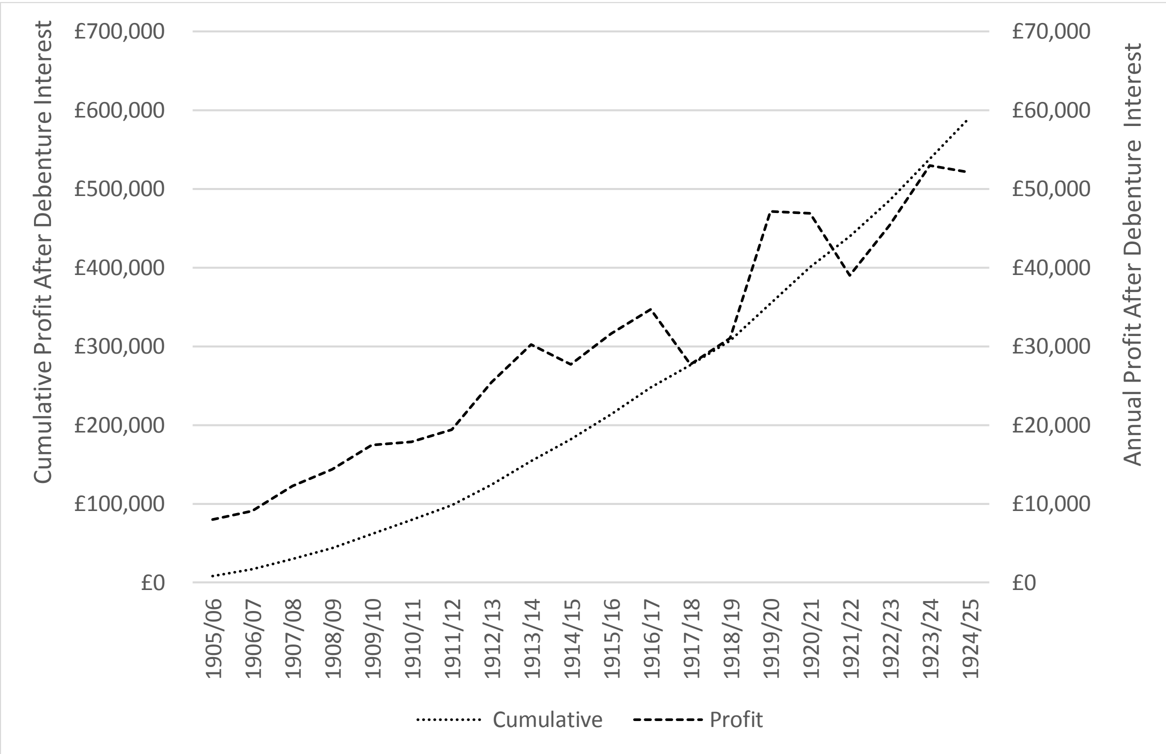
Sources: See table 3.1; Lewis, *British Railways*, pp. 217; Davis and Huttenback, *Mammon*, p. 107; Edelstein, *Overseas Investment*, p. 125.

The data presented in Fig. 3.2 illustrates that by the mid-1910s, profitability was such that expansion would have been possible without additional capital calls. By 1924/25, the CNoRC had built up approx. £590,000 in cumulative retained earnings. To give some perspective, the *Quinquenian* expansion to Chiquinquirá was going to be funded with £750,000 of guaranteed railway bonds.[20] The lack of motivation for the CNoRC to re-invest its retained earnings is

20 Cortés to Minister of Public Works, 27 November 1909, AGN, República, Ferrocarriles, Vol. 414, f. 18.

illustrative of significant institutional failure. The CNoRC's finances demonstrate that if properly motivated, British railway companies could have expanded operations from their income alone. With access to the government guaranteed debenture market, they could have expanded even more swiftly.

Fig. 3.2 – Annual and cumulative retained earnings for the CNoRC – F/Y 1905/06 – F/Y 1924/25



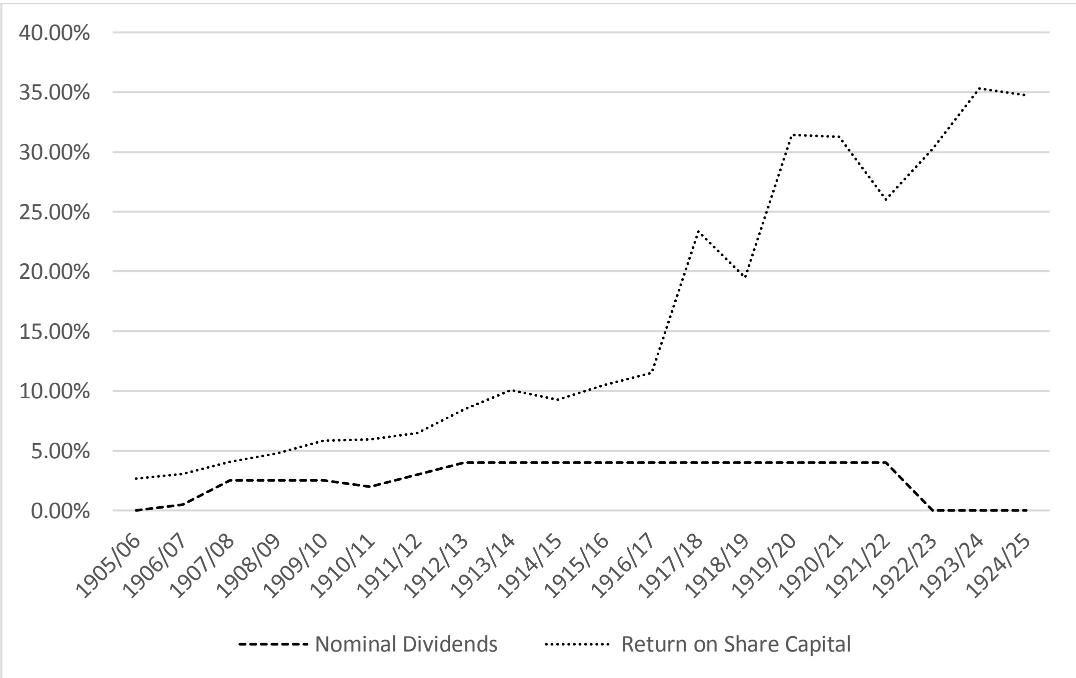
Sources: See table 3.1.

Casson and da Silva Lopez argue that successful implementation of risk management strategies was an influential factor in determining the success of foreign direct investment in 'high risk' regions such as Latin America.[21] Within the Colombian railway sector, one such risk management strategy was a conservative dividend policy, which was evident in all of the highly profitable British lines in Colombia. This policy has led the historiography, which has generally used dividends as the main sign of underlying profitability, to erroneously classify railways

21 Mark Casson and Teresa da Silva Lopes, 'Foreign direct investment in high-risk environments: an historical perspective', *Business History*, 55, 3 (2013), 375-404.

such as the CNoRC, the DRC, and the BRPC as either fairly profitable, or not profitable at all.[22] As is clear from fig. 3.3, the underlying profitability of the CNoRC was much higher than the payment of nominal dividends would suggest, and subsequent chapters show the same was true for the DRC and the BRPC. In FY1919/20 the return on share capital was 31.25%, yet the company only paid a 4% dividend to its shareholders. By forgoing payment of significant dividends, the CNoRC was able to develop reserves as an insurance against expropriation. This risk management policy, which sought to ameliorate the impact of political instability and insecure property rights, was vindicated when the national government seized the enterprise on the 14 July 1925 (explored subsequently).[23]

Fig. 3.3 – Annual nominal dividends and return on share capital for the CNoRC – F/Y 1905/06 – F/Y 1924/25



Source: See table 3.1.

The profitability of the railway was in of itself a discouragement to expansion, at least through the CNoRC entity. As the CNoRC's account illustrate clearly, the monopoly on the

22 Rippy, *British Investments*, pp. 118-9,

23 Seeds (Minister Resident) to Chamberlain (Foreign Secretary), 8 May 1925, TNA, FO135/460; 'Colombian Northern Railway Protest', *The Times*, 31 July 1925.

transportation of the salt from Zipaquirá was lucrative. Salt mines were interconnected with the Colombian state and represented a substantial proportion of governmental revenues.[24] Salt was also one of the few items traded internally between regions, and as such the commodity provided the most reliable trade route of the interior. The expansion of the railway into Boyacá and onwards into Santander, would not be as profitable, and increasing share capital or interest on additional debentures would dilute profits. As such, the CNoRC's situation was similar to that of to the São Paulo Railway, which Lewis argues refused to expand its operations to protect the monopoly profits provided by the existing section.[25] The CNoRC's solution was the creation of the CCRC subsidiary for the expansion, which raised its own debentures in London. The CNoRC provided a limited guarantee on these debentures, but this did not impact the finances and profitability of the parent company.

3.3.2 *Shareholders*

The hostility which Dávila had received in Colombia over his control over the railway, led him to claim that he had 'transferred his concession to a respectable company in London', and was offering the company's shares to the market to pay the debts incurred by construction, in an attempt to placate his critics.[26] Dávila argued this meant his involvement would be curtailed.[27] However, as Fig. 3.4 demonstrates, five years later he still held 9,850 shares (98.4% of share capital). In addition, he was listed as company director, meaning that for practical purposes he retained absolute control.[28]

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24 Joshua Rosenthal, *Salt and the Colombian State: Local Society and Regional Monopoly in Boyaca, 1821-1900* (Pittsburgh: University of Pittsburgh Press, 2012).

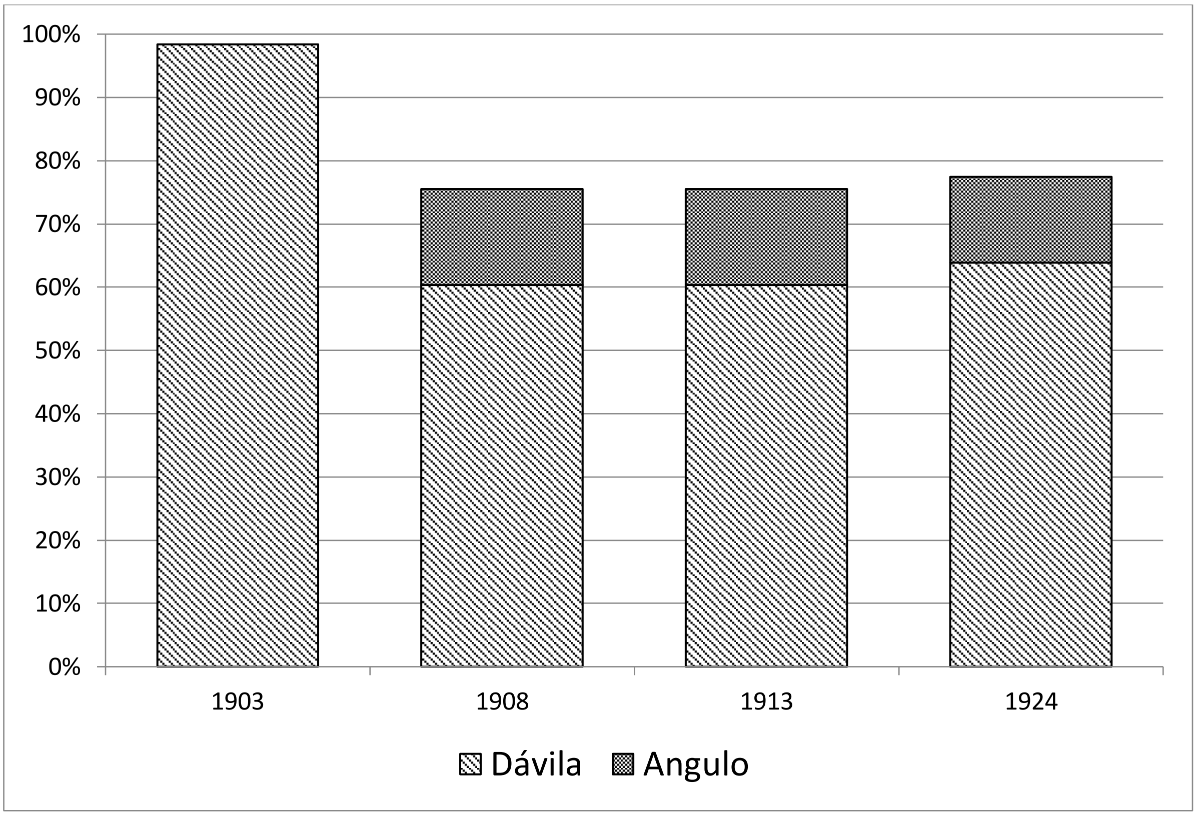
25 Lewis, *Public Policy*, p. 38.

26 Dávila, *Solicitud del General*.

27 Ibid.

28 Dávila held 9.850 shares of a total of 10,007 with two shareholders holding a token 51 shares and a further 5 individuals holding 1 share each. 'Colombian Northern Railway Share Register for the year 1908', TNA, BT31/31593/55900.

Fig. 3.4 – Colombian Northern Railway Company major shareholders by family



Source: Shareholder Registers for 1903,1908, 1913, and 1924, TNA, BT31/31593/55900.

By 1908 the CNoRC had raised an additional £118,890 by expanding the share capital to £300,000, meaning Dávila still in controlled 60% of share capital (£181,110).[29] Dávila had also mortgaged the railway to raise debentures in London for £180,000.[30] Outstanding liabilities were listed as follows: £18,000 loan to Fould & Company of Paris, £20,000 loan to a consortium of local political actors, and $1,050,000 (approx. £216,500) to the Colombian government for the subvention.[31] Dávila's debts totalled £254,500, £216,500 of which would be repaid to the national government in $100,000 (approx. £20,620) five-year instalments over fifty years.[32] Dávila had raised £298,890 in London, enough to repay all debt whilst maintaining his 60% ownership. By registering the company in London, he had placed his wealth under the protective umbrella of British diplomacy. As such, the criticisms arguing he

29 'Colombian Northern Railway Share Register for the year 1908', TNA, BT31/31593/55900.
30 Contract dated 27 February 1898, TNA, BT31/31593/55900.
31 Ibid.
32 Ibid.

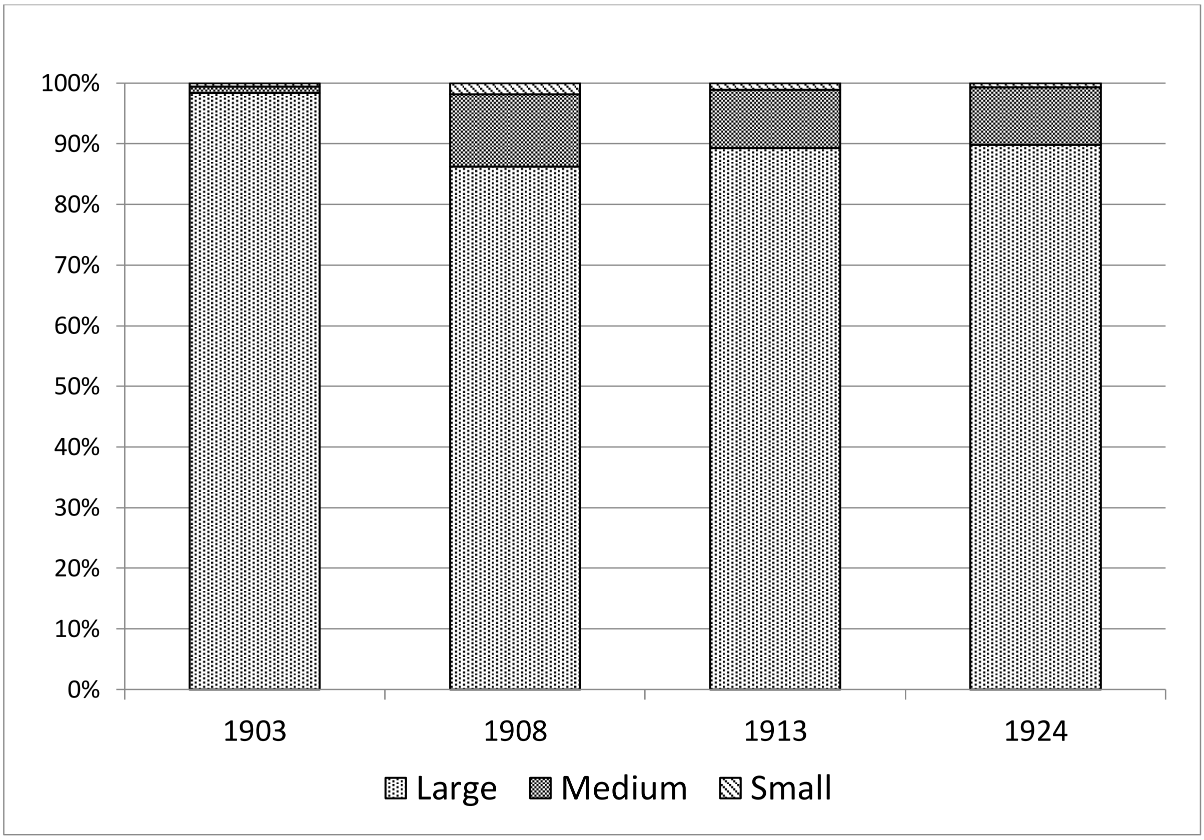
had been effectively gifted the railway by the subvention system were largely accurate.[33] Dávila's close associate Luis Felipe Ángulo purchased a significant portion of the additional share capital, and in 1913 the men owned approx. 75% of the railway, allowing Dávila to wield even greater control. This persisted until the 1924 nationalisation, when the families had increased their stake to 77%. British Minister Resident and Consul-General George Welby described Nuñez's subvention system as 'most unfortunate … for the country', which attracted 'an unsound class of speculators' who sought to carry out the concessions 'without any expenditure of capital on their part'.[34] The CNoRC illustrates that national political actors were not simple pawns of international capital, on the contrary, they successfully co-opted modern infrastructure for their own economic benefit.

As Fig. 3.5 establishes, the remaining shares were mainly held by medium shareholders; small shareholders were almost entirely absent. The small and disparate nature of these blocks meant they were unlikely to provide counterbalance to Dávila's and Angulo's interests, meaning their control was comprehensive.

33 Dávila, *Solicitud del General*.

34 Welby (Minister Resident) to Larcom (Head of American Department), 30 September 1903, TNA, FO55/415, f. 229 v.

Fig. 3.5 – Colombian Northern Railway Company shareholders by size

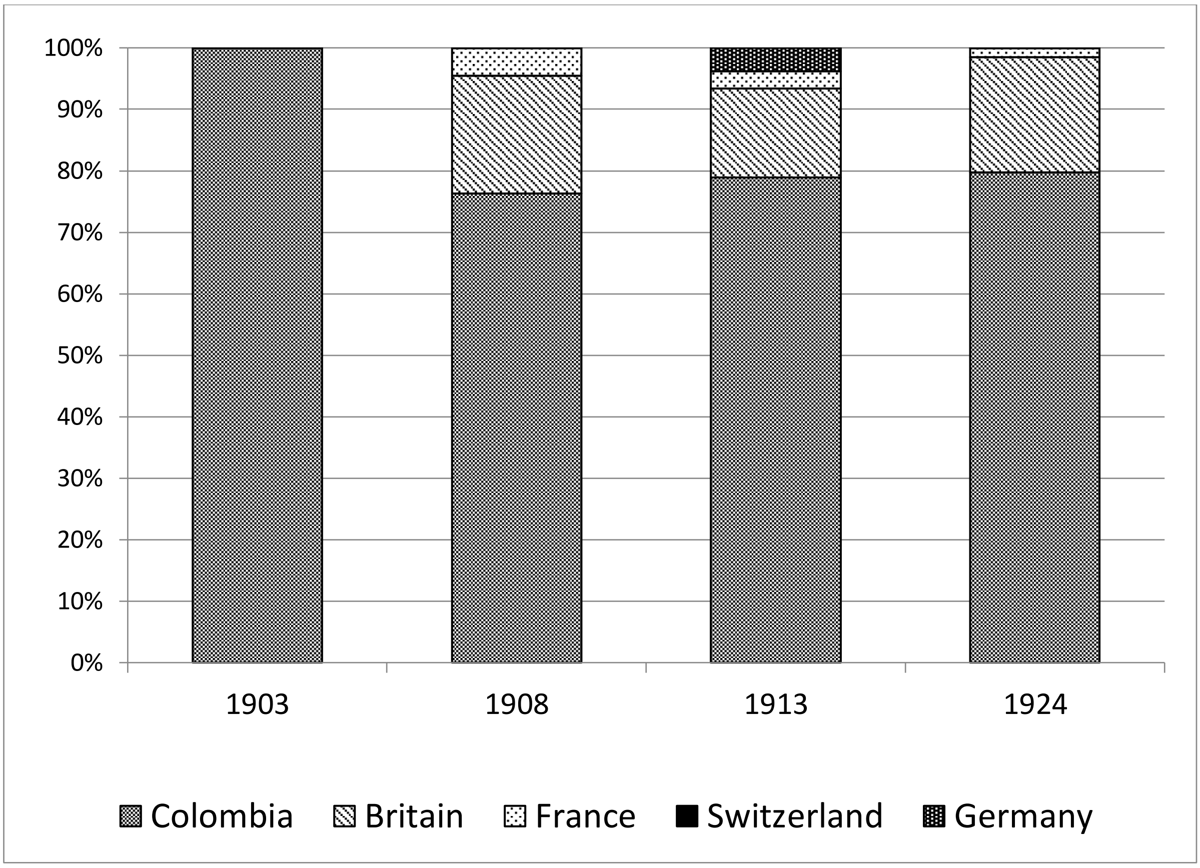


Source: See Fig. 3.1.[35]

Fig. 3.6 demonstrates that the main country of origin for the remainder of shareholders was Britain with smaller interests from French, German, and Swiss shareholders. British shareholders held between 15-20% of the share capital during 1908-24. The company thus remained overwhelmingly under Colombian control. This caused issues for the Foreign Office formulating policy towards the enterprise, which are explored later in the chapter.

[35] Throughout this thesis shareholder groups are defined in the following terms: Small Shareholders £1-£200, Medium Shareholders £201-£2,000, Large Shareholders £2,000+.

Fig. 3.6 – Colombian Northern Railway Company shareholders by country



Source: See fig. 3.1.

As has been illustrated, the CNoRC was initially registered in London to hide Dávila's influence from his detractors in Colombia. The CCRC subsidiary created to finance the expansion to Nemocón, was also utilised to hide the identities of investors. A shell company named The Boyaca Syndicate Company was listed as a major CCRC shareholder.[36] The shareholder register for the syndicate reveals yet more shell companies. [37] This is a well-known method to conceal the identity of investors. Subsequent share registers of the Boyaca Syndicate and CCRC demonstrate some familiar names.[38] Both General Dávila and Henry Jenks were named as major shareholders. The Jenkses' prominent role in the CNRC and government finances (detailed in chapter four), was the focus of a detailed contemporary study.[39]

36 Colombian Central Railway Company Share Register, TNA, BT 34/3207/86859.
37 The Boyaca Syndicate Company Share Register, TNA, BT 34/3204/86681.
38 Ibid; The Colombian Central Railway Company Share Register, TNA, BT 34/3207/86859.
39 Rafael Villamizar, *Negocios Colombianos "Jenks"* (Bogotá: Imprenta de la Libertad, 1918).

3.4 **Crises: 1899-1904**

3.4.1 *The War of a Thousand Days 1899-1902*

The Northern Railway was completed in 1898, one year before the onset of war.[40] It mobilised government troops from Bogotá to the army's main staging-post in Zipaquirá, and as strategic infrastructure it was protected.[41] As such, the railway was spared physical damage, and the impact on the railway was indirect. One factor which indirectly impacted the railway was the consistent inflation explored in chapter two. In 1902, the exchange rate moved from 205 to 800 COP$/£ between June and December, and cash lost 75% of its value in the space of seven months.[42] During the period of greatest instability, the relative value of a contract could change substantially between agreement and fulfilment. In an editorial on Colombia, *The Times* argued that prices fluctuated so rapidly that the paper profits of local merchants often represented a substantial loss when converted into gold.[43] Under these circumstances, purchasing goods from overseas was difficult, and the instability also caused problems reporting company's accounts in London.[44] The financial crisis also affected the price of staple goods: coal rose 250%, meaning the railway's fuel costs increased by the same degree.[45]

3.5 ***Quinquenian* Expansion: 1904-09**

The first chapter demonstrated that Reyes's administration sought to salvage Colombia's battered reputation as creditor by improving macro-level relations with European capital markets. The availability of credit for the GNCRC and CNoRC, demonstrates that this programme was largely successful. However, this section demonstrates with regards to the

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40 Ortega, *Ferrocarriles Colombianos*.

41 Bergquist, *Coffee and Conflict*, p. 138.

42 'Note on Emission of Paper Money by the Government', TNA, FO 55/409, f. 221.

43 'The Condition of Colombia', *The Times*, 17 March 1902.

44 The annual reports during the war are missing since they were never filed: Guildhall Library, Stock Exchange Reports, Boxes 928, 974, 1021.

45 'Cost of Living from Middle of January to Middle of February, 1903', TNA, FO55/410, Ibid. f. 258.

GNCRC, the Reyes administration was unable to maintain this positive relationship at the micro-level. The argument established in chapter two regarding Reyes's failure to consolidate his power, is also further developed through an analysis of the experience of the CNoRC.

3.5.1 *The Colombian Northern Railway Company*

It seems logical that British railway companies would benefit from the positive attitude towards foreign capital of the *Quinquenio*. But the story of the CNoRC is more complicated. The company was subjected to some particularly negative attention from the regime, as a reaction to the inability of Reyes to adequately consolidate his political power. There were two reasons for the negative attention: the questionable status as a 'British' company, and the oppositional political status of the Dávila and Angulo families controlling the company.

The CNoRC was involved in a contractual dispute during the first year of the Reyes presidency over the original $1,150,000 subvention. The 1884 contract stipulated $100,000 should be repaid each five years.[46] Since the subvention was paid before the devaluation of the peso, the government argued the debt should be repaid in gold backed pesos, rather than in paper pesos at an enormous discount.[47] Davilá had already used the monetary crisis to avoid paying his debt to the Parisian trading house of Fould, and sought to similarly capitalise on the instability of the currency.[48] The CNoRC used its technical status as a British company, which the Foreign Office viewed as questionable, to solicit diplomatic assistance.[49]. The Foreign Office was keen

46 Contract dated 27 February 1898, TNA, BT31/31593/55900. It should be noted the original contract was entered into with the now defunct state of Cundinamarca under the federalist 'sovereign state' system.

47 Pérez to Welby (Minister Resident), 19 August 1905, TNA, FO 135/295.

48 Dávila disputed the payment of his £20,000 debt to Fould & Company of Paris after José Manuel Marroquin issued decrees nos. 1265 and 1331 on the 11th of November 1901, cynically arguing the decree forbade him from making payment of a debt stipulated in Francs. For the dispute please see: Contract dated 27 February 1898, TNA, BT31/31593/55900; Boulard-Pouqueville to Felipe F. Paul dated 17 May 1902, TNA, FO55/409, f. 161; 'Memorandum by Mr Dickson on the question of the stipulation in foreign currencies' TNA, FO55/409, f. 155; 'British Trade With Colombia', *Financial Times*, 10 March 1902; Guthrie to Undersecretary of State, 3 March 1902, TNA, FO55/411, f. 66; Dickson to Petty-Fitzmaurice (Foreign Secretary), 4 June 1902, TNA, FO55/409, f. 88 v; Guthrie to Undersecretary of State, 1 December 1902, FO55/411, f. 136.

49 In a letter to British Foreign secretary Edward Grey, British consul Spencer Dickson advised that the company was a British company only by technicality, since the shareholding was controlled by a small

to avoid an entanglement, but they could not be seen to allow the expropriation of a London listed company. They argued internally that the case was motivated by Dávila's status as a 'persona non-grata' of the Reyes regime, and commented that should he return from his exile in Europe he who would 'undoubtedly' be arrested due to his links with anti-Reyes conspiracies.[50] Luis Felipe Angulo (a large shareholder in the company) was used as a conduit between the Foreign Office and Reyes to mediate the dispute, and only 'strong representations to the Minister for Foreign Affairs' avoided an administrative seizure of the railway.[51]

Reyes dealt with the dispute in keeping with the *caudillo* archetype his administration attempted to emulate: the local manager of the railway Julio Pérez was arrested and charged with conspiring against the government.[52] The case of the CNoRC was further complicated when the Foreign Office's mediator Luis Felipe Angulo was implicated in a plot to attack the palace and assassinate Reyes.[53] Ortiz argues Dávila and Angulo both shared 'personal and business connections' with Santiago Pérez Triana, who spent the *Quinquenio* covertly undermining the regime by sending copies of *Desde lejos* to associates in Colombia.[54] These were disguised and sent by post through a proxy at the Union of London and Smith's bank to avoid Reyes's blockade of mail from political dissidents.[55] A significant number were

group of Colombian elites. Dickson to Grey (Foreign Secretary), 29 January 1906, TNA, FO 371/42, ff. 30-1.

50 It is unclear from the source since when Dávila had been forced into exile. Dickson to Grey (Foreign Secretary), 23 December 1905, FO371/42, f. 12.

51 Dickson to Grey (Foreign Secretary), 23 December 1905, TNA, FO 371/42 f. 11.

52 Dickson to Grey (Foreign Secretary), 23 December 1905, TNA, FO 371/42 f. 11.

53 Dickson to Grey (Foreign Secretary), 23 December 1905, FO371/42, f. 42. Readers should note that Angulo was a major shareholder in the railway and close associate of Dávila.

54 Ortiz, *Santiago Pérez Triana*, p. 49.

55 Pérez Triana to Lagos, 19 September 1908, BLAA, 'Santiago Pérez Triana Cartas dirigidas a su sobrino Jorge Lagos' Mss. 532; Pérez Triana to Lagos, 1 February 1909, BLAA, 'Santiago Pérez Triana Cartas dirigidas a su sobrino Jorge Lagos', Mss. 532. Readers should note that *Desde Lejos* had been banned by the regime due to its attacks on both the renegotiation of the public debt in Europe and the *Quinquenian* railway bond guarantee system.

intercepted by the government and incinerated on Reyes's orders.[56] The CNoRC was thus entwined in a wider political struggle.

The Foreign Office pressured the CNoRC to appoint a manager detached from national politics, warning otherwise it would 'be difficult, if not impossible … to afford them assistance'.[57] Dickson warned that 'every Colombian is a potential conspirator' advising that 'British enterprises should be directed by British subjects'.[58] Several months later, when Pérez had been released, Dickson warned that although the 'immediate danger has passed … the Colombian government is looking for any pretext … to seize the enterprise'.[59] Dickson's efforts to change the manager were ultimately unsuccessful. Reyes overruled his suggestion of F.C. Child since he was married to into a Colombian family 'implicated in the recent conspiracy'.[60] This all-pervasive political intrigue led Dickson to fear a repeat of the Punchard-McTaggard litigation, which had occupied the Foreign Office's limited resources in Colombia for many years:

> The whole difficulty in this case arises from the fact that … the Colombian Northern Railway Company … is, in reality, under the control of Colombians. … Extricating the company from any difficulty into which they get entangled, by their own stupidity, will fall upon His Majesty's Government and it is for this reason that I have done all in my power to avoid a second Punchard affair.[61]

However, the *Quinquenian* period was not entirely negative for the company. A central tenant of the *Quinquenian* project was railway expansion, and the CNoRC benefitted from this institutional support. On the 22 September 1905, the Reyes administration signed a contract with the CNoRC for an expansion from Zipaquirá to Chiquinquirá, which originally provided a subvention of \$9,990 (approx. £2,060) per km.[62] On the 14 March 1907, the Reyes administration offered a full guarantee of 6% on £750,000 of railway bonds in place of the

56 Elias Ortíz, *Santiago Pérez Triana*, p. 90.
57 Barrington to Dickson, 2 February 1906, FO371/42, ff. 17-8.
58 Dickson to Grey (Foreign Secretary), 6 January 1906, TNA, FO371/42, f. 27.
59 Dickson to Grey (Foreign Secretary), 6 January 1906, TNA, FO371/42, f. 26.
60 Dickson to Grey (Foreign Secretary), 29 January 1906, TNA, FO371/42, f. 30.
61 Dickson to Grey (Foreign Secretary), 29 January 1906, TNA, FO371/42, ff. 30-1.
62 Cortés to Minister of Public Works, 27 November 1909, AGN, República, Ferrocarriles, Vol. 414, f. 18.

subvention.[63] This is the same kind of incentive provided to the Central Argentine Railway in 1862, which Lewis argues was indispensable for its initial expansion.[64] The CNoRC felt that a guarantee would facilitate raising 'the whole amount of required capital'.[65] Buoyed by the promise of a guarantee, the CNoRC subsidiary (CCRC) rapidly floated capital in London. £299,930 share capital, and £105,000 of interest bearing debentures had been raised by the end of the administration.[66] The Colombian government was allocated £80,000 of shares in the CCRC subsidiary (approx. 27%), in exchange for the Department of Cundinamarca waving a claim for a levy on the CNoRC's net receipts.[67] Just like the concession contract of 1892, which was supposed to have nullified this claim, the agreement did not resolve the issue. Repeated legal cases were fought throughout the 1910s and 1920s over the levy, which are analysed later. These ultimately led to the expropriation and forced nationalisation of the railway in 1925.

The first section of track between Zipaquirá and Nemocón was constructed quickly and efficiently, and it opened to the public on the 21 October 1907.[68] Based on average construction costs for the CNoRC, the £750,000 guarantee would have been sufficient to complete the section to Chiquinquirá.[69] But as is illustrated in subsequent subsections, the change of government completely derailed the expansion project. The projected line between Nemocón and Chiquinquirá was 90km, and the 16km section between Zipaquirá and Nemocón took 1.5 years to complete. This construction rate would suggest a projected completion date of 1915,

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63 Cortés to Minister of Public Works, 27 November 1909, AGN, República, Ferrocarriles, Vol. 414, f. 18.
64 Lewis, *British Railways*, p. 10.
65 Cortés to Minister of Public Works, 27 November 1909, AGN, República, Ferrocarriles, Vol. 414, f. 19.
66 The Colombian Central Railway Company Share Register TNA, BT 34/3207/86859; Handwritten Document Titled: 'Colombian Central Railway Company' AGN, República, Ferrocarriles, Vol. 414, f. 203.
67 The contract stipulated 5% of net receipts should be paid in the first 20 years of operation, 10% in the subsequent 20 years, and then 15% from this point onwards. 'The Colombian Northern Railway Company. Report of the Directors, 20th November 1906', Guildhall Library, Stock Exchange Reports, Box 928, pp. 1-2.
68 Handwritten Document Titled: 'Colombian Central Railway Company' AGN, República, Ferrocarriles, Vol. 414, f. 203.
69 'Report on the Railways of Colombia' 1910, Vol. XCVI, Cd. 4968, pp. 21-3.

yet the section was not completed until 1928.[70] The *Quinquenio* provided a short-lived period of rapid expansion for the CNoRC, which illustrates how successful Reyes's administration was at incentivising expansion with foreign capital. The capital inflow into the project was significant, and would have been substantially greater but for the abrupt end of the regime and its railway expansion policy. The experience of the CNoRC also demonstrates why this abrupt change occurred. The regime was skilled at projecting an image of stability in Europe, but the reality was quite different. Reyes struggled to consolidate his power internally which was indispensable to a *Porfirian* style economic revolution.

3.5.2 *The Great Northern Central Railway of Colombia*

The '*Ferrocarril de Puerto Wilches*' has a central position within the historiography of the Colombian region of Santander. But within this, the GNCRC and British involvement in the project is generally approached as an afterthought. National historians such as Correa, Cuadros, Bayona, and Niño, acknowledge the importance of the railway for Santander's economic history, but they fail to recognise the importance of the British concession and the anti-foreign and anti-imperialist political movements it faced.[71] Correa's study is comprehensive, but largely parallels the contemporary anti-imperialistic political discourse.[72] Cuadros's work establishes the symbolic importance of the railway for regional identity, and details the popular mobilisation in support of the railway. However, he fails to link these factors to the wider political campaign against foreign capital, which ultimately led to the collapse of the concession.[73] Bayona and Niño acknowledge how influential the collapse was for the

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70 Alfredo Ortega, *Ferrocarriles Colombianos La Ultima Experiencia Ferroviaria del Pais 1920-1930* (Bogotá: Imprenta Nacional, 1932), p. 92.

71 Correa, *Café y ferrocarriles*, pp. 74-80.; Manuel Bayona Sarmiento and Judith Niño Sánchez, *Del Camino de Paturia al Ferrocarril de Santander* (Bucaramanga: SIC, 2002), pp. 86-97; Miguel Dario Cuadros Sánchez, *Bartolomé Rugeles: Sociabilidad Política, Negocios y Función Pública 1899-1938* (Bucaramanga: UIS, 2013), pp. 141-83.

72 Correa, *Café y ferrocarriles*, pp. 74-80.

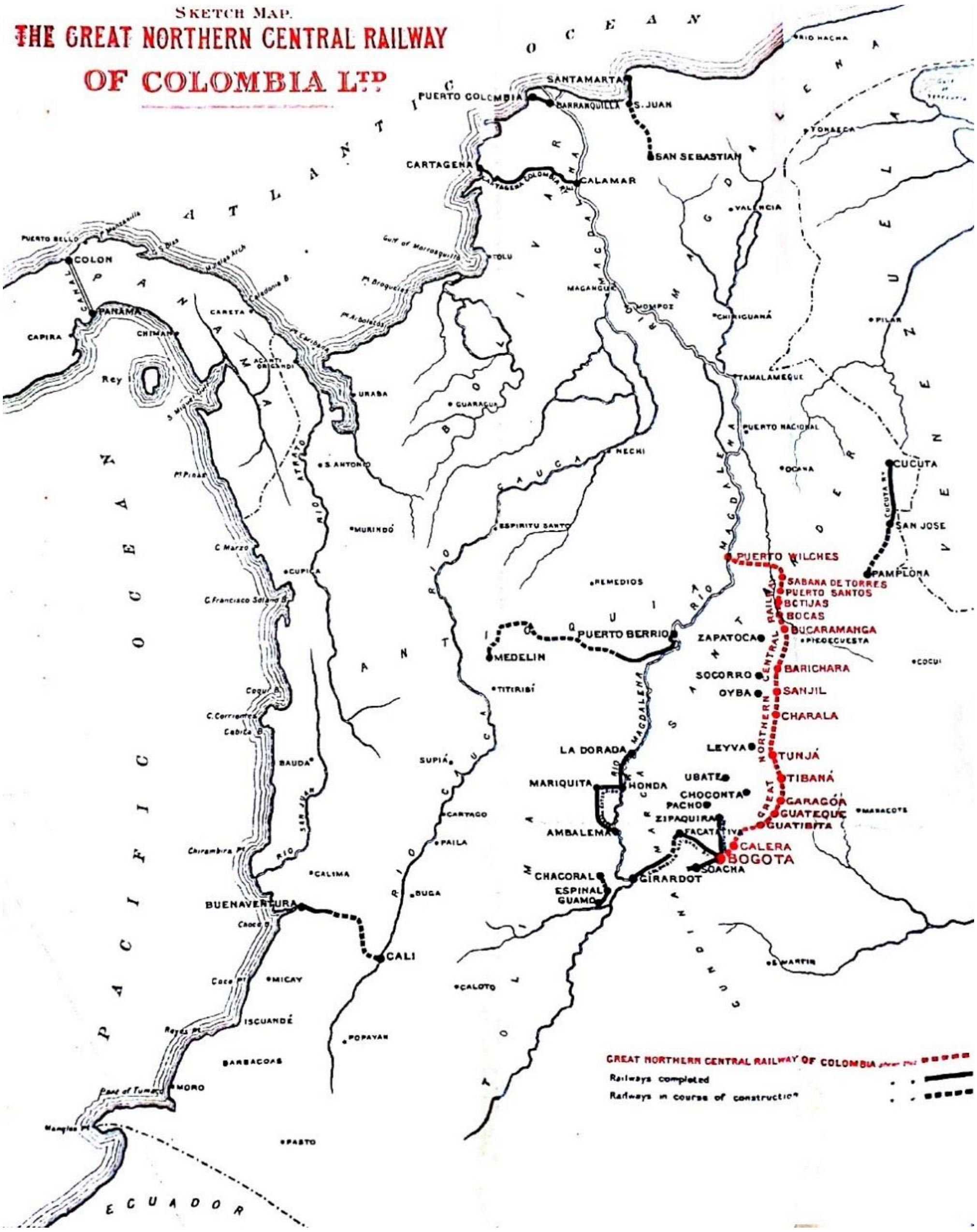
73 Cuadros, *Bartolomé Rugeles*, pp. 173-83

subsequent rate of construction, but they miss the central role of the political campaign against the railway spearheaded by influential political actors.[74] Palacios argues the failure of the project was influential in the fall of Santander and the rise of Western Colombia, but misses the crucial interplay of rising nationalism, anti-imperialism, and anti-foreign sentiments aimed at the GNCRC.[75] As such, this chapter's analysis of the GNCRC makes a significant contribution to national economic historiography, demonstrating how the collapse of the concession fundamentally influenced the economic trajectory of Colombia in the pre-war period. It also contributes to understanding the nationalist reaction against British economic interests in early twentieth century Latin America.

74 Bayona and Niño, *Del camino*, pp. 87-97.

75 Palacios, *Between Legitimacy*, pp. 40, 54-55.

Fig. 3.7 – Map of the proposed route of the GNCRC between Bogotá and Puerto Wilches passing through Bucaramanga



Source: ‘The Great Northern Central Railway of Colombia Prospectus’, TNA, FO371/1101.

The GNCRC had two aims: linking the regional city of Bucaramanga with the Magdalena River valley, and subsequently linking Bucaramanga with Bogotá.[76] One characteristic of the

[76] After Bogotá, Bucaramanga was the most important city in the eastern part of the interior of Colombia. Bucaramanga was the principal city of the department of Santander. Between Santander and Cundinamarca lay the department of Boyacá. Each of these three departments were heavily populated by Colombian standards. As a result, linking the three regions was a long-time dream of the Bogotá press dating back to the 1860s. For origins of this dream see: William Wills, ‘Un Nuevo Pacto de Union’ *El Tiempo*, 22 June 1864.

concession was particularly important: it was financed by raising government guaranteed bonds, which Lewis, Miller, and Summerhill argue were indispensable to Argentine, Brazilian and wider Latin American railway development.[77] Reyes's concession agreed to provide a guarantee on £9,600 per km of mortgage bonds bearing 5.5% annual interest, leading to the formation of the GNCRC on the 4 April 1907, three years into the administration.[78] £38,500 of the share capital was purchased by company directors and associates, and they also provided £74,000 of working capital.[79] The GNCRC was authorised by telegram on the 25 July 1907 to raise bonds for the first 54km of line, representing £518,400 of capital, and £192,000 of bonds were issued corresponding to the first 20km.[80] The impact of Colombia's reputation as what Garner terms a 'pariah state' is illustrated well in *Desde cerca*.[81] According to Holguín representatives of the Girardot Railway applied for a loan from Rothschild bank which was initially approved, but several days later this approval was revoked. Rothschild bank explained the prospectus referred to a railway to Santa Fé, which they had taken to mean in Argentina.[82] That the GNCRC was able to raise capital in London with ease, is indicative of the success of Reyes's and Holguín's programme to rehabilitate Colombia's credit with the Holguín-Avebury agreement. For the first time in Colombia's history, large-scale investment was raised for multiple railway projects concurrently.

Problems began with the GNCRC project when President Reyes sent Torres Elicechea (then Minister of Finance) to replace Holguín as Colombia's financial representative in London.[83] In

77 Miller, *Britain and Latin America*, p. 133; Lewis, *British Railways*, pp. 97-123; Lewis, *Public Policy*, pp.35-8; Summerhill, *Order*.

78 'Prospectus for the Great Northern Central Railway of Colombia', TNA, FO371/1101, f. 114.

79 Fletcher Toomer, *Gran Ferrocarril Central del Norte de Colombia Puerto Wilches: La Verdad de Este Asunto* (Bogotá: Imprenta de el Nuevo tiempo, 1911), p. 3.

80 Cortés to Minister of Public Works, 3 August 1910, TNA, FO371/1101, f. 171.

81 Garner, *British Lions*, p. 97.

82 Holguín, *Desde cerca*, p. 75.

83 Holguín acted as minister of finance during 1904 and 1909, whilst Torres fulfilled the role during 1908. It is unclear why Reyes made this decision, but it was certainly an influential one. Stronge (Minister Resident) to Grey (Foreign Secretary), 30 July 1908, TNA, FO371/437, f. 232.

1905, British consular official Spencer Dickson had referred to Torres as a 'impecunious adventurer of doubtful antecedents'.[84] Prior to Torres's arrival, Holguín had been leading negotiations for a £2,000,000 loan to amortise the *papel moneda*. These broke down almost immediately, in large part due to Torres's conduct.[85] Moreover, after arriving for his mission in London, Torres immediately set about what appears to be the intentional sabotage of the GNCRC project. As the principal Colombian diplomatic representative in London, Domingo Esguerra previously authorised the government guarantee on GNCRC bonds under advice from Foss, Bilbrough & Co. (Colombia's lawyers in London).[86] Torres presented them with a draft of a formal protest which he wished to be turned into a notarial act which stated that '[Domingo] Esguerra was not authorised by the government to sign this declaration', effectively repudiating the agreement.[87] Foss, Bilbrough & Co. explained the action 'would be extremely detrimental to the credit of your government'.[88] They subsequently informed the Minister of Public Works the request had been refused because:

> Should such an idea become prevalent in the minds of financiers and others in London or Paris, any chance of … raising money for national purposes such as railways, would be very greatly prejudiced, if not rendered impossible.[89]

Torres ignored this advice and raised the notarial act through another lawyer's office on the 22 December 1908.[90] Torres was ordered by President Reyes via telegram on the 29 December to immediately authorise issuance of bonds.[91] As such, Torres was acting as a renegade member

84 Dickson to Petty-Fitzmaurice (Foreign Secretary), 9 August 1905, TNA, FO55/429, f. 150.
85 Stronge (Minister Resident) to Grey (Foreign Secretary), 21 August 1908, TNA, FO371/437 f. 234.
86 Foss-Bilborough & Co. to Nemesio Camacho, AGN, República, Ferrocarriles, Vol. 395, ff. 18-21; Cortés to Minister of Public Works, 3 August 1910, TNA, FO371/1101, ff. 170-86.
87 Foss-Bilborough & Co. to Nemesio Camacho, 22 December 1908, AGN, República, Ferrocarriles, Vol. 395, ff. 18-21.
88 Foss-Bilborough & Co. to Nemesio Camacho, 22 December 1908, AGN, República, Ferrocarriles, Vol. 395, ff. 19-20.
89 Foss-Bilborough & Co. to Nemesio Camacho, 22 December 1908, AGN, República, Ferrocarriles, Vol. 395, f. 20
90 AGN, República, Ferrocarriles, Vol. 395, ff. 18, 74.
91 Reyes to Torres Elicechea, 29 December 1908, TNA, FO371/1101, f. 173; Torres Elicechea to Reyes, Minister of Public Works, 31 December 1908, AGN, República, Ferrocarriles, Vol. 395, ff. 18, 165.

of the administration. This means the historiographical consensus that the bond dispute was part-and-parcel of national policy is ill-conceived.[92] In order to expedite construction, the GNCRC offered its own bonds to the market forfeiting the guarantee, and finalised negotiations with 'first class bankers in Paris … [for] all the capital necessary for the construction … as far as Bucaramanga'.[93] The issuance of bonds began in May 1909 at 84.5% of par.[94] When Torres learned the company was issuing its own bonds, he published articles in the French financial press accusing the railway of fraud.[95] The release of these resulted in an immediate panic, forcing the GNCRC to sell the its bonds at a heavy discount.[96] In 1910, the Ministry of Public Works confirmed Torres's claims were spurious, acknowledging that the GNCRC had been within their rights to issue the bonds.[97] This occurred after Torres's role in the 'Apulo Works' corruption scandal had come to light, which is explored in detail in chapter four.

The bond dispute led to lengthy negotiations and a notorious legal case which brought construction works to a standstill. By 1913, the public began asking why this breakdown in relations had occurred, and in response, Domingo Esguerra published an exposé of the affair in *El Tiempo*:

> With his famous protest Mr Torres no doubt had two aims: to appear as the saviour of national interests, at a time in which public opinion had turned against the concession contract, and to discredit my role, making it appear as if I was wholly responsible for the burdens the country would suffer, because according to him, I had superseded the instructions of the government.[98]

Esguerra's commentary illustrates how closely the case resembles the 'Punchard-McTaggart' affair explored in the previous chapter. Torres's actions were fundamentally motivated by

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92 Bayona and Niño, *Del camino*, pp. 87-97; Cuadros, *Bartolomé Rugeles*, pp. 173-83; Correa, *Café y ferrocarriles*, pp. 74-80.

93 Cortés to Minister of Public Works, 3 August 1910, TNA, FO371/1101, f. 174.

94 Cortés to Minister of Public Works, 3 August 1910, TNA, FO371/1101, f. 174.

95 Toomer, *Gran Ferrocarril Central del Norte*, p. 9.

96 Cortés to Minister of Public Works, 3 August 1910, TNA, FO371/1101, ff. 170-86.

97 Cortés to Minister of Public Works, 3 August 1910, TNA, FO371/1101, f. 180.

98 'Contratos sobre el Ferrocarril de Puerto Wilches el doctor Domingo Esguerra explica su intervención – Documentos importantes', *El Tiempo*, 11 November 1913.

political ambitions and personal enmity, the same two factors which led to the collapse of the 'Punchard-McTaggart' concession. As such, the case illustrates how the personal interests of Bogotá's political and economic elite – under the cloak of 'patriotism' or anti-foreign sentiments – repeatedly inhibited the application of foreign capital and expertise to the sector. There was a strong regionalist element to this phenomenon: what *santandereanos* termed the 'metropolitan elite', worked tirelessly to ensure the national government's limited resources would be applied to the development of the capital to the detriment of the provinces. This did not go unnoticed by the 'elite *bumanguesa*' (of Bucaramanga) who politically mobilised in defence of the project, and described the 'metropolitan elite' as 'vampires' out to 'pilfer the national exchequer'.[99] Esguerra argued that Torres 'knew that the company did not pretend, nor could pretend [to the capital market] that the government would pay all interest [whilst the railway was in construction]'.[100] As such, in his view, the take-down of the project was a politicised and complicit action. The fact that Esguerra was awarded honours by the governments of Japan, Brazil, Venezuela, Ecuador, and Colombia for his diplomatic career, whilst Torres lived in exile in Europe after fleeing charges of embezzlement, would generally lead one to side with Esguerra's account of the bond dispute.[101]

This subsection has highlighted three themes which recur throughout this thesis. The first is the general unawareness of Colombian elites of the way international capital markets functioned, and the far-reaching ramifications of their conduct. The second is Reyes's inability to adequately consolidate his power and control his ministers. The third is the interplay of regionalism within railway policy. With Torres's activity in London, these factors combined

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99 'Los vampiros y el Ferrocarril' *El Ferrocarril. por la causa del Ferrocarril de Puerto Wilches*, 12 August 1911.

100 'Contratos sobre el Ferrocarril de Puerto Wilches el doctor Domingo Esguerra explica su intervención – Documentos importantes', *El Tiempo*, 11 November 1913.

101 Camilo Torres Elicechea, *Carta Abierta al Presidente del Senado de Colombia* (Lausanne: Imprenta delacoste, 1921); *Who's who in Latin America: a biographical dictionary of notable living men and women of Latin America*, ed. by Percy Alvin Martin, Manoel Cardozo and Ronald Hilton, 3rd rev. ed., rev. by Ronald Hilton, 7 vols (Stanford: Stanford University Press, 1946 [1935]), III, p. 21.

to paralyse the GNCRC. From this point onwards, the railway expansion project, and hopes of further investment, were effectively over, even though it limped along in subsequent years. The administration's successful action on the macro-level, had been undermined by the actions of one functionary. The subsequent section detail how the company was subsequently subjected to a propaganda campaign led by Santiago Pérez Triana, who also spearheaded a wider nationalistic and anti-imperialist backlash against British railway companies.[102] I argue Torres's intervention marks the total failure and end of the hitherto highly successful *Quinquenian* railway expansion project. It marks the point at which the application of the guarantee system in Colombia collapsed. In hindsight, it represents the point at which the fate of British railways was sealed, and the prospect of large-scale British investment in the Colombian railway sector ended for good.

3.6 **The Rise of Nationalism, 1909-14**

After the fall of the regime, *Quinquenian* contracts and associated railways remained highly visible artefacts of what men like Santiago Pérez Triana viewed as a collaborative and treasonous regime. Knight argues that a 'myth' has grown up around the Mexican revolution, which has 'exaggerated the influence of ideas as compared to economics'.[103] If the influence of nationalist ideas in Mexico has been overblown, in Colombia it has been undercooked. As this section illustrates, a tide of rising nationalism – strongly influenced by the loss of Panama – completely transformed Colombia's relationship with British railway companies. This led a significant portion of Colombian elite society to define the continued existence of '*la patria*' (the homeland) on the capacity to take control of foreign railways. Yet this fundamental change in policy is barely acknowledged within the national historiography, which understands

[102] Santiago Pérez Triana, *Ferrocarril de Puerto-Wilches,* (Bogotá: [s.n.], 1912). For Santiago Pérez Triana's nationalistic railway policy see: Pérez Triana, *Desde Lejos*.

[103] Alan Knight, 'The Myth of the Mexican Revolution', *Past and Present*, 209 (2010), 223-73, (p. 225)

Colombian politics in the first three decades of the twentieth century on the basis of a 'conservative hegemony'.[104] This chapter illustrates that when it comes to railway policy, there was no 'conservative hegemony', since the railway policies implemented by post-1909 conservative governments, are indistinguishable from those proposed by Santiago Pérez Triana, the son of a radical liberal president.

3.6.1 *The Colombian Northern Railway Company*

The end of the *Quinquenio* left many expansion projects at a standstill. By November 1909, the collapse of the railway bond guarantee system resulted in a legal dispute which suspended the CNoRC's expansion to Chiquinquirá. In March 1907, the Ministry of Public Works had offered the CNoRC's subsidiary the CCRC a guarantee of 6% on £750,000 of bonds.[105] The promise of this guarantee encouraged British investment, resulting in the issuance of £105,000 of debentures and £299,930 of share capital.[106] This offer was rescinded after the collapse of Reyes's regime before any of the £750,000 of guaranteed bonds could be raised in Europe, and the agreement reverted to $9,990 of subvention bonds per km.[107] During the *Quinquenio*, the CNoRC's CCRC subsidiary had completed the 16km section between Zipaquirá and Nemocón, and was owed $159,840 (£32,957) of subvention bonds. The Ministry of Public Works pressured the company to resume works, but its representative Pedro Cortés argued works had ceased because the CCRC had been waiting 'over two years' to receive the bonds.[108] The

104 Francisco Javier Flórez Bolívar, 'Re-visitando la Hegemonía conservadora: raza y política en Cartagena (Colombia), 1885-1930', *Anuario de Historia Regional y de las Fronteras*, 23 (2018), 93-120; Shirley Tatiana Pérez Robles, 'Inmorales, injuriosos y subversivos: las letras durante la Hegemonía Conservadora 1886-1930', *Historia y sociedad*, 26 (2014), 181-208; Isidro Vanegas Useche, 'Eduardo Santos, la escena pública y la «hegemonía» conservadora', *Historia y Memoria*, 14 (2017), 251-90; Eduardo Posada-Carbó, 'Los límites del poder: elecciones bajo la hegemonía conservadora, 1886-1930', *Boletín Cultural y Bibliográfico*, 39, 60 (2002), 31-65.

105 Cortés to Minister of Public Works, 27 November 1909, AGN, República, Ferrocarriles, Vol. 414, f. 19.

106 Handwritten Document Titled: 'Colombian Central Railway Company', AGN, República, Ferrocarriles, Vol. 414, f. 203; The Colombian Central Railway Company Share Register TNA, BT 34/3207/86859.

107 The CCRC's first £105,000 debentures were guaranteed by the CNoRC rather than the government.

108 Cortés to Delgado (Minister of Public Works), 27 November 1909, AGN, República, Ferrocarriles, Vol. 414, ff. 18-20.

Minister of Public Works Carlos J. Delgado claimed they had attempted to provide the bonds, but that Cortés 'did not want to receive them until the government resolved whether to accept the change of subvention bonds to a guarantee'.[109] It is plausible Cortés initially refused the bonds when a guarantee on bonds was possible, and that the Ministry ignored subsequent requests by arguing they had previously refused to receive them. Either way, the salient point is that construction ultimately ceased because of the change of administration.

For its part, the CNoRC kept the promises it had made to the national government by providing £80,000 or 27% of the share capital in the CCRC subsidiary.[110] Yet the national government failed to fulfil its obligations in return. The CNoRC's management felt only a guarantee on bonds would provide the necessary 'security' to raise sufficient capital, and blamed the lack of progress on the collapse of the system of finance, paralleling the wider arguments of Summerhill, Lewis, and Miller, regarding the system's importance for railway expansion in Latin America.[111] Cortés also attributed the breakdown of relations to the intervention and conduct of Torres Elicechea, who was so influential in the GNCRC's bond dispute.[112] In January 1910, the national government moved to annul the *Quinquenian* contract for the Chiquinquirá expansion, on the pretext that it had not been completed. The CCRC was given fifteen days to fulfil the contract, and subsequently entered negotiations for a modified concession contract to avoid expropriation.[113] The dispute led the local populace of Ubaté – a city in middle of the region traversed by the projected expansion – to lodge a notarial action in protest.[114]

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109 Delgado to Paés, 29 December 1909, AGN, República, Ferrocarriles, Vol. 414, f. 20.

110 Pérez Triana to Minister of Public Works, 7 December 1909, AGN, República, Ferrocarriles, Vol. 414, f. 28.

111 Cortés to Minister of Public Works, 4 January 1910, AGN, República, Ferrocarriles, Vol. 414, f. 35; Rory Miller, *Britain and Latin America*, p. 133; Lewis, *British Railways*, pp. 97-123; Lewis, *Public Policy*, pp.35-8; Summerhill, *Order*.

112 Cortés to Minister of Public Works, 27 November 1909, AGN, República, Ferrocarriles, Vol. 414, f. 20.

113 Cortés to Minister of Public Works, 4 January 1910, AGN, República, Ferrocarriles, Vol. 414, f. 35.

114 Notarial Act, 1 August 1910, AGN, República, Ferrocarriles, Vol. 414, ff. 72-5.

In August 1911, internal communications of multiple branches of the national government discussed the likely cost of a guarantee for the proposed extension. One study projected the expansion would produce 14.28% per year on the invested capital, and that a 7% guarantee would have little financial impact. Several modifications to the contract were proposed, including a decrease in the capital guaranteed per km.[115] Despite these studies, neither a guarantee nor the subvention bonds were provided, and the CCRC were still requesting payment of the subvention in March 1912.[116] The national government effectively bankrupted the CCRC and ensured nationalisation through renegotiation and withholding the subvention bonds. The CCRC burnt through cash reserves earmarked for construction on administrative costs. In addition, the £105,000 of 6% debentures raised by the CCRC incurred £6,300 of interest per year, and the payment of these was only guaranteed by the CNoRC until September 1911.[117] The CCRC's net receipts in the fiscal year ending 30 June 1910 were only £1,909, which represented a significant shortfall on interest due on its debt. As such, continuing operations past September 1911 was unfeasible.[118] The national government's actions led to ire from British investors, who viewed the national policy towards railways as a return to the pattern of repudiation and abuse of property rights. A letter from a British investor in October 1913 illustrates how Colombia's reputation in London had been negatively affected:

> I have for years watched … the continuous growth of [Colombia's] credit abroad, … I am sorry any step should have been taken … which is likely to cause a feeling of unease amongst British investors.[119]

115 A Study Addressed to: 'Miembros del Consejo de Ministros', 23 August 1911, AGN, República, Ferrocarriles, Vol. 414, ff. 140-5.

116 Anonymous (Ministry of Public Works official) to Minister of Public Works, 2 March 1912, AGN, República, Ferrocarriles, Vol. 414, f. 247.

117 'Colombian Northern Railway Report of 1911', Guildhall Library, Stock Exchange Reports, Box 1167, f. 3; 'Copy of Confidential Report on The Col. Cent. Railway Co Ltd', AGN, República, Ferrocarriles, Vol. 414, f. 210.

118 'Copy of Confidential Report on The Col. Cent. Railway Co Ltd', AGN, República, Ferrocarriles, Vol. 414, f. 211.

119 Howard to Minister of Public Works, 21 October 1913, AGN, República, Ferrocarriles, Vol. 414, f. 312.

By the end of 1913, the national government had formed a concrete plan to nationalise the Zipaquirá-Nemocón CCRC subsidiary, which had now entered bankruptcy proceedings.[120] The Ministry of Public Works and Colombian consular office in London, worked in unison to organise an offer of £5,000 per km to the CCRC's receivers, representing a total of £80,000 paid in government bonds.[121] Considering the project had raised a total of £324,300, this offer represented a significant loss for British investors.[122] By January 1914, the national government was close to a final agreement to nationalise the Zipaquirá-Nemocón line.[123] But as was the case with the GNCRC, the CCRC's £105,000 of debentures had been sold to French bondholders, and negotiations with French diplomats were holding back the nationalisation.[124] Debentures were highly devalued because interest had not been paid since the CCRC entered receivership. Correspondence between the Colombian consulate and Minister of Public Works discussed that the substantial discount should be exploited by methodically purchasing bonds in Paris to force through nationalisation. They lamented this was not possible since 'there is no patience in our country'.[125] The government reiterated their £80,000 offer for the railway and its £105,000 of debentures, with Juan Manuel Dávila of the CNoRC acting as intermediary. This was accepted by the receivers on the 27 March 1914.[126] The final contract for nationalisation of the railway was signed on the 21 August 1915, but bankruptcy proceedings

120 Colombian Consulate to Ministry of Public Works (Telegram), 13 December 1913, AGN, República, Ferrocarriles, Vol. 414, f. 321.

121 Colombian Consulate to Ministry of Public Works (Telegram), 13 December 1913, AGN, República, Ferrocarriles, Vol. 414, f. 321.

122 The outstanding share capital was £299,930, but £80,000 of this was held by the Colombian government. In addition to this the CCRC had £105,000 of debentures outstanding. Handwritten Document Titled: 'Colombian Central Railway Company', AGN, República, Ferrocarriles, Vol. 414, f. 203; The Colombian Central Railway Company Share Register TNA, BT 34/3207/86859.

123 Colombian Consulate to Ministry of Public Works (Telegram), 9 January 1914, AGN, República, Ferrocarriles, Vol. 414, f. 547; Araujo to Colombian Consulate (Telegram), 10 January 1914, AGN, República, Ferrocarriles, Vol. 414, f. 549.

124 Leger to Roa, 10 January 1914, AGN, República, Ferrocarriles, Vol. 414, f. 560.

125 Colombian Consulate to Araujo, 13 January 1914, AGN, República, Ferrocarriles, Vol. 414, f. 558.

126 Dávila to Araujo, 18 March 1914, AGN, República, Ferrocarriles, Vol. 414, f. 570; Dávila to Araujo, 27 March 1914, AGN, República, Ferrocarriles, Vol. 414, f. 573.

in London delayed handing over the line. [127] These proceedings were completed on the 11 July 1916 when the line was officially transferred to the government.[128]

The nationalisation of the Zipaquirá-Nemocon line demonstrates clearly the priorities of the national government. The original guarantee was for £6,000 per km and the net operating income would have been offset against the debenture interest. As previously mentioned, the government's own studies had suggested these costs would be minimal.[129] Had it not been rescinded, the guarantee would have enabled the rapid completion of the section to Chiquinquirá. The national government objected to these outlays but were happy to raise sovereign debt bonds to gain control of infrastructure which was already providing a service. At £6,000 per km, the £80,000 of guaranteed bonds used to purchase the CCRC could have provided an additional 13km of track. As such, for the national government, 16km of track under national ownership were preferable to 29km under private ownership, and the priority was the end of British interests in the sector. By 1914, the national government had effectively sealed the nationalisation of the Zipaquirá-Nemocón section of railway, but they had failed to take control of the Bogotá-Zipaquirá line. The failure to nationalise the CNoRC coincided with the launch of a legal case by the department of Cundinamarca, based on clauses from the 1884 concession contract.[130] As has been discussed previously, these rights had been repeatedly relinquished by Colombian authorities, first with the concession contract of 1892, and subsequently in exchange for £80,000 (or 27%) of CCRC share capital. This 27% stake facilitated the nationalisation of the Zipaquirá-Nemocón section, since their shareholding gave

[127] Ortega, *Ferrocarriles Colombianos*, p. 448; Colombian Consulate to Ministry of Public Works (Telegram), 30 May 1916, AGN, República, Ferrocarriles, Vol. 415, f. 163.

[128] Colombian Consulate to Ministry of Public Works (Telegram), 11 July 1916, AGN, República, Ferrocarriles, Vol. 415, f. 170

[129] Study Addressed to 'Miembros del Consejo de Ministros', 23 August 1911, AGN, República, Ferrocarriles, Vol. 414, ff. 140-5.

[130] Colombian Northern Railway Company, *Contestación de The Colombian Northern Railway Company, Ltd. A la demanda del doctor Juan B. Quintero, apoderado del Departamento de Cundinamarca* (Bogotá: Imprenta de La Luz, 1914).

them rights to a share of assets from the receiver. The case launched by the Department of Cundinamarca illustrates the contractual instability and complex political power dynamics characteristic of the Colombian political environment. The *Regeneración* had officially ended the 'sovereign states', yet British railway companies were still interacting with two fundamentally independent institutional political actors, whose interests and actions seldom converged.

3.6.2 *The Great Northern Central Railway of Colombia*

Nationalism in Latin America has been broadly defined as fitting the characterisation of 'populist nationalism', and as cases such as the Mexican revolution attest has often been associated with armed conflict.[131] But the strongest example of nationalism in early twentieth century Colombia – the reaction against British railways – followed neither of these trends. The nationalism which developed in response to the GNCRC did not start as a populist movement: it originated from Colombia's political elite. It was also fundamentally driven by personal interests, and a desire to develop political capital. Nevertheless, as an example of early twentieth century economic nationalism, the anti-imperialist movement against British railways represented a significant rejection of key elements of what Mayall terms the 'liberal world order'.[132]

In this subsection, I argue the stance of men like Santiago Pérez Triana represents a break with the economic consensus within Colombian liberalism, which had hitherto sought and welcomed foreign capital within the Colombian economy. This break between political and economic liberalism, has led Posada and Jaksić to explicitly remove the economic component from their analysis of nineteenth century Latin American liberalism in its entirety, which they

131 Umut Özkirimli, *Theories of Nationalism, A Critical Introduction* (Basingstoke: Palgrave, 2000), p. 45.
132 James Mayall, *Nationalism and International Society* (Cambridge: Cambridge University Press, 1990), p. 70.

view as of secondary importance.[133] I believe this approach is mistaken, especially with the case of Colombia. I argue throughout this thesis, that the abandonment of economic principles was not indicative of their secondary importance, but rather, a reaction to their unforeseen consequences, and part of the process of adapting the ideology to the requirements of the region. This change resulted in the formation of left-liberalism, which as Green argues, provided the ideological base for the rise of stereotypical Latin American populist nationalism in the form of *Gaitanismo*.[134] This subsection illustrates how a nationalist reaction to British railways came early, and was central to the political and economic development of early twentieth century Colombia. Subsequent chapters build on this argument, demonstrating that the reaction to British railways was a central facet of the wider political transformation of liberalism in Colombia. In a sense, in reaction to Panama, Colombians made liberalism – which had hitherto been applied in a European-centric manner – their own.

As was discussed previously, the GNCRC's bond dispute had already made future financing all but impossible. But attacks on the railway did not cease, since the central objective was not only to end bond guarantees, it was to nationalise all British railway interests. Key political actors Francisco Montaña and Santiago Pérez Triana coordinated a propaganda campaign to delegitimise the railway; reminiscent of Cisneros's experience in the 1880s.[135] Subsequently the local manager Fletcher Toomer rebutted their accusations in a pamphlet published by *El*

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133 Eduardo Posada-Carbó and Iván Jaksić 'Shipwrecks and Survivals: Liberalism in Nineteenth-Century Latin America', *Intellectual History Review*, 23 (2013), 479-98 (p. 481).

134 Green, *Gaitanismo*, pp. 14-64.

135 Montana's study was published in sections in *El Tiempo* throughout August 1911, at the same time as a popular demonstration in support of the company occurred in Santander. Francisco Montaña, *Contratos y estudios sobre el Ferrocarril de Puerto Wilches* (Bogotá: Imprenta de El Tiempo, 1911), p. 24; Santiago Pérez Triana, *Ferrocarril de Puerto-Wilches: (asuntos colombianos)* (London: Imprenta de Wertheimer, 1912), p. 1; For details of the campaign see Hernán Horna's revisionist study of the railway projects of the Cuban-American engineer Javier Cisneros. After constructing various railways in the 1880s, Cisneros was forced out of the national railway sector due to opposition from local elites and engineers. Horna, *Transport Modernisation*. For an example of the type of political discourse directed at Cisneros, see the following primary sources: Andrés Villareal, *Las empresas del Sr. Cisneros: por tercera vez* (Bogotá: Imprenta de Vapor de Zalamea Hermanos, 1888).

Nuevo Tiempo newspaper.[136] One such accusation, was that bonds had been raised at a discount of 50 or 42 per cent of their nominal value (depending on the source).[137] However, primary sources demonstrate their inaccuracy: the first bond issuance in London had been raised at 77%, and before Torres sabotaged the Parisian bond issuance the second tranche were offered at 84.5% (a 15.5% discount). [138] The panic created by Torres in the capital market meant subsequent bonds were heavily discounted. As such, the accusations of bonds being sold at heavy discounts were on one level accurate. However, the fact that those attacking the GNCRC had caused or contributed to devaluation of the bonds was completely omitted from their treatise.[139]

Those attacking the GNCRC had dubious personal interests in other British railway projects. As chapter two explored, Santiago Pérez Triana had been a central political actor in the Punchard-McTaggart affair. He also shared personal and business connections with Juan Manuel Dávila and Luis Felipe Angulo of the CNoRC, who like Pérez Triana, had been vocal opponents of the *Quinquenio*.[140] In his 'eagerness to go against the decisions of his predecessor', President Ramón González awarded Pérez Triana a new position heading the Colombian consul in London .[141] Camilo Torres Elicechea was embroiled in the 'Apulo works' scandal, and was accused of embezzling the proceeds of a government guaranteed bond issuance for the CNRC, suggesting that his objection to government guarantees only applied when he was not personally benefiting from them. In addition, Torres's son living in London was the manager of the Colombian Southern Railway Company, and Pérez Triana was on its

136 Fletcher Toomer, *Gran Ferrocarril Central del Norte*.

137 Montaña, *Contratos y estudios*, p. 24; Pérez Triana, *Ferrocarril de Puerto-Wilches: (asuntos colombianos)*.

138 'The Great Northern Central Railway of Colombia, Limited' *The Economist*, 6 March 1908; Cortés to Minister of Public Works, 3 August 1910, TNA, FO371/1101, f. 182.

139 Francisco Montana, *Contratos y* estudios, p. 24; *El Republicano*, 7 July 1910, quoted in Cortés to Minister of Public Works, 3 August 1910, TNA, FO371/1101, f. 181.

140 Ortiz, *Santiago Pérez Triana*, p. 49.

141 Pérez Ángel, *Nos dejó el tren*, p. 39.

board of directors.[142] The Foreign Office's opinion of both men was negative. Torres was described as an 'impecunious adventurer of doubtful antecedents'. A Home Office investigation into Pérez Triana found he was in debt to tailors and landlords in London and his wife had unpaid debt relating to a 'bond street tea shop', leading them to conclude that his promise that Colombia would 'always' pay its debts was 'worth very little'.[143] His repudiation of the GNCRC's guarantee was justified by an important caveat within this promise, for he stated that the government would only respect contracts that 'honest and legitimate negotiations may have created'.[144] For Pérez Triana, as a *Quinquenian* contract, neither prerequisite applied. The national railway historiography has acknowledged the impact of Pérez Triana's corruption. Pérez Ángel has described him as 'the principal political actor engaging in fraud in contra to the national interests'. Yet it has not understood his influential role in the collapse of the '*Ferrocarril de Puerto Wilches*' (GNCRC).[145]

The most bizarre claim made by Pérez Triana was that the GNCRC's director Fletcher Toomer had equated Colombians to monkeys that he had trained to eat out of the palm of his hand.[146] In an anti-imperial tirade, representative of his theatrical style of discourse, he called on patriotic Colombians to unite against the interests of foreign capital.[147] Pérez Triana warned obligations were 'nailed tight against the vital organs' of the state, and would 'rip the coat from the people's backs and take bread from their mouths to pay interest on bonds [to foreign financiers]'.[148] He equated the contract to 'a putrid corpse', and its clauses to 'a thorn in the

142 'Colombian Southern Railway Ltd. Share Registers', Company No: 91778, TNA, BT 31/11819/91778.

143 Minutes of meeting dated 28 March 1911 discussing letter from Pérez Triana concerning the Corporation of Foreign Bondholders, TNA, FO371/1100, f. 16; Petty-Fitzmaurice (Foreign Secretary), 9 August 1905, TNA, FO55/429 f. 150.

144 Pérez Triana to Grey (Foreign Secretary), 27 March 1911, TNA, FO371/1100, f. 18.

145 Pérez Ángel, *Nos dejó el tren*, p. 39. It is ironic that despite having a low opinion of Pérez Triana Pérez Ángel's argument regarding the GNCRC is similar to Pérez Triana's contemporary commentary.

146 Santiago Pérez Triana, *Ferrocarril de Puerto-Wilches*, p. 2.

147 Ibid.

148 Ibid.

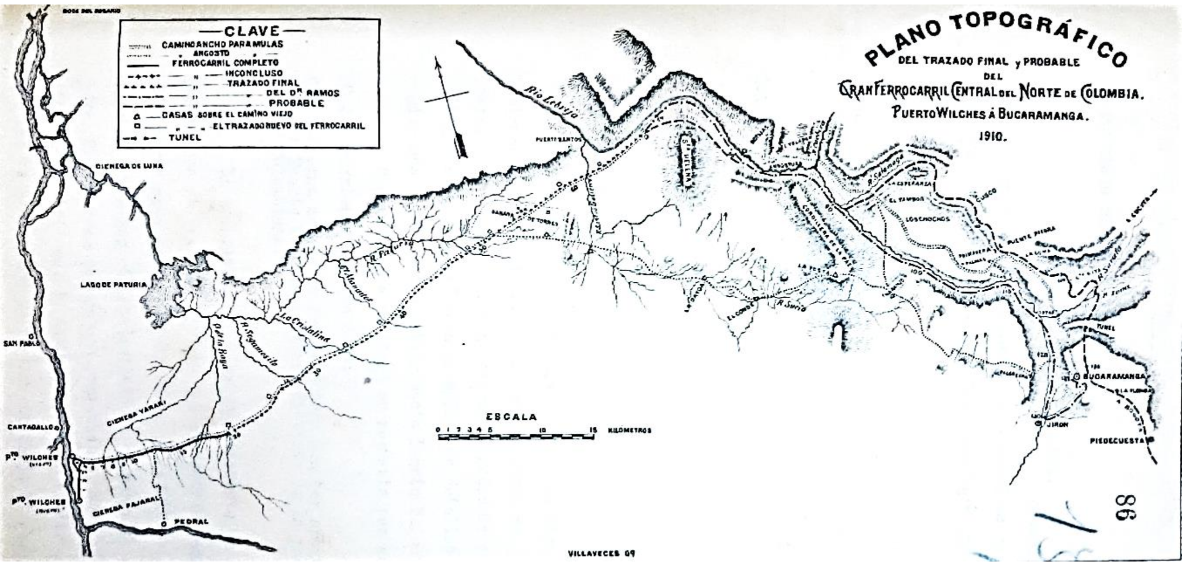
flesh of the nation', or a 'medieval tool of torture'. [149] According to Pérez Triana the railway would 'endanger our sovereignty', and lead to 'foreign intervention in our ports which the United States would come to like bees to honey.[150] The piece tapped into a national fear of a repeat of Panama, but it argued the GNCRC represented an even greater danger: 'here we discuss the very life of the republic, the contract causes more damage than the loss of a department, to save ourselves we must all unite, like those in a sinking ship or a burning house'.[151] He went as far as to question the manhood of any Colombian not willing to resist the threat to national sovereignty: 'if Colombians submissively accept this with smiles on their faces, it would be a good idea to open easy routes of emigration to the orient … where placid and oppressed men provide domestic service'.[152]

This contemporary nationalistic and anti-imperialist commentary has left its mark on recent national historiography. Correa's argument that the GNCRC's bond issue 'completely departed from what was stipulated in the terms of the contract' closely parallels this contemporary political discourse.[153] Francisco Montaña's contemporary study of the concession contracts which is utilised by Correa argued that the GNCRC was 'simply a shell' which had 'not provided its own capital', but had spent all the products of the first bond emission without constructing any track of sufficient quality worthy of the outlay.[154] This commentary was completely contradicted by the Ministry of Public Work's annual report for 1910. This stated that the GNCRC was proceeding 'in accordance with the scientific prescriptions and terms of the contract', and that 'the excellent quality of the materials … and engineering works' as well as the 'careful organisation' meant it was 'one of the best lengths of track in the country'.[155] In

149 Ibid.
150 Ibid.
151 Ibid.
152 Ibid.
153 Correa, *Café y ferrocarriles*, pp. 76-7.
154 Montaña, *Contratos y estudios*, p. 41, cited in Correa, *Café y ferrocarriles*, pp. 78-9
155 Ministerio de Obras Púbicas, *Informe del Ministro de Obras Públicas a La Asamblea Nacional de 1910* (Bogotá: Imprenta Nacional, 1910), p. 59.

view of these contradictions, it is clear that the attacks were politically motivated. Montaña, Pérez Triana, and Torres viewed the guarantee as an attempt at defrauding the country, yet the GNCRC's method of finance was in no way unusual. The literature has shown that guarantees of railway bonds were a prerequisite for attracting capital.[156] The GNCRC was caught up in an ideological struggle, which as chapter two illustrated, had been set at the pinnacle of Colombian politics by the loss of Panama.

Fig. 3.8 – Map showing the completed 20km section of railway referred to in the Ministry of Public Works's 1910 report and the projected route to Bucaramanga



Source: República de Colombia, Informe del ministerio de obras públicas al Congreso de 1911 (Bogotá: Imprenta Nacional, 1911), Unnumbered Fold-out page towards the end.

This hostile and politically charged atmosphere led the GNCRC to enlist diplomatic assistance. Pérez Triana acting as the main point of contact did not help matters. Pérez Triana argued the contract was invalid because the congress had been suspended throughout the *Quinquenio*, and never approved it. Like Torres he also repudiated Esguerra's approval of the guarantee, arguing he had lacked the necessary authority.[157] Yet as was demonstrated earlier in the chapter, this

[156] Miller, *Britain and Latin America*, p. 133; Lewis, *British Railways*, pp. 97-123; Lewis, *Public Policy*, pp.35-8; Summerhill, *Order*.

[157] Gore to Torres, 12 January 1909, TNA, FO371/1101, ff. 295-8; Pérez Triana to Grey (Foreign Secretary), 15 October 1911, TNA, FO371/1101, ff. 293-4; Pérez Triana to Grey (Foreign Secretary), 4 October 1911, TNA, FO371/1101, ff. 266-7.

was not the case: Reyes had personally ordered Torres Elicechea to approve the GNCRC guarantee in accordance with Esguerra's original arrangements.[158] As such, the national government had reverted to type, it was once again repudiating pre-existing contracts with dubious justifications. As was discussed in chapter two, Pérez Triana was accused of receiving bribes from the British firm Punchard-McTaggard in the 1890s to ensure they were awarded the Antioquia Railway concession. In addition, whilst berating the imperialism of the GNCRC, he sat on the board of the British owned Colombian Southern Railway Company. He was also a signatory of the contract which provided the CNRC's bonds a government guarantee.[159] As such, just as was the case with Torres, his objection to bond guarantees or British railways, only seems to have applied when he had no personal interest in the beneficiaries of them.

The GNCRC dispute resulted in a peculiar and perhaps even unique situation. The legal basis of a railway was being questioned after hundreds of thousands of pounds of British and French capital had been invested, and a 20km section had been brought into public service. The impact of this was clear: why would any cognisant European investor consider risking their capital in Colombia's railway sector, when the worthlessness of Colombian concession contracts had once again been illustrated to the world's financial markets? As the GNCRC director Fletcher Toomer pointed out, the fact that the 'engine runs across the wilderness' and Reyes and the Minister of Public Works had 'nailed down [the first rails] with their own hands', was irrelevant. Without the institutional respect of property rights, the bondholders' investment was lost in its entirety.[160] The suspension of construction works caused severe discontent in Santander, whose population felt the bond dispute had been orchestrated to harm the

158 Reyes to Torres Elicechea, 29 December 1908, TNA, FO371/1101, f. 173; Torres Elicechea to Reyes, Minister of Public Works, 31 December 1908, AGN, República, Ferrocarriles, Vol. 395, ff. 18, 165.

159 When this clear contradiction came to light, he was lambasted for his hypocrisy by *El Tiempo*: 'El Senor Pérez Triana' *El Tiempo*, 1 September 1911; República de Colombia, *Documentos Relacionados con el Ferrocarril de Girardot* (Bogotá: El Republicano, 1911), pp. 46-7.

160 Toomer to Minister of Public Works, 10 April 1911, TNA, FO371/1101, ff. 280-1.

department economically.[161] Those attacking the company were described as 'vampires' sucking the lifeblood of the region by sabotaging efforts to 'connect ourselves to the civilised world'.[162] Opposition was said to emanate from 'the high circles of politics', with the single objective of 'ruining the life of a blooming region'.[163] The intertwined personal interests of those attacking the project did not go unnoticed by local commentators, who made implicit reference to Pérez Triana:

> Among these vampires, the usurers who trade the honour of our homeland (*la patria*) and use contracts to pilfer the national exchequer, have fought most vehemently to have congress … suspend the concession contract. … The notion that the national government will continue works, is so ridiculous that it only fits in the minds of the obtuse or idiots. … We all know well that the few resources at the government's disposal are only sufficient to fill the pockets of the Bogotá elite which control the public purse through political intrigue. … Only foreign capital can redeem us.[164]

In August 1911, the fervent local support led to a huge popular rally in Bucaramanga defending the GNCRC and demanding that the construction of the railway continue.[165] The crowd demanded the removal of Minister of Hacienda Tomas O. Eastman from his post because of his negative comments on the utility of the railway. President Restrepo acquiesced to these demands three months later in an attempt 'sooth the discomfort' of *santandereanos*.[166] Images of the protests can be seen in Figures 3.9 and 3.10.

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161 In the archive of the Ministry of Public Works there are telegrams and letters between the Ministry and the Governor of the department of Santander in which the latter consistently asks why the works had ground to a standstill. Communications of this kind begin with a telegram on 9 February of 1909, in which the minister of public works explains the reasons for the break-down of relations with the railway company: Telegram from Minister of Public Works to Governor, 9 February 1909, AGN, República, Ferrocarriles, Vol. 395, f. 42.

162 'Los vampiros y el Ferrocarril', *El Ferrocarril. por la causa del Ferrocarril de Puerto Wilches*, 12 August 1911.

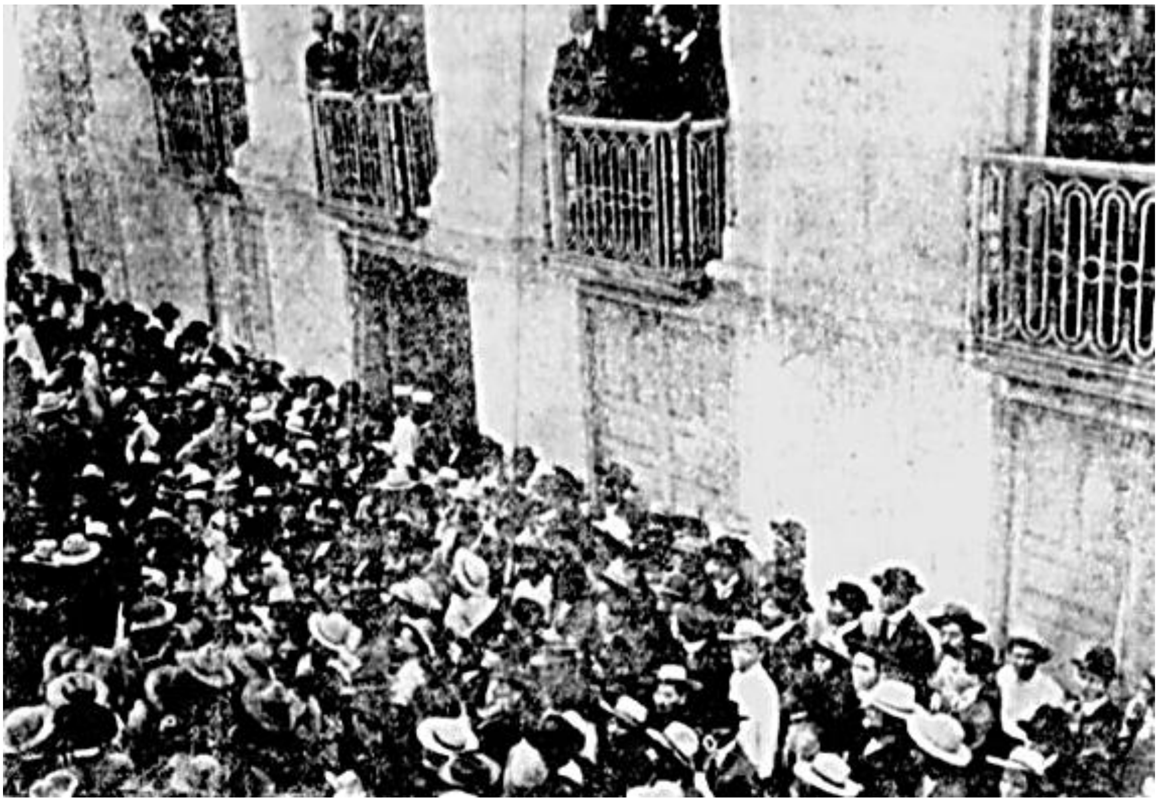
163 Ibid.

164 Ibid.

165 'Ferrocarril de Puerto Wilches', *El Tiempo,* 29 August 1911.

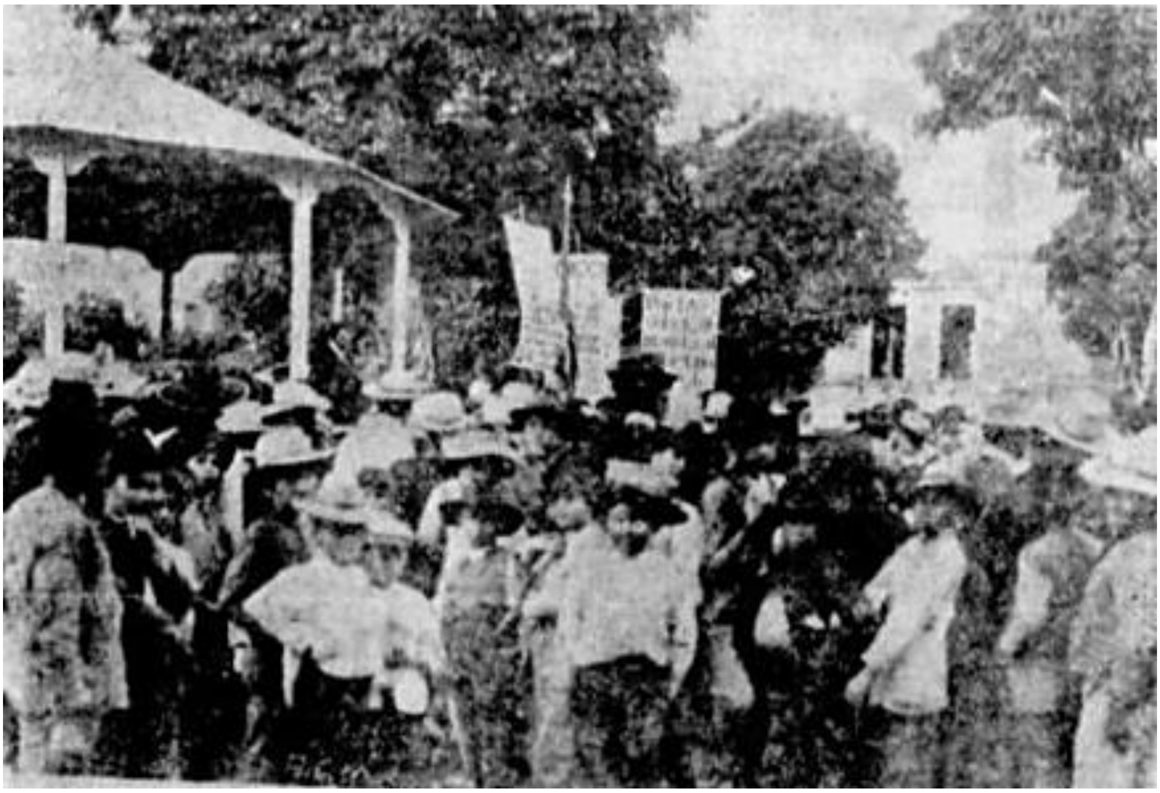
166 Miguel Darío Cuadros Sánchez, 'Santander en declive: El fracaso de Bartolomé Rugeles con sus inversiones en torno al Ferrocarril de Puerto Wilches 1903-1916', *Anuario de Historia Regional y de las Fronteras*, 16 (2011), 151-73 (pp. 167-8).

Fig. 3.9 – The public of Bucaramanga congregated in front of the governor's house



Source: 'Ferrocarril de Puerto Wilches' *El Tiempo*, 29 August 1911.

Fig. 3.10 – Demonstration in Bucaramanga in support of railway company



Source: 'Ferrocarril de Puerto Wilches' *El Tiempo*, 29 August 1911.

This support of the GNCRC is paralleled in the local historiography of Santander, which has a much more positive perspective towards the British company than Pérez Ángel and Correa.[167] Bayona and Niño go as far as arguing that ‘it is clear that … [without the bond dispute] the GNCRC would have taken the locomotive as far as Bucaramanga before the end of the 1920s’ (instead of 1941).[168] The growth of coffee in western Colombia as opposed to Santander, was influenced by the ‘high transportation costs’ in the latter, which ‘blocked the takeoff of modern capitalism’.[169] The project’s failure therefore helped to reconfigure ‘regional hierarchies’.[170] As such, the collapse of the GNCRC was a momentous development for subsequent regional distribution of economic power, and if Bayona and Niño are right, it may well have completely changed the course of Colombian economic history. As Cuadros argues, the construction of the port of Puerto Wilches was viewed locally as the beginning of the ‘redemption of Santander’, whilst failure of the railway project implied being ‘exiled not only from *el progreso* but also from civilisation’.[171] The collapse of the project thus represented not only an economic setback, but also an acute psychological trauma for *santandereanos*.

In the year following the protests in Bucaramanga an amended concession contract was negotiated and signed on the 8 June 1912.[172] The management of the GNCRC made several significant sacrifices, hoping these would break through the impasse and allow resumption of works. The first was a clause dictating that the railway would be nationalised without compensation after fifty years of operation.[173] The second was that after allowing for a shareholder dividend, 62.5% of all future profits were to be paid to the national government.[174]

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167 Bayona and Niño, *Del Camino*, pp. 86-97; Augusto Olarte Carreño, *La Construcción del Ferrocarril de Puerto Wilches a Bucaramanga 1870 a 1941 Síntesis de una obra discontinua y costosa* (Bucaramanga: SIC, 2006) pp. 32-3; Correa, *Café y ferrocarriles*, pp. 76-7; Pérez Ángel, *Nos dejó el tren*, p. 46.

168 Bayona and Niño, *Del camino*, p. 88.

169 Palacios, *Between Legitimacy*, pp. 54-55.

170 Palacios, *Between Legitimacy*, p. 40.

171 Cuadros, *Bartolomé Rugeles*, p. 174.

172 Ortega, *Ferrocarriles Colombianos*, p. 549.

173 Concession contract of 8 June 1912, AGN, República, Ferrocarriles, Vol. 396, f. 122.

174 Ibid, f. 123.

Third, the company would provide the national government with 150,000 additional shares in the company free of charge. Combined with government's existing 50,000 shares, this would have represented a 40% stake.[175] Finally, the contract provided strict deadlines for completion of the project. If these were not met, the concession would be voided, and the railway legally expropriated without compensation.[176] The timescale was completely unrealistic. The proposed railway was 154km, and it rose from 65m to 959m above sea level.[177] 20km had been completed, and the new contract provided four years to complete the remaining 134km. This represented over 90m of track to be constructed per day on mountainous terrain which suffered from periodic torrential rains and associated landslides. To give some perspective on how unrealistic this was, in 1932 after eighteen years of national administration, there were still 14km between Rio Negro and Bucaramanga to complete. The railway only arrived at Café Madrid on the outskirts of Bucaramanga in 1941.[178] The national historiography has fundamentally misunderstood the significance of these contract renegotiations, which Cuadros believes 'resolved the conflict' between the two sides and understands as an attempt by the Restrepo administration to *ensure* the completion of the railway.[179] Primary sources suggest the opposite was true: in August 1914, Fletcher Toomer claimed the Colombian Minister of Public Works had admitted the purpose of the 1912 contract was to make it 'so onerous that it would be almost impossible for the Company to carry it out'.[180] In view of the clauses it seems likely that Toomer's allegation was accurate.

The GNCRC and national government were embroiled in yet another dispute over bonds in the two years following the signing of the amended contract. This led to a public altercation aired

175 Ibid, f. 123.
176 Ibid, ff. 121-22.
177 Correa, *Cáfe y ferrocarriles*, p. 75.
178 Ortega, *La última experiencia*, p. 77; Correa, *Cáfe y ferrocarriles*, pp. 91-2.
179 Cuadros, 'Santander en declive', p. 168.
180 Fletcher Toomer and Gaskell to Under Secretary of State for Foreign Affairs, 12 August 1914, TNA, FO371/1951.

in *The Times* in June 1913. The published articles further entrenched the negative view of the GNCRC in international capital markets, making raising additional capital even less likely. The GNCRC argued it had 'done everything in their power to obtain delivery of the new bonds from the Colombian Government', and their refusal to comply meant they had 'been unable to issue the new bonds or to proceed with construction of the railway'.[181] The government's lawyers released a rebuttal a few days later, in which they blamed the delay on the two parties being 'at issue as to the construction of the supplementary contract'.[182] Ortega and Correa both blame the GNCRC for the dispute, arguing that they maintained a policy of repeated renegotiation over terms.[183] Yet the government's lawyers conceded in *The Times* that the dispute revolved around the government's own concerns over clauses in the contract, rather than those of the GNCRC, contradicting Ortega and Correa's argument.[184] In addition, the schedule regarding the issuance of bonds had already been covered in detail in the amended concession contract.[185] Thus in a manner reminiscent of the many examples presented throughout this thesis, the dispute revolved around the national government repudiating a contract they had signed after lengthy negotiations. By the following year, the GNCRC had endured five years of fruitless negotiations since the first bond dispute, and they effectively ending their involvement in the construction project with the following telegram:

> The company is now convinced that the Colombian government does not intend to carry out engagements [for the] contract [of] 1912 …. and will claim compensation through proper channels for all losses, injury, prejudice and damage sustained by the company owing to the non-fulfilment of the obligations undertaken by the government in the contracts of 1906.[186]

181 'Great Northern Central Railway of Colombia – Difficulties with the Government', *The Times*, 11 June 1913.
182 'Great Northern Central Railway of Colombia', *The Times*, 14 June 1913.
183 Ortega, *Ferrocarriles Colombianos*, p. 551; Correa, *Café y ferrocarriles*, p. 80.
184 'Great Northern Central Railway of Colombia', *The Times*, 14 June 1913.
185 Concession contract of 8 June 1912, AGN, República, Ferrocarriles, Vol. 396, ff. 119-120.
186 Canizales to Ministry of Public Works, 7 August 1914, AGN, República, Ferrocarriles, Vol. 398, ff. 211-2

Following this announcement, the GNCRC 'completely ceased construction works' on the 4 October 1914.[187] However, just as had been the case for the CCRC, the protracted negotiations had financially crippled the company. Administrative costs, elevated substantially by repeated telegrams, correspondence, and legal costs, had burned through the cash raised by the original bond issuances, and the GNCRC had been pushed by the national government to the verge of bankruptcy. The situation was exploited to acquire the GNCRC through bankruptcy proceedings. The process of nationalisation was completed on the 18 April 1918, when the national government raised £428,580 of 5% sovereign debt bonds at a 70% discount to purchase the railway for £300,000.[188] Just as was the case with the CCRC the deal represented a significant loss for British and French investors: the GNCRC's had raised £192,000 in London, and £306,000 in Paris, representing a total of £498,000.[189] Only 20km of railway had been completed which was presented as evidence that the GNCRC has been defrauding the country.[190] It is understandable that this perception existed, and indeed persists within recent historiography, since the cost of construction based on the bond issuances represented a staggering £24,900 per km.[191] The sovereign debt bonds raised by Colombia to nationalise the railway represented £21,429 per km added to the national debt. This reaffirms the contention made previously: the national government's priorities were controlling existing railways over and above constructing new track. The national government preferred to indebt itself to the tune of £428,580 for 20km of railway, rather than commit to make smaller periodic payments on a guarantee of railway bonds which would ensure the completion of the remaining 134km.

There is a tendency within the national historiography to make sweeping generalisations on railway construction costs, likely because of the lack of detailed empirical studies such as this

187 Correa, *Café y ferrocarriles*, p. 81.
188 Ortega, *Ferrocarriles Colombianos*, p. 552.
189 Document Addressed to President of Colombia and Ministry of Public Works, AGN, República, Ferrocarriles, Vol. 398, f. 269.
190 Montaña, *Contratos y estudios*.
191 Correa, *Café y ferrocarriles*, pp. 74-81.

one. Junguito extrapolates the construction costs of the whole 'northern railway' branch (CNoRC, CCRC and GNCRC) at a high figure of approx. £18,630 per km. This analysis is based on a single contemporary source which speculated what such a railway might cost.[192] Pérez Ángel provides a counterfactual model in which he argues the approximate costs of construction of the GNCRC would have been £4,225 per km had it been constructed under national administration. His rationale is that the corrupt rent-seeking of foreign financiers and investors consumed most of the capital raised.[193] The best rebuttal of Pérez Ángel's argument is simply that – as has been illustrated clearly throughout the chapter – rather than benefit, British investors lost large sums of money from their foray into the Colombian railway sector. Both studies distort what were complexed multifaceted experiences with an arbitrary application of construction costs. As the chapter has demonstrated, there were extenuating circumstances to the poor performance of the GNCRC, which made continued construction all but impossible. Crucially, many of these costs were dependent on institutional and political changes out of the company's control.

Fletcher Toomer claimed that the first 20km had only cost £5,000 per km, arguing several factors had distorted the overall cost of the project.[194] Firstly '10km of finished railway' had been constructed ahead of the first 20km section, and sufficient rails for another 20km were on site and ready to lay. As such 50km of the projected 154km line had either been completed or had materials on site ready for construction.[195] Second, rolling stock had been purchased and received for the first 65km, and 65km of telegraph line laid along the proposed route.[196] Third, that a large modern station had been built at the river terminal, which was sufficient to meet

192 Andrea Junguito, 'Historia Económica del Ferrocarril del Norte', *Historia Crítica*, 14 (1997), 129-46.
193 Pérez Ángel, *Nos dejó el tren*, p. 46.
194 Fletcher Toomer and Gaskell to Under Secretary of State for Foreign Affairs, 12 August 1914, TNA, FO371/1951.
195 Ibid.
196 Ibid.

the ‘traffic requirements’ of the entire line.[197] Bayona and Niño highlight the importance of this port infrastructure, arguing that its construction occupied ‘the majority of the [GNCRC’s] workforce’ and cost the life of a British engineer, who succumbed to tropical disease.[198] Fourth, despite transiting *baldíos* lands, or in the words of the company, ‘a jungle’, the GNCRC had run a daily service on the first 20km of line for four years, in accordance with the wishes of the national government.[199] Finally, during four years of contract negotiations, the GNCRC had incurred ‘enormous expenses in sending representatives to Bogotá, for cablegrams, legal advice, interest on unproductive capital, and other expenses in London’. Combined with the panic Torres’s publications had caused in the capital market, this meant the GNCRC had to ‘dispose of many of its bonds at a price far below their intrinsic value in order to keep the railway open’.[200] Lacking the company’s accounts it is not possible to verify the £5,000 per km figure, but we do know that because it was forced to sell at a significant discount, the GNCRC received substantially less than the £306,000 nominal value of the French bonds.[201] The evidence presented here suggests the true cost of construction was far lower than the £24,900 of bonds raised per km, and that the performance of the company was far better than it appears at first glance.

3.7 Legal Disputes and Expropriation, 1914-25

3.7.1 *‘La nación’ versus the CNoRC*

197 Ibid.

198 Bayona and Niño, *Del camino*, p. 89.

199 *Baldios* refers to uninhabited or sparsely populated land. Fletcher Toomer and Gaskell to Under Secretary of State for Foreign Affairs, 12 August 1914, TNA, FO371/1951.

200 Ibid.

201 If the claims that bonds were raised at 42 and 50 per cent discounts are true, this would mean the company received approx. £171,000. The first bond issuance was floated at a 23 per cent discount representing £148,000 received. Thus, the company received a total of £319,000 from bond issuances. If 50km of track had either been laid or necessary materials purchased to do so, that gives a figure of approx. £6,380 for each of these 50km of track. Adding the substantial costs incurred by the national government’s disputes, stoppages of construction, and running the 20km of line for 4 years, it is conceivable that the figure of £5,000 per km is relatively accurate. Montaña, *Contratos y estudios*, p. 24.

When the department of Cundinamarca launched a legal case against the CNoRC, the management argued the 'claim is baseless and cannot be upheld'.[202] The following years would prove them spectacularly wrong. The management's error was underestimating the threat of contractual instability in Colombia. The CNoRC's directorship found it inconceivable that their legal basis could suddenly come into question on the basis of a levy stipulated within a three-decade old clause. Especially since rights to charge the levy had been repeatedly waived by the national government. They asserted confidently in 1915 that 'to cede rights in the company to Cundinamarca, all the national laws cited would need to be abolished, and [the national government would need to] disavow all the rights acquired by the company'.[203] The CNoRC's founder and patriarch General Juan Manuel Dávila died in 1915, and his son Carlos A. Dávila had taken over administration of the railway. The CNoRC's 1915 report stated that the knowledge lost with his passing was a significant blow to operations, especially concerning the dispute over the levy.[204] The departmental government argued the 1892 amendment to the 1884 concession contract had been signed by the *Regeneración* era government without 'the consent of the department of Cundinamarca'.[205] The *Regeneración* had in theory removed Cundinamarca's sovereignty, but the case illustrates how in practice the departments continued asserting agency. The CNoRC was caught in the middle of this federal political power struggle. But the case was not only aimed at the CNoRC, Cundinamarca also sought recompense from the national government, for what it viewed as the illegitimate secession of the department's sovereignty over the railway. Even though the national government – who subsequently

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[202] 'The Colombian Northern Railway Company Limited Report of the Directors, 1 November 1916', Guildhall Library, Stock Exchange Reports, Box 1420, p. 1.

[203] Colombian Northern Railway Company, *Alegato del apoderado de The Colombian Northern Railway Company Limited en el pleito de Cundinamarca sobre el Ferrocarril del Norte* (Bogotá: Imprenta de La Luz, 1915), p. 93.

[204] 'The Colombian Northern Railway Company Limited Report of the Directors, 19 November 1915', Guildhall Library, Stock Exchange Reports, Box 1369, p. 1.

[205] Departamento de Cundinamarca, *Demanda del Departamento de Cundinamarca contra la nación y contra The Colombian Northern Railway Company sobre derechos en la empresa del Ferrocarril del Norte* (Bogotá: Imprenta del Departamento, 1914), p. 8.

spearheaded the nationalisation policy against the CNoRC – were also targeted by the lawsuit, the CNoRC's management believed the case was developed to weaken the company's position, just as renegotiations had been used to bankrupt its CCRC subsidiary:

> The company has experienced marked hostility on the part of the public authorities, which has crystallised in a succession of lawsuits, … [with] the object … [of] despoil[ing] the company of the fruits of its labours and of its capital.[206]

The case was awarded in favour of the department of Cundinamarca, against which the CNoRC launched an appeal. The CNoRC argued that the 1884 concession was itself void because the department of Cundinamarca had not complied with various requirements stipulated within it.[207] Among these included the fact that 'Cundinamarca did not provide [the company] a single inch of land'. They argued rights to the levy had been transferred to the national government, 'which it had subsequently waived in return for shares [in the CCRC subsidiary]'.[208] This decision was ill-conceived. They had formally acknowledged that the national government had initially had a legitimate right to levy their income. This recognition allowed them to politicise subsequent disputes to assist efforts to nationalise the railway. The national government could now justify charging decades of accumulated charges by repudiating the 1906 agreement which had ceded the levy in exchange for CCRC shares. All they required was a pretext to do so.

This pretext was established by 1921 when the national government launched litigation on the basis that the 1906 agreement was never fulfilled. This followed a period of heightened tensions between the local population and foreign railway companies, which saw CNoRC workers on strike, as well as on those of the CNRC and the Colombian Southern Railway.[209] In support of this contention, the government's 'expert' witness Gabriel Abada testified that the CCRC's

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206 Dávila to Minister of Public Works, 17 July 1924, TNA, FO135/459.

207 Luis María Isaza, Carmelo Arango, Santiago Ospina A. and Hernando Holguín y Caro, *Conceptos juridicos en favor de los derechos de la nación y de The Colombian Northern Railway Company, Ltd* (Bogotá: Imprenta de la luz, 1918), pp. 15-6.

208 Ibid. pp. 20-1.

209 'La Huelga Ferroviaria de Hoy' *El Tiempo*, 22 November 1919; 'La Actitud de los Ferroviarios de Bogotá' *El Tiempo*, 21 Novemeber 1919; 'La Huelga en el Ferrocarril de Girardot' *El Tiempo*, 21 November 1919.

ordinary shares did not provide 'real tangible [ownership] rights'.[210] The comment seems perplexing, since the 27% stake the shares conferred had already been used to enforce nationalisation. After completion of the 1906 agreement, the Colombian supreme court announced that 'in view of the public deed … the matter is declared settled'.[211] An almost identical statement was made by the government of Tolima regarding their similar dispute with the DRC, which as chapter six details, was also subsequently repudiated.[212] Following the bankruptcy proceedings and nationalisation of the CCRC, the national government declared once again on the 21 August 1915 that 'all matters between the Government, the company and creditors … are settled'.[213] Another pretext for the repudiation of the 1906 agreement was that according to the national government the CNoRC had violated *Ley 62 de 1887,* by constructing the railway on top of the *Camino del Norte* colonial mule trail between Chapinero and Puente del Común.[214] But the government had specifically authorised the use of this right of way in both *Ley 104 de 1892* and *Ley 66 de 1894.*[215] The CNoRC was also alleged to have received subvention bonds for 70km of track whilst only providing 47km.[216] But in both cases, the issue had been ignored for over two decades, only being pursued when it became politically expedient to do so. Repudiation and inconsistency towards contracts was not new. However, the CNoRC's experience illustrates clearly how by the early 1920s, the full force of the legislative body of the Colombian state had been mobilised against British railways, with the sole intention of nationalising them.

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210 República de Colombia, *La nación contra The Colombian Northern*, pp. 84-92, 97.

211 Arango to Board of Directors of CNoRC, 2 October 1921, TNA, FO135/458, p. 3.

212 Velez to Minister of Public Works, 23 January 1906, TNA, FO 135/473.

213 Arango to Board of Directors of CNoRC, 2 October 1921, TNA, FO135/458, p. 4; *Diario Official*, No. 15716, 11 February 1916.

214 República de Colombia, *La nación contra The Colombian Northern*, p. 30; Ley 62 of 1887: http://www.suin-juriscol.gov.co/viewDocument.asp?id=1615022 accessed 17/12/2017

215 Arango to Board of Directors of CNoRC, 2 October 1921, TNA, FO135/458, p. 1.

216 República de Colombia, *La nación contra The Colombian Northern Railway Company Limited* (Bogotá: Imprenta Nacional, 1922), p. 30.

The 1921 case demanded retroactive annulment of the contracts of 1892, 1897, 1905, and 1915, which had repeatedly relinquished the contractual rights upon which the case rested.[217] The national government's claims for damages were as follows:

Table 3.2 – Claims of the national government for damages from the CNoRC relating to receipt of subvention bonds for 23km of track which were not constructed.

Item	Colombian Pesos	Pounds Sterling
23km of Subvention bonds	$345,000	£71,134
7% interest received on bonds	$43,791.82	£9,029
Total received through deception	$388,791.82	£80,163
18% Interest January 1893 to December 1921	$2,029,493.08	£418, 452
Total	$2,447,444.28	£498,615

Source: República de Colombia, *La nación contra The Colombian Northern ,* p. 32.

Table 3.3 – Claims of the national government for damages from the CNoRC relating to occupying the *camino del norte* mule trail, 1921.

Item	Colombian Pesos	Pounds Sterling
Value of the land occupied by the railway	$119,728.62	£ 24,686
Use of the public highway Chapinero-Puente del Común	$311,876.16	£64,304
Total	$431,604.78	£88,990

Source: República de Colombia, *La nación contra The Colombian Northern*, pp. 32-3.

Table 3.4 – Claims of the national government for damages from the CNoRC relating to the 'tax' on net receipts, 1924.[218]

Item	Colombian Pesos	Pounds Sterling
5% of net receipts first twenty years (1897-1916)	$158,133.55	£ 32,605
10% of net receipts for remainder (1916-22)	$212,312.14	£ 43,776
Total	$370,445.69	£ 76,381

Source: República de Colombia, *Los bienes ocultos de la nación en la Empresa del Ferrocarril del Norte* (Bogotá: Imprenta Nacional, 1924), p. 138

These items represented a combined total of £663,986, which was many times the CNoRC's nominal share capital of £150,000.[219] In December 1923, the Colombian supreme court – which in 1906 had declared the matter 'settled' – ordered the CNoRC to pay almost three decades

217 Arango to Board of Directors of CNoRC, 2 October 1921, TNA, FO135/458, p. 4.

218 The charge was colloquially referred to as a 'tax'. It required 5% of net receipts to be paid in the first 20 years following construction, followed by 10% for 20 years, and subsequently 15% onwards.

219 'The Colombian Northern Railway Company Limited Report of the Directors, 28 November 1921', Guildhall Library, Stock Exchange Reports, Box 1647, p. 3.

worth of the levy, as well as the additional items listed in tables 3.2 and 3.3.[220] Despite the CNoRC's high levels of profitability, it was not in a position to pay a sum of this magnitude, and the national government had finally established the leverage they required to enforce nationalisation. As a result, in July 1924, CNoRC director Carlos Dávila proposed a sale price of $4,000,000 (£824,742). Although this was significantly more than the total capitalisation of £433,380, it illustrates how the CNoRC's management were finally becoming receptive to the idea of nationalisation. As such, the national government's *deliberate* strategy towards British railways, of making life so difficult they would willingly embrace nationalisation, had once again proved successful.[221]

On the 4 May 1925, President Pedro Nel Ospina Vázquez issued an unexpected resolution declaring that the concession had been 'terminated', giving the CNoRC thirty days to hand over the railway, and on the 14 July, the 'railway was in effect taken over' by the national government. [222] When the railway – which was providing a return of 35% on share capital – was expropriated, the national press was said to have responded with 'patriotic acclamation'.[223] *El Tiempo* declared the expropriation was the only reaction 'compatible with our sovereignty and dignity'.[224] When the Foreign Office provided diplomatic support, *El Espectador* warned that the British would do well to remember that 'Colombia was a friend, … not a Colony, of Great Britain'.[225] Meanwhile, *The Times* felt that expropriation had 'ruined Colombia's

220 Arango to Board of Directors of CNoRC, 2 October 1921, TNA, FO135/458, p. 3.

221 Dávila to Minister of Public Works, 16 July 1924, TNA, FO135/459; 'The Colombian Northern Railway Company Limited Report of the Directors, 17 December 1924', Guildhall Library, Stock Exchange Reports, Box 1782, p. 5

222 Seeds (Mnister Resident) to Chamberlain (Foreign Secretary), 8 May 1925, TNA, FO135/460; 'Colombian Northern Railway Protest', *The Times*, 31 July 1925.

223 Seeds (Minister Resident) to Chamberlain (Foreign Secretary), 14 July 1925, TNA, FO135/460; 'The Colombian Northern Railway Company Limited Report of the Directors, 30 December 1925', Guildhall Library, Stock Exchange Reports, Box 1830, pp. 5-8.

224 Quoted in Seeds (Minister Resident) to Chamberlain (Foreign Secretary), 14 July 1925, TNA, FO135/460, (date and details of publication unclear).

225 Quoted in Seeds (Minister Resident) to Chamberlain (Foreign Secretary), 14 July 1925, TNA, FO135/460, (date and details of publication unclear).

credit'.[226] By November the tone had changed somewhat, with the press displaying concern for the long-term consequences. *El Nuevo Tiempo* asked whether 'the grave case' would result in 'a lamentable international incident'.[227] This increased in February 1926, when they learned the CNoRC's £1,262,063 claim for compensation – based on a valuation elaborated by Duncan Allwork & Co accountants – had the support of the Foreign Office.[228] The dispute was now in deadlock: the CNoRC feared losing the concession without compensation, and the national government feared an international incident like the Punchard-McTaggart litigation which would prejudice its credit overseas. A compromise was the obvious solution, and on the 26 November 1926 CNoRC director E. A. Green and Colombian representative Alejandro López mutually agreed to nationalise the railway for £500,000.[229] The government's administrative seizure of the railway had forced the CNoRC into bankruptcy proceedings, and on the 24 March 1927, the agreement for nationalisation was approved by the bankruptcy tribunal in England, and then ratified by the Colombian congress on the 27 November 1927.[230] The managing director Carlos Davila was unhappy with the level of compensation offered, but conceded 'it was probably the best that could be done'.[231]

The Colombian government's strategy of enforcing nationalisation by financially crippling British railways with extended negotiations or litigation was highly effective. The CNoRC's experience illustrates that Colombian policy was the opposite of that followed by Argentina, Brazil, and Mexico during their period of rapid railway expansion, where national policy had focussed on *ensuring* the expansion of foreign-owned railways. In post-1909 Colombia,

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226 'Colombian Northern Railway Protest', *The Times*, 1 August 1925.

227 'El grave caso del Ferrocarril del Norte', *El Nuevo Tiempo*, 24 November 1925.

228 'F.C. del Norte reclama a la nación $6,000,000', *El Nuevo Tiempo*, 14 February 1926; Duncan Allwork & Co. to Chairman and Directors of CNoRC, 6 October 1925, TNA, FO135/460.

229 Alejandro Lopez was charged with negotiating Colombia's nationalisation programme in London. For a study of his life and intellectual development please see: Alberto Mayor Mora, *Técnica y utopía: biografía intelectual y política de Alejandro López, 1876-1940* (Medellín: EAFIT, 2001); Foreign Office Internal Memo dated 30 November 1926, TNA, FO135/460.

230 Anonymous to Monson, 4 April 1927, TNA, FO135/460.

231 Monson to Craigie, 22 February 1927, TNA, FO135/460.

national policy was focussed on *ending* expansion, and nationalising existing railways. This was a *deliberate* policy. It was not a failure, and Colombia was not a victim. It was a simple choice on the part of Colombia's economic and political elite. This choice was determined by weighing up the economic benefits – which they continued to fundamentally believe the railway provided – as opposed to the threat to national sovereignty. The divide between Colombia and these countries was not its economy, terrain, or internal finances. The main factor was that its political and economic elite prioritised maintaining national sovereignty over economic development, and all political policy was moulded to serve this purpose.

3.8 **Conclusions**

This chapter has provided some important and wide-ranging conclusions which brings into question almost seventy-five years of orthodoxy within Colombian railway historiography. It has shown that Deas's dismissal of the relevance of British railways within Colombian history as 'few and short' is ill conceived.[232] As Miller pointed out, 'what looked marginal to the British could be central to a small Latin American country'.[233] Palacios argues the failure of Santander to complete a rail link to the Magdalena River, permanently transformed economic and political power dynamics in Colombia.[234] The collapse of the GNCRC was central to one of the most important events in early twentieth century Colombian economic history: the fall of Santander and rise of Antioquia and Caldas. Until this thesis, the central role of the GNCRC in this process had never been acknowledged. British railways were not only relevant, but in fact central to early twentieth century Colombian political and economic history.

In view of the material presented, the current within Colombian historiography, which discounts the importance of railways and criticises their inefficiency, seems highly

232 Deas, 'Weapons of the Weak', p. 176.
233 Miller, *Britain and Latin America*, p. 19.
234 Palacios, *Between Legitimacy*, pp. 40, 54-55.

questionable.[235] The GNCRC and CNoRC demonstrate that lack of expansion was dictated primarily by political and institutional factors, rather than geography. Correspondence shows management was unfazed by geography, which had a technical solution: their preoccupation was national politics. Company accounts demonstrate the CNoRC was highly profitable and could support the heightened capital requirements of Colombian geography. The same political and institutional factors which Cain and Hopkins, Summerhill, Lewis, Miller, and Garner argue enabled large-scale investment in Argentina, Brazil, Chile, and Mexico, are shown to have enabled similar progress in Colombia during the *Quinquenio*.[236] The chapter illustrates how the *Quinquenian* transformation of Colombia's credit overseas enabled a stream of investment, which was ended by the abrupt change in political ideology towards foreign railways. The GNCRC bond dispute demonstrates how these positive macro-level developments were undermined by micro-level interactions. The context provided throughout has shown that Correa's, Ortega's, and Pérez Ángel's criticisms of the GNCRC's construction performance, whilst understandable considering their source base, are ultimately generalisations of a much more complex story.[237] In addition, the CNoRC and the GNCRC concessions demonstrate that Ramírez's criticism of the concession system in her ground-breaking study of the history of Colombian transportation infrastructure misses an important factor. She argues that, 'due to deficiencies in the elaboration of contracts the system had little success', which is largely true, but attributes this failure to 'excessively favourable conditions for concession holders'.[238] Whilst this was certainly true for concession holders under the *Regeneración* subvention

[235] This historiographical current can be traced back at least as far as Rippy and continues as the primary position within the historiography. Rippy, 'Dawn of the Railway'; Deas, 'Weapons of the Weak' p. 176; Safford, 'El problema de los transportes'.

[236] Miller, *Britain and Latin America*, p. 133; Lewis, *British Railways*, pp. 97-123; Lewis, *Public Policy*, pp.35-8; Summerhill, *Order*; Garner, *British Lions*, p. 139; Cain and Hopkins, *British Imperialism*, I, p. 58, pp. 288-311.

[237] Ortega, *Ferrocarriles Colombianos*, p. 551; Correa, *Café y ferrocarriles*, p. 80; Pérez Angel, *Nos dejó el tren*. p. 46.

[238] Ramírez, 'Los ferrocarriles' in *La infraestructura de transporte en Colombia durante el siglo XX*, ed. by María Teresa Ramírez and Álvaro Pachón (Bogotá: Banco de la República, 2006), pp. 3-52 (p. 48).

system, the opposite was the case for the later beneficiaries of *Quinquenian* contracts. Ramírez argues that 'breaches, modifications and recurrent cancelations of contracts, resulted in financial losses for the country'.[239] This statement is correct, but Ramírez, Correa, and Ortega blame the concession holders for these eventualities.[240] The histories of the CNoRC and the GNCRC show a litany of renegotiations, breaches of contract, and contractual repudiations; all interrelated with the political desire to nationalise the enterprises. These events and their negative impact on railway development were a direct result of the actions of the national authorities.

Santiago Pérez Triana's successful opposition to the GNCRC and wider guarantee system, demonstrates that local elites exhibited significant agency. Colombian elites – even those which Robinson and Gallagher would classify as 'collaborating elites' – were not subservient to British interests.[241] This is contradictory to the historiographical tendency identified by Brown to paint the Latin American region as one of perpetual victimhood or failure.[242] The lack of railway expansion of the 'northern railway' should thus not be understood as a failure, but rather as a conscious choice. Men like Pérez Triana were not content to cede the economic destiny of Colombia to foreign investors and financiers. They were determined that the country should forge its own path. In addition, Dávila's involvement in the CNoRC illustrates that at times 'collaborating elites' played the role of main protagonist rather than a supporting act. The contrast between the story of the CNoRC and the GNCRC suggests that British businessmen were ill-equipped to succeed in the Colombian economic environment, which varied so drastically compared with Britain and the formal empire. The relative stability of contractual law which the British were accustomed to operating under simply did not exist in Colombia

239 Ibid.
240 Correa, *Café y ferrocarriles*, pp. 76-7; Ortega, Ferrocarriles Colombianos, p. 551; Ramírez, 'Los ferrocarriles' in *La infraestructura*, p. 48.
241 Gallagher and Robinson, 'The Imperialism of Free Trade'.
242 Matthew Brown, *From Frontiers to Football: An Alternative History of Latin America Since 1800* (London: Reaktion, 2014), pp. 8-9.

outside of the short-lived *Quinquenio* regime. In order to succeed they required either a largely subordinate and receptive elite which 'publicly defended the British enterprises' as Wright describes in pre-1914 Argentina, or a *caudillo* strongman to enact 'legislative protection of property rights' as described by Garner.[243] The history of the CNoRC shows that monopolies created by the subvention system stimulated a heavy concentration of ownership: highly profitable lines were controlled by a small group of investors. Just as Lewis argues was the case in Brazil, the high levels of profitability demotivated shareholders to expand these lines.[244] Under these circumstances, a government guarantee was indispensable to entice investment and ensure expansion. The defeat of the guarantee system was thus influential in the country's economic development. The Zipaquirá-Chiquinquirá expansion and Puerto Wilches-Bucaramanga railway were not completed until 1928 and 1941.[245] Based on *Quinquenian* construction rates, had flows of capital continued, these sections could have been completed with ease by 1914.[246] Indeed, within this vein, Bayona and Niño argue that 'it is clear that if the [bond dispute] difficulties could have been rectified the GNCRC would have reached Bucaramanga by the end of the 1920s'.[247] Because Colombia chose to forgo British investment, it would have to wait until it 1920s to construct its railway network, when North American capital became available. By this point the utility of railways was questionable, since they were already being superseded by automobiles and air travel. As Meisel, Ramírez, and Jaramillo

243 Wright, *British-Owned Railways*, p. 89; Garner, *British Lions*, p. 139.
244 Lewis, *Public Policy*, p. 38.
245 Using the word 'completed' for the Puerto Wilches railway is slightly misleading. Works on the railway ended at this point when the railway reached Café Madrid a few miles from central Bucaramanga. The railway never actually reached its originally intended destination. Alfredo Ortega, *Ferrocarriles Colombianos La Ultima Experiencia Ferroviaria del Pais 1920-1930* (Bogotá: Imprenta Nacional, 1932), p. 92; Correa, *Cáfe y ferrocarriles*, p. 91.
246 This date is important because it is when large-scale capital migration out of Britain into Latin American railways ended. This period was thus Colombia's last chance to develop a network similar to Argentina, Brazil, Chile or Mexico with British capital.
247 Bayona and Niño, *Del camino*, p. 88.

argue, this meant whilst the railways were profitable, they ultimately came too late to be of substantial economic benefit to the country.[248]

[248] Meisel, Ramírez, and Jaramillo, 'Too late but profitable'.

Chapter 4. - The Colombian National Railway Company

4.1 Introduction

> Is it in the nation's interests, that on top of the heavy burden of paying interest on the fourth mortgage bonds, it should continue making loans to the company to pay interest on the first and second mortgage bonds? … Colombia should not pay a penny more for this objective. Francisco Montaña, Lawyer of the Ministry of Public Works, 1910.[1]

Francisco Montaña's criticisms of the CNRC's guarantee were influenced by two factors. The first was the growing nationalistic wave which was explored in the last chapter. The second was the increasingly dire finances of the railway, and the financial strain it applied to the national treasury. I argue the CNRC's finances were negatively influenced by the civil war, and the clumsy business interaction of Henry Jenks in the first years following its floatation. This reaffirms what Meisel and Torres have argued: that the financial impact of the war was enormous.[2] I also argue that the CNRC shared a dual relationship with the rising economic nationalism of the post-*Quinquenio* period. On one level, the CNRC suffered (as other railways did) from the increasingly hostile atmosphere which developed. On another level, the CNRC's poor financial performance, the Jenkses' interactions with local political actors, and an association with accusations of corruption and rent-seeking surrounding the 'Apulo works', created negative associations attached to the foreign railway companies and the guarantee system, accentuating the growing nationalistic reaction to foreign capital. As such, the CNRC played an integral role in the development of the nationalistic reaction which was explored in the last chapter.

I argue that the implementation of the government guarantee encouraged investment from what I term middle-class capitalists, which limited the concentrated ownership pattern visible in

1 Francisco Montaña, *Estudio sobre los Bonos Hipotecarios emitidos por la Compañía del Ferrocarril de Girardot* (Bogotá: Imprenta de la Luz, 1910) pp. 17-8.

2 Torres, *Moneda*; Adolfo Meisel, *El Banco,* Section named 'Consecuencias monetarias de la Guerra de los Mil Días' in digital online edition: http://www.banrepcultural.org/blaavirtual/economia/banrep1/hbrep22.htm

other British railway companies. Elsewhere in the interior, this pattern resulted in control by a small group of wealthy 'gentlemanly capitalists' and national capitalists. As is demonstrated in chapter five, on the coast this same process resulted in railways serving the interests of 'transnational capitalists'. The CNRC's history reaffirms the strength of agency exhibited by Colombian elites, which in contrast to the passive and compliant Argentine elite described by Wright, dictated the terms of the collaborative relationship, and directed capital and technology to serve their own interests.[3] I illustrate that the strength of this local agency was often detrimental to British interests, because British businessmen were generally unprepared to operate under what Safford terms Colombia's 'catch-as-catch-can' national business culture.[4] This was a fundamentally cutthroat environment with endemic contractual instability and little respect for property rights. Cain and Hopkins argue that British economic imperialism in Latin America depended on consent, and the adoption of a specific type of political economy.[5] This political economy, which counteracted wider Colombian business culture, was fundamental to the success of British enterprise, and was enthusiastically embraced during the *Quinquenio*. I argue that in Colombia, in order to succeed, 'gentlemanly capitalists' had to shed their gentlemanly ethos and embrace the national business culture. As such, the CNRC illustrates that in Colombia, British imperialism based on 'gentlemanly capitalism' was not possible without a *caudillo* style strongman to impose the institutional environment necessary for British business culture to operate.

4.2 **Origins**

4.2.1 *Javier Cisneros, hacendados and international trading families*

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3 Wright, *British-Owned Railways*, pp. 47-109.

4 Frank Safford, 'Foreign and National Enterprise in Nineteenth-Century Colombia', *The Business History Review*, 39 (1965), 503-26 (p. 503).

5 Cain and Hopkins, *British Imperialism*, I, pp. 276-315.

The Colombian elite spent the nineteenth century engaged in experimental 'speculative production' of an array of tropical export crops, all of which failed after a brief period of success, before finally finding coffee to be the perfect export commodity for the economic conditions of the interior.[6] The construction of the Giradot (later CNRC) railway was part of a wider process identified by McGreevy, in which 'coffee railways' consolidated coffee exportation as the central component of the Colombian economy.[7] In the 1870s, a scheme to construct a railway which would traverse the regions of Cundinarca, Boyacá, and Santander, before joining the river at Carare, captured the imagination of influential members of the economic and political elite.[8] Fierce opposition to this plan materialised from members of the emerging class Palacios defines as *hacendados*.[9] Palacios describes the *hacendado* as a man of 'progress', which meant 'better roads, cheap railways, and free exports'.[10] They share much in common with the seventeenth century 'planter' class of the British Caribbean described by Dunn.[11] Like the planters, they dominated the politics and economy of the local environment, and crucially, saw themselves as belonging culturally and socially to European civilisation, which they sought to 'impose' on the interior 'through growing coffee'.[12] Members of this class such as the Camacho Roldáns established coffee cultivation in the region of Cundinamarca from the 1870s onwards. They agitated for the construction of regional railways providing individual connections to the Magdalena River.[13] The debate regarding the implementation of national or regional railways, was a manifestation of the wider struggle between regionalism and centrism identified by Safford and Palacios.[14] Unsurprisingly, the concept of linking

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6 Ocampo, *Colombia y la Economía Mundial*.

7 McGreevy, *An Economic History*, pp. 244-279.

8 Lievano, *Comparación de los proyectos*; Anibal Galindo, 'Ferrocarril del Norte', *Diario de Cundinamarca*, 1 de Junio de 1874.

9 Palacios, *Coffee in Colombia*.

10 Palacios, *Coffee in Colombia*, p. 77.

11 Richard S. Dunn, *Sugar and Slaves: The Rise of the Planter Class in the English West Indies, 1624-1713* (New York: University of North Carolina Press, 1972), pp.46-83.

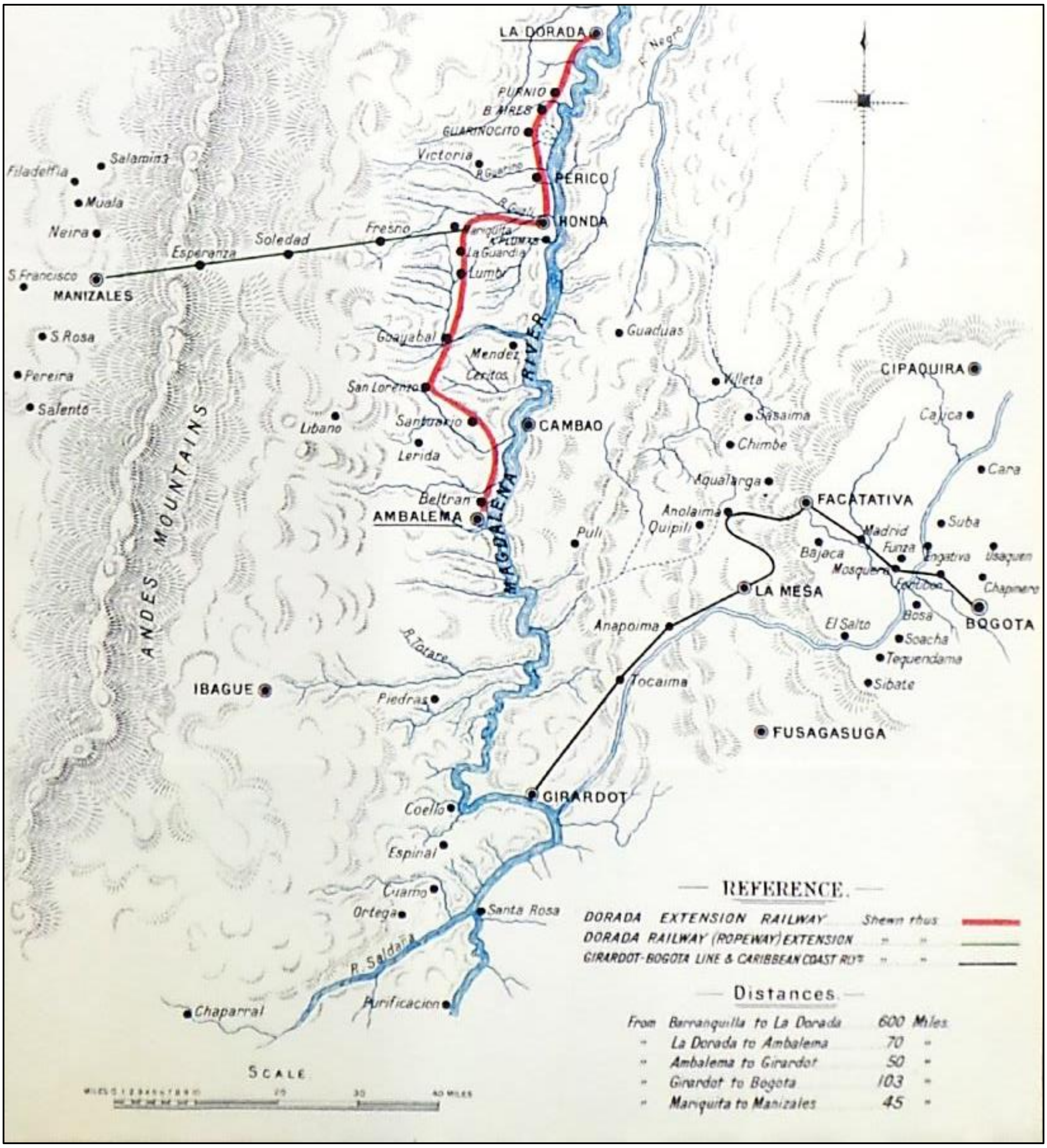
12 Palacios, *Coffee in Colombia*, p. 77.

13 Salvador Camacho Roldán, *Ferrocarril del Norte*.

14 Safford and Palacios, *Colombia*.

Bogotá with the Magdalena River evolved to serve the *hacendados*' interests, integrating a route which traversed the coffee growing region. Fig. 4.1 illustrates that this route did not serve the wider requirements of the region. River navigation to Girardot was blocked by a series of rapids close to Honda. As a result, an entirely separate railway (the DRC) needed to be built between La Dorada and Honda, to link the upper and lower stretches of the river. Instead of a single railway linking Bogotá with the lower stretch of the river, a fragmented system of two railways linked by river navigation developed.

Fig. 4.1 – Map showing the CNRC (black and winding) the DRC (red) and the DRC ropeway (black and straight) routes



Source: Guildhall Library, Stock Exchange Reports, Box 1693, 'Dorada Railway Prospectus' in Dorada Railway Company Report for F/Y 1921-22.

In 1881, the Cuban-born engineer Javier Cisneros was awarded a concession contract for a 28km railway between the town of Tocaima in the coffee growing region, and the river port of Girardot.[15] Cisneros represents a reconciliation of 'Latin America's … own reality' and

[15] Horna, *Transport Modernization*, p. 129.

international capitalism.[16] Horna describes Javier Cisneros as a 'Latin American version of … Andrew Carnegie, Cornelius Vanderbilt and J. P. Morgan' stressing his contrast to men like Minor Keith, who whilst sharing his international business interests, were 'only Anglo-American adventurers'.[17] Cisneros' success depended on 'extensive financial connections in Colombia and abroad'.[18] He lived his life across borders, straddling the colliding worlds of emerging national and transnational capitalism, acting as a bridge between 'gentlemanly capitalists' in the city of London, and the emerging capitalist class in Colombia. He also brought international engineering expertise which allowed him to succeed where 'everyone else had failed'.[19] Cisneros's technical and entrepreneurial talent led to him to become the most influential figure in nineteenth century Colombian transportation development.

As Palacios, Bejarano, and McGreevy all demonstrate, coffee created vast economic power, which in turn created immense political capital.[20] The *hacendados* and international trading families who shared close relationships with Cisneros, used this political capital to assure the construction of a direct railway connection for their businesses, which reached Tocaima on the edge of the coffee producing region in May 1883. In 1910 the Foreign Office put the costs of construction of the 39km section of railway as far as Juntas de Apulo as $950,000, which would represent approximately $850,000 for the 35km constructed by Cisneros.[21] Railway construction was funded by the same subvention system as the CNoRC, from which Cisneros received $445,142.[22] As such, they successfully co-opted foreign expertise and the national treasury to build their railway, significantly limiting their own capital investment requirement.

16 Ibid. p. 162.
17 Ibid.
18 Ibid, p. 129.
19 Ibid.
20 Palacios, *Coffee in Colombia*; Jesus Antonio Bejarano Ávila, 'El despegue cafetero (1900-1928)' in *Historia Económica de Colombia*, ed. by José Antonio Ocampo Gaviria (Bogotá: FCE Colombia-Fedesarollo, 2015), pp. 165-97; McGreevy, *Economic History*, pp. 244-279.
21 'Report on the Railways of Colombia' 1910, Vol. XCVI, Cd. 4968, p. 30.
22 Horna, *Transport Modernization*, p. 139.

There was another related and overlapping group with direct interests in the railway: the Colombian merchant class. As Darwin argues, in Argentina, Brazil, Uruguay, and Peru, much of the international trade was controlled by British merchant houses.[23] In Colombia, their influence was limited to 'one British firm … operating … at Barranquilla', without any operating in Bogotá, Medellin or Cartagena.[24] As a result, the economic niche was filled by this national merchant class. Many were also *hacendados*, since they held direct interests in the production of coffee; some focussed exclusively on transportation and the sale of export crops in international trading centres. To fulfil this role, families needed to internationalise themselves. This process is described well by Rausch in her biography of Santiago Pérez Triana. When Pérez Triana arrived in New York, he took a position at the trading house of the influential *hacendado* Camacho Roldán family. He subsequently went into business with a member of the Koppel family (influential in the BRPC) resident in New York. [25] The construction of the Girardot railway allowed these national capitalists to control the production, transportation, and international commerce of Cundinamarcan coffee: a business which did not end at the Colombian frontier but operated across borders. They consolidated a transnational business in much the same way as the UFC. Colombian *hacendados* and merchants were not powerless pawns of international capitalism: they played an integral role in its construction, and they co-opted new technologies to do so. This subsection has illustrated the importance of Latin American political actors in the development of the railway, and the interconnected interests with the development of the international coffee trade. The next subsection contrasts this influential and efficient local agency, with the clumsy entrance of 'gentlemanly capitalists' and British railway 'imperialism' into Cundinamarca with the establishment of the CNRC.

23 John Darwin, *Unfinished Empire: The Global Expansion of Britain* (London: Penguin, 2012), pp. 169-170.

24 D.C.M. Platt, *Latin America and British Trade 1806-1914* (London: A & C. Black, 1973), p. 137.

25 Rausch, *Santiago Pérez Triana*, pp. 25-30.

4.2.2 *Origins of the Colombian National Railway Company - Henry Jenks, 1899-1903*

With the completion of the 'coffee railway', the *hacendados* achieved their aims and the project lost political impetus. [26] Between May 1883, when the railway reached the edge of the coffee zone, and October 1899, when the CNRC took over the construction project, only 22km were added to the original 28km.[27] 7km of these were constructed by Cisneros, meaning only 15km were constructed by the interim national administration.[28] Henry Jenks purchased the railway from Juan Bautista Mainero y Trucco on the 30 October 1899, after the war had started, but 'before the news of a revolution … was published in England'.[29] By the time Henry Jenks became aware of the situation in Colombia, he had already raised £600,000 of 6% debentures mortgaged against the railway.[30] Little is known of Henry Jenks's life: his only entry into the historical record came with his involvement with the CNRC. His son Shirley became increasingly influential in the family's interests in Colombia over the next decade, and we know significantly more about him. Shirley was born in 1881 and was educated as an English gentleman at Shrewsbury School.[31] As fig. 4.2 illustrates, Shirley lived the typical life of a 'gentlemanly capitalist', splitting his time between the city and a manor house in the south of England. The family's wealth was less than the 'gentlemanly capitalists' of the DRC (analysed in chapter six), but the way Shirley chose to emulate the life of the landed gentry, fits Cain and Hopkins' definition perfectly.[32]

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26 McGreevy considers railways such as the Girardot railway to be an example of a 'Coffee railway'. For his section on 'Coffee Railways' see: McGreevy, *An Economic History*, pp. 244-279.

27 'Report on the Railways of Colombia' 1910, Vol. XCVI, Cd. 4968, pp. 25-6.

28 Horna, *Transport Modernization*, p. 137.

29 'Claim of the Colombian National Railway, Limited against the Government of the Republic', TNA, FO55/415, f. 236.

30 Ibid, f. 244.

31 J. E. Auden, *Shrewsbury School Register, 1798 – 1898* (Oswestry: Woodhall, Minshall & Co., 1898) p. 225

32 Cain and Hopkins, *British Imperialism*, I, pp. 116-25.

Fig. 4.2 - Shirley Hatton Jenks' place of residence, Pilsdon Manor, Dorset

Sources: Evidence of Shirley Jenks' place of residence: 'Deeds and abstract re Barrow Hedges Estate, Carshalton' London Borough of Sutton Archives, LG6/8/7/6-12, http://discovery.nationalarchives.gov.uk/details/r/b896f94e-5bcf-4f50-9c65-2c8514a13007 accessed 06/01/2018, Image of Pilsdon Manor: http://www.dorsetlife.co.uk/2012/04/pilsdon-manor-and-community/ accessed 06/01/2018. Photographer: George Olney https://www.georgeolney.co.uk/index

Henry Jenks exhibited the same naivety as Fletcher Toomer of the GNCRC, further justifying the argument that British businessmen were generally unequipped to operate in the unpredictable Colombian environment. Jenks's decision to immediately raise the 6% debentures in London, was particularly ill-conceived, and significantly influenced the CNRC's finances. Jenks was hoodwinked by the previous concession holder Mainero, who is presented by Luis Fernando Molina Lodoño as an extremely astute, knowledgeable, and aggressive entrepreneur with business interests throughout the country.[33] Jenks seems to have based the purchase entirely on information available in the London financial press, since even a cursory communication with the Foreign Office's representatives in Colombia, would have provided enough local knowledge to rethink his strategy. Indeed, after the war Jenks himself acknowledged that by the middle of 1899, 'evident signs of a forthcoming revolution were

[33] Molina, *Empresarios Colombianos*, pp. 74-114.

noticeable'.[34] The war delayed construction works for three years and seven months, during which interest was payable on the debentures. By the time works resumed, cumulative interest payments represented 21.5% of the nominal debt.[35] Contemporary representations in Colombia of the Jenkses as master manipulators and agents of British imperialism seem contradictory to their experience with the CNRC. The Foreign Office simply viewed Henry Jenks as a naïve and imprudent businessman who had lost himself a great deal of money: 'this has certainly been a most unfortunate venture for him … [the railway] has been mostly in the hands of the revolutionists during the whole war … one cannot but feel sorry for him'.[36]

Following the war Henry Jenks launched a claim for compensation. In a letter to the local manager George Odell, he commented:

> I note that you have some hesitation in handing the claims of the Company to the Government. I can quite understand it and no doubt the Government will be disposed to discount it, but that will not affect the *justice* of it. It is either a *just* claim, or it is not a *just* claim; my view and that of the directors is that it is a *just* claim.[37]

Jenks focussed on the concept of 'justice', much like Fletcher Toomer (GNCRC). Jenks's concept of 'justice' was simply a description of normal business interactions in his home country. Jenks and Fletcher Toomer expected that the Colombian government would abide by the 'rules of the game' of international business transactions, and as such, respect agreements and contractual responsibilities. Jenks felt that since the concession contract stated that the national government was obliged to provide 'any police or military force necessary for the safety of persons or property at any part of the line', their inability to do so required financial compensation.[38] But as was illustrated clearly in the previous chapter, Colombian governments

34 'Claim of the Colombian National Railway, Limited against the Government of the Republic' TNA, FO55/415, f. 236.
35 'Claim of the Colombian National Railway Company, Limited' TNA, FO55/415, f 244.
36 Welby (Minister Resident) to Larcom (Head of American Department), 30 September 1903, TNA, FO55/415, f. 229; 'Ferrocarril de Santa Marta – La Prórroga del Contrato Peligros de Soberania' El Tiempo, 11 January 1912; Rafael Villamizar, *Negocios Colombianos*.
37 Jenks to Odell, 15 July 1903, TNA, FO55/415, ff. 231.
38 'Claim of the Colombian National Railway Company, Limited', TNA, FO55/415, f 236.

seldom honoured contractual obligations of this kind, and certainly felt no need to provide 'justice' in cases where they had failed to do so.

Table 4.1 – Henry Jenks's claim for compensation.

Item	Value
6% interest on first debenture issuance of £200,000	£43,000
6% interest on first debenture issuance of £400,000	£86,000
5% interest on share capital	£80,163
6% interest on contractor's plant and materials	£418, 452
Depreciation of contractor's plant and materials	£498,615
Salaries	£18,250
Destruction of railway property	£3,350
Damage to railway track	£1,000
Destruction of company telegraph line and property	£275
Damage to stations and warehouses	£175
Expropriation of goods	£392
Theft of animals	£311
Damage to rolling stock	£845
Damage to construction works	£500
Destruction of the railway's archives	£1,000
Total	£333,548

Source: 'Claim of the Colombian National Railway Company, Limited' TNA, FO55/415, f 244.

As is evident in table 4.1, many items claimed by Jenks were a result of his own questionable decisions, rather than the government's liability. In this regard, Minister Resident and Consul-General George Welby argued that the only 'sound items for compensation … amount to £7,348'.[39] Welby feared that if submitted, the claim would create an association between the CNRC and the recent and traumatic Punchard-McTaggart case, and as such, 'fill … [the] government with mistrust … [of] all connected with [Jenks] and his company'.[40] As a result of his local knowledge, Odell also seems to have understood the claim was futile, but their advice fell on deaf ears. On some level, Jenks seems to have understood that the claim may not be received well: 'I quite see that a claim of such magnitude might come as a sort of bombshell

39 Welby (Minister Resident) to Larcom (Head of American Department), 30 September 1903, TNA, FO55/415 f. 229

40 Welby (Minister Resident) to Larcom (Head of American Department), 30 September 1903, TNA, FO55/415 f. 230.

upon the government, and make them at first very angry'.[41] But these rational thoughts were overwhelmed by his desire to seek 'justice'. Jenks also felt that the claim would exert 'pressure' on the national government, 'to get what we have asked for in the concession of the port of Buenaventura, the Cali railway, the railway bridge over the Magdalena and the Sabana railway'.[42] Jenks and his 'gentlemanly capitalist' associates were uninterested in a local transport monopoly in the interior, because unlike the *hacendados*, international trading families, or the transnational capitalists explored in the next chapter, they had no existing local business interests which would economically benefit from the railway. Their aim was to secure a concession for a single railway from Bogotá to Buenaventura, opening what Posada terms the 'Pacific route'. [43]

In view of his actions, the negative view of Jenks is understandable. But like the investors of the CNoRC subsidiary CCRC, or the GNCRC, Jenks lost a lot of money through his early involvement in the CNRC. His claims for compensation are the type Pérez Ángel and Ramírez consider impeded railway construction in Colombia, for which they blame foreign concession holders such as Jenks.[44] Jenks's and Fletcher Toomer's (GNCRC) experiences clearly highlight that many of these disputes were instigated by the national government's actions, whether it be failing to fulfil their contractual obligations to protect the infrastructure or reneging on previous agreements. The civil war which influenced the CNRC and the rapid change of government policy after 1909, were both a result of the instability of Colombian politics. In both cases, this instability was detrimental to the experiences of the railway companies, and the British businessmen connected to them.

41 Jenks to Odell (General Manager), 15 July 1903, TNA, FO55/415, ff. 231.
42 Jenks to Odell (General Manager), 15 July 1903, TNA, FO55/415, ff. 231.
43 Posada, *The Colombian Caribbean*, p. 160.
44 Pérez Ángel, *Nos Dejó el Tren*, p. 46; Ramírez, 'Los ferrocarriles' in *La infraestructura*, p. 48.

4.3 **Crises, 1899-1904**

4.3.1 *Bipartisan Abuses during the War of a Thousand Days*

The CNRC was affected significantly by the War of a Thousand Days: it was at the very epicentre of the revolution and the railway and river terminal were 'a constant scene of fighting'.[45] As such, the railway's experience contradicts Palacios's argument that Colombia's transportation infrastructure was not systematically targeted during the war.[46] The conflict led to wholesale destruction of CNRC property, as well as an incredibly unstable environment. The local general manager George Odell commented that 'abuses and destruction' had been committed by 'both the government and the rebels … for … two and a half years'.[47] These included: 'wooden bridges … repeatedly burnt and destroyed', 'locomotives … dismantled of the most important parts … rendering them useless', 'the telegraph line … destroyed', the frequent robbery of the railway's general stores, warehouses, and stations; and finally, the requisition of all the animals from the railway's coal mines at Tocaima, resulting in their closure. This all left Odell feeling 'helpless to save the Railway Company property from total destruction'.[48]

Crucially, this abuse was bipartisan. One letter tells of liberal guerrillas storming the company's warehouses and seizing the goods of various patrons: 'in rushed the whole gang of troops', who became 'very ugly and were ready to commit any act'.[49] Another discussed how the conservative government's own troops forced their way into the warehouse at San Joaquin, on the premise of searching for guerrilla weapons. Odell felt the troops had arrived 'with the evil intention of ransacking the place', since they proceeded to take provisions and 'all of the …

45 'Claim of the Colombian National Railway Company, Limited', TNA, FO55/415, f. 236.
46 Palacios, *Between Legitimacy*, p. 41.
47 Odell to Mallet, 25 August 1902, TNA, FO 135/269.
48 Odell to Mallet, 25 August 1902, TNA, FO 135/269.
49 West to Odell, 23 January 1902, TNA, FO135/269.

[CNRC's] animals'. Odell lamented that 'instead of receiving the protection from government troops … we have to contend with abuses'. He felt these would 'soon end in the entire ruin of the "Ferrocarril de Girardot" enterprise'. [50] The CNRC had the worse possible start, not only was construction delayed, but existing infrastructure was destroyed. These factors would have significant ramifications for the CNRC's finances as time progressed, which are analysed in detail later in the chapter.

4.3.2 *Contractual Disputes: Corruption and Fraud*

A common thread running through this thesis, are the constant legal disputes between foreign concession holders, local political actors, and the local/national government. In this regard the CNRC's experience was much the same. The previous concession holder Juan Bautista Mainero y Trucco and his close associate Ramón Jimeno displayed the same predatory business practices as Juan Manuel Dávila (CNoRC).[51] This led to a dispute involving both the Foreign Office and the Ministry of Hacienda. The idea that the experience of foreign Businessmen in Colombia was different to those in the wider region is not a new concept. Safford argued that in Colombia 'native entrepreneurs matched foreign innovators', and that British and Americans struggled with the 'catch-as-catch-can' national business culture, leading to frequent failure of their business enterprises.[52] However, what *is* new, is how this same phenomenon significantly influenced the development of the national railway network. Despite having identified the phenomenon within the wider business history of Colombia, Safford has largely overlooked it within his own work on Colombian railway history.[53] Where these interactions were influential

50 Odell to Minister of Hacienda, 3 September 1902, TNA, FO135/269.
51 Jimeno was one of the original concession holders of the Barranquilla Railway.
52 Safford, 'Foreign and National Enterprise', pp. 503, 513.
53 Safford, 'El problema de los transportes', pp. 555-67.

to the outcome of a project, national historiography has generally tended to attribute them to the concession holder, overlooking the agency of local political actors.[54]

The CNRC's dispute with Mainero highlights the significance of this phenomenon in the railway sector. Although Mainero was born in Italy, and 'never acquired Colombian citizenship', Molina argues that 'his formation as a businessman in Cartagena, as well as his mentality … justifies being treated as a Colombian businessman'.[55] Whereas Dávila used a monetary crisis to evade payment of debt incurred in Paris, Mainero took advantage of the chaos of the civil war to appropriate subsidy bonds, which he received seven months after the railway had been transferred over to the CNRC.[56] The subsidy bonds were worth $100,000 of gold backed pesos, or the equivalent of £20,000.[57] Mainero's associate Jimeno obtained the bonds in May, yet 'did not inform …[the company] until … July'.[58] He agreed to hand over $60,000 of the bonds after pressure from the company engineer Mr Gibney, but transferred the remaining $40,000 (approx. £8,000) to Mainero.[59] At the turn of the century, these were large sums, especially in the Colombian interior. The case led to the CNRC launching formal protests with both the Foreign Office and the Minister of Hacienda.[60] Mainero refused to return the final $40,000 of bonds, arguing that they were owed to him as per the contract.[61] To a Colombian businessman, these actions would have come as no surprise, because Mainero was notorious for legal disputes relating to his business interests. During his time on the coast, Mainero was said to have 'fought with half the city', and in Antioquia, he led 'many famous legal cases'.[62] The CNRC argued in a letter to the Minister of Hacienda, that the concession contract 'quite

54 Ramírez, 'Los ferrocarriles' in *La infraestructura*, p. 48; Correa, *Café y ferrocarriles*, pp. 76-7, 80; Ortega, *Ferrocarriles Colombianos*, p. 551; Pérez Angel, *Nos dejó el tren*. p. 46.

55 Molina, *Empresarios Colombianos*, p. 75.

56 Hodgson to Mainero y Trucco 23 February 1901, TNA, FO135/261.

57 Ibid.

58 Ibid.

59 Ibid.

60 Colombian National Railway to Ministro de Hacienda, 18 February 1901, TNA, FO135/261.

61 Hodgson to Mainero y Trucco, 23 February 1901, TNA, FO135/261.

62 Molina, *Empresarios Colombianos*, p. 84

clearly defined … that the Subsidy Bonds … were included in this purchase', since it stated Mainero had 'transferred all his rights, privileges, interests etc.' in the railway. They included a copy of the contract to prove their point.[63] The CNRC argued Mainero's actions made it 'impossible to fulfil our obligations and agreement with our contractor for the construction and completion of the railway'.[64] It is unclear whether the bonds were ever returned to the CNRC, because the issue does not appear in subsequent volumes of the Foreign Office archive. Nevertheless, the issue caused significant problems for the company during its first few years of operation. This combined with the ongoing civil war, made the first few years of the CNRC's operation particularly difficult.

4.4 Finances and Shareholders

4.4.1 *Finances*

The financial history of the CNRC is perplexing. From an operational perspective, it was a relatively profitable enterprise. Company profitability also developed rather rapidly, yet it entered bankruptcy just over two decades after being established. This subsection will illustrate that the main cause of this paradoxical situation, was Henry Jenks's decision to purchase the railway and raise debentures during the civil war.

63 Colombian National Railway to Ministro de Hacienda, 18 February 1901, TNA, FO135/261.
64 Ibid.

Table 4.2 - The Colombian National Railway Company Accounts F/Y 1909-1928

The Colombian National Railway Company							
F/Y	Gross Receipts (£)	Working Expenses (£)	Net Receipts (£)	Capitalisation	Capital Costs	Rate of Return on all Capital	Rate of Return on Share Capital
1909	£24,963	£27,476	(£2,513)	£2,380,000	£29,600	-0.11%	-£0.04
1910	£61,672	£61,355	£317	£2,380,000	£88,800	0.01%	-9.83%
1911	£76,435	£58,554	£17,881	£2,380,000	£88,800	0.75%	-7.88%
1912	£100,034	£50,286	£49,748	£2,380,000	£88,800	2.09%	-4.34%
1913	£127,595	£56,751	£70,645	£2,380,000	£88,800	2.97%	-2.02%
1914	£123,634	£78,625	£45,009	£2,380,000	£88,800	1.89%	-4.87%
1915	£128,358	£66,796	£61,562	£2,380,000	£88,800	2.59%	-3.03%
1916	£144,647	£85,361	£59,286	£2,380,000	£88,800	2.49%	-3.28%
1917	£143,904	£86,919	£56,985	£2,380,000	£88,800	2.39%	-3.54%
1918	£150,470	£87,097	£63,373	£2,380,000	£88,800	2.66%	-2.83%
1919	£182,707	£91,715	£90,992	£2,380,000	£88,800	3.82%	0.24%
1920	£252,975	£118,628	£134,347	£2,380,000	£88,800	5.64%	5.06%
1921	£233,591	£150,900	£82,691	£2,380,000	£88,800	3.47%	-0.68%
1922	£235,467	£131,988	£103,479	£2,380,000	£88,800	4.35%	1.63%
1923	£261,372	£148,559	£112,813	£2,380,000	£88,800	4.74%	2.67%
1924	£266,545	£119,052	£147,493	£2,380,000	£88,800	6.20%	6.52%
1925	£330,688	£146,050	£184,638	£2,380,000	£88,800	7.76%	10.65%
1926	£342,928	£159,679	£183,249	£2,380,000	£88,800	7.70%	10.49%
1927	£454,949	£237,505	£217,445	£2,380,000	£88,800	9.14%	14.29%
1928	£507,726	£295,629	£212,097	£2,380,000	£88,800	8.91%	13.70%

Sources: F/Y 1909/10-1921/22: Guildhall Library, Stock Exchange Reports, Boxes 1115-6, 1167, 1217-8, 1267, 1318-9, 1369-70, 1420-1, 1469, 1512, 1557, 1602, 1647, 1693. F/Y 1921/22-1928/29: *Ferrocarril de Girardot: informe del gerente al Ministro de Obras Públicas correspondiente al año 1929* (Bogotá: Arboleba y Valencia, 1930).

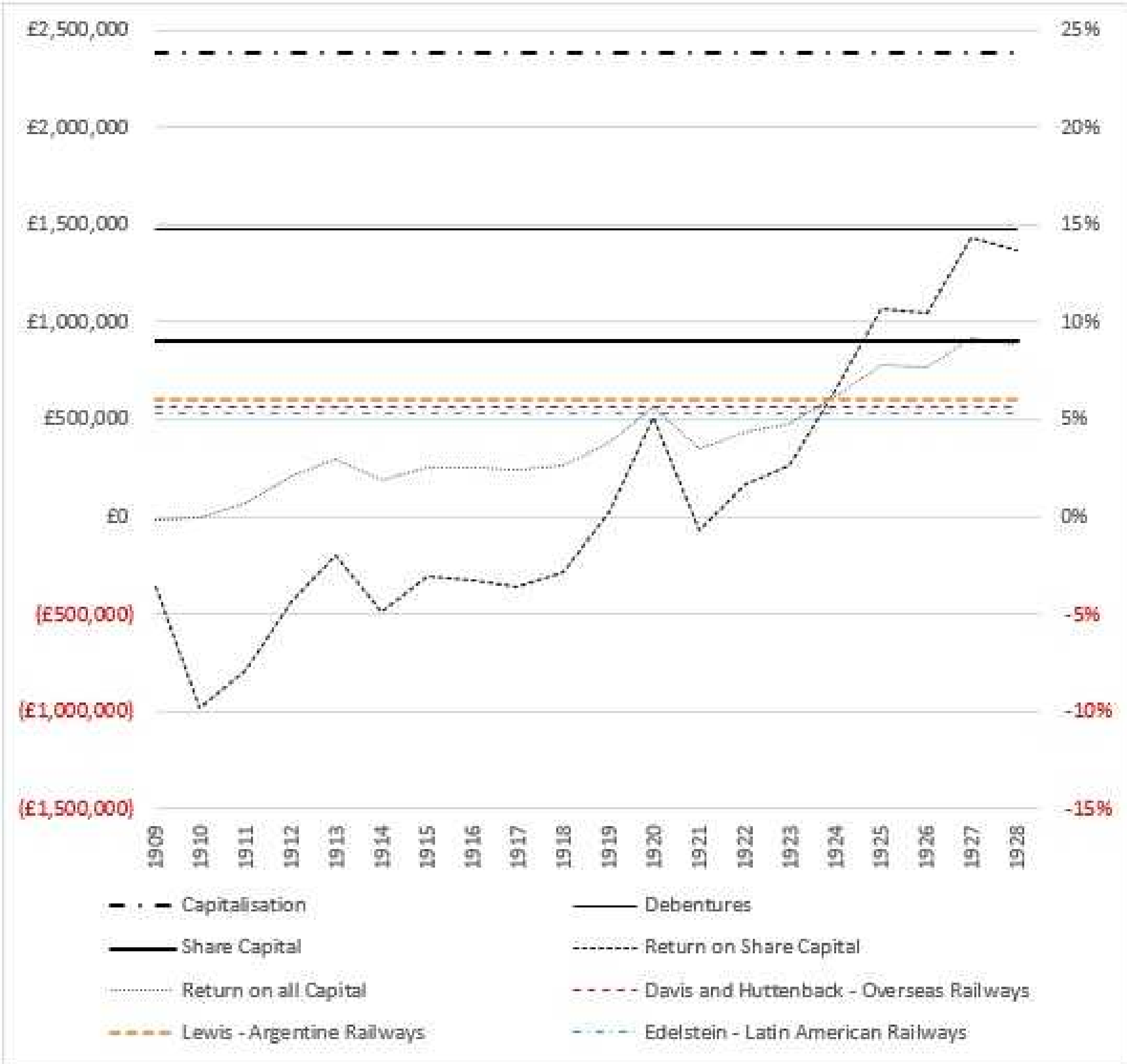
Fig. 4.3 illustrates clearly that within the context of Latin American railways, the overall financial performance of the railway was above average. Within a decade of completion, the CNRC reached parity with Edelstein's 5.33% average rate of return for Latin American railways.[65] By 1927, return on share capital (after debenture interest) reached 14.29%, and return on all capital reached 9.14%. Based on Edelstein's figures, this represents 3.38 times the return on share capital, and 1.71 times the return on all invested capital of an average Latin American railway. It was also significantly higher than Davis and Huttenback's 5.7% average

[65] Edelstein, *Overseas Investment*, p. 125.

figure for overseas railways, and Lewis's 6% figure for Argentine railways. The CNRC was thus significantly more profitable than the regional average, yet it faced bankruptcy by 1921/22. If all Latin American railways had been subjected the CNRC's conditions, most would have shared its fate. As a case in point, in Mexico where the *Porfiriato* enabled such rapid railway expansion, Kuntz argues that railways were not even able to pay interest on bonds from their own income, let alone pay dividends to shareholders.[66] This illustrates the exceptionalism of the Colombian environment. Historians have frequently attributed this exceptionalism to geography. This subsection argues that the exceptionalism of the CNRC's experience was a legacy of the War of a Thousand Days.

66 Kuntz, 'México' in *La expansión ferroviaria*, p. 83.

Fig. 4.3 - Levels of share capital, interest bearing debentures, total capitalisation, return on share capital, and return on all invested capital of the CNRC – F/Y 1909 – F/Y 1928



Source: See Table 4.2, Lewis, *British Railways*, pp. 217; Davis and Huttenback, *Mammon*, p. 107; Edelstein, *Overseas Investment*, p. 125.

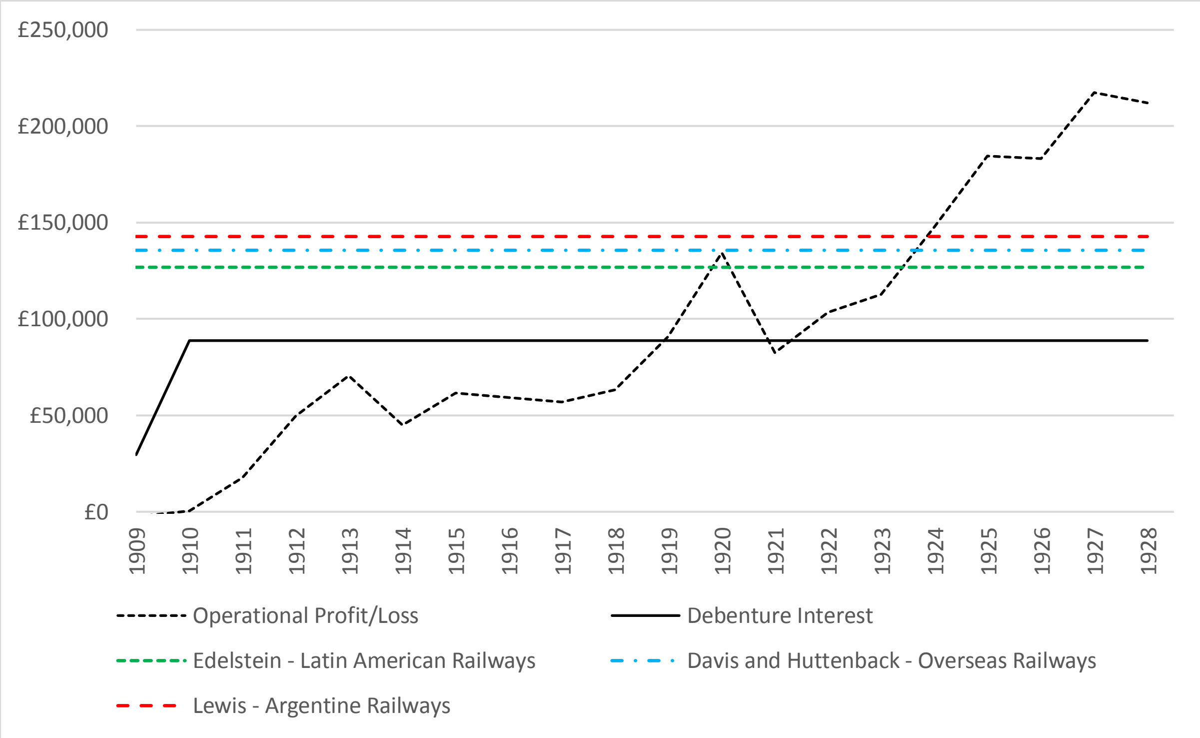
The most significant impact of the war was that it increased the necessary time to become financially self-sufficient. £600,000 of debentures were raised in 1899. As is evident in fig. 4.4, operational profits did not rise above annual debenture interest until 1920. By this point, the company had incurred 20 years of interest on the £600,000 of debentures raised in 1899, and between 12 and 13 years on the £880,000 of debentures raised between 1908 and 1909. In total, this amounted to £1,259,400, close to the £1,480,000 nominal value of these debts.[67] These debentures were floated at discount, meaning during the life of the railway the CNRC likely expended more resources on interest payments than construction costs.[68] A significant contributing factor, was the high interest rate applied to financial instruments connected to Colombia, linked to its history of repudiation. As was discussed in the previous chapter, like for like comparisons of company profitability are not possible because of a lack of detailed studies of individual British railway companies. Edelstein argues Latin American railways only provided an average return of 5.33%, Davis and Huttenback give a 5.7% average for overseas railways, and Lewis argues the return on Argentine railways 'rarely exceeded 6 per cent, though the yield was usually substantially lower'.[70] The 1908 debentures were floated at 80% and incurred 6% interest, representing an effective rate of 7.5%. The averages illustrate that this 7.5% effective interest rate would have made the majority of overseas railways economically unviable. If all British overseas railway companies had to operate under the conditions experienced by the CNRC relatively few would have been successful whether in Latin America or elsewhere in the world.

[67] 20 years 6% interest on £600,000 = £720,000. 13 years 6% interest on £430,000 = £335,400. 12 years 6% interest on £450,000 = £324,000. This means a total of £1,259,400.

[68] Republic of Colombia, Colombian National Railway (1908) Customs Guaranteed 6% Debentures', *The Times*, 26 October 1908

[70] Edelstein, *Overseas Investment*, p. 125; Lewis, *British Railways*, p. 217; Davis and Huttenback, *Mammon*, p. 107.

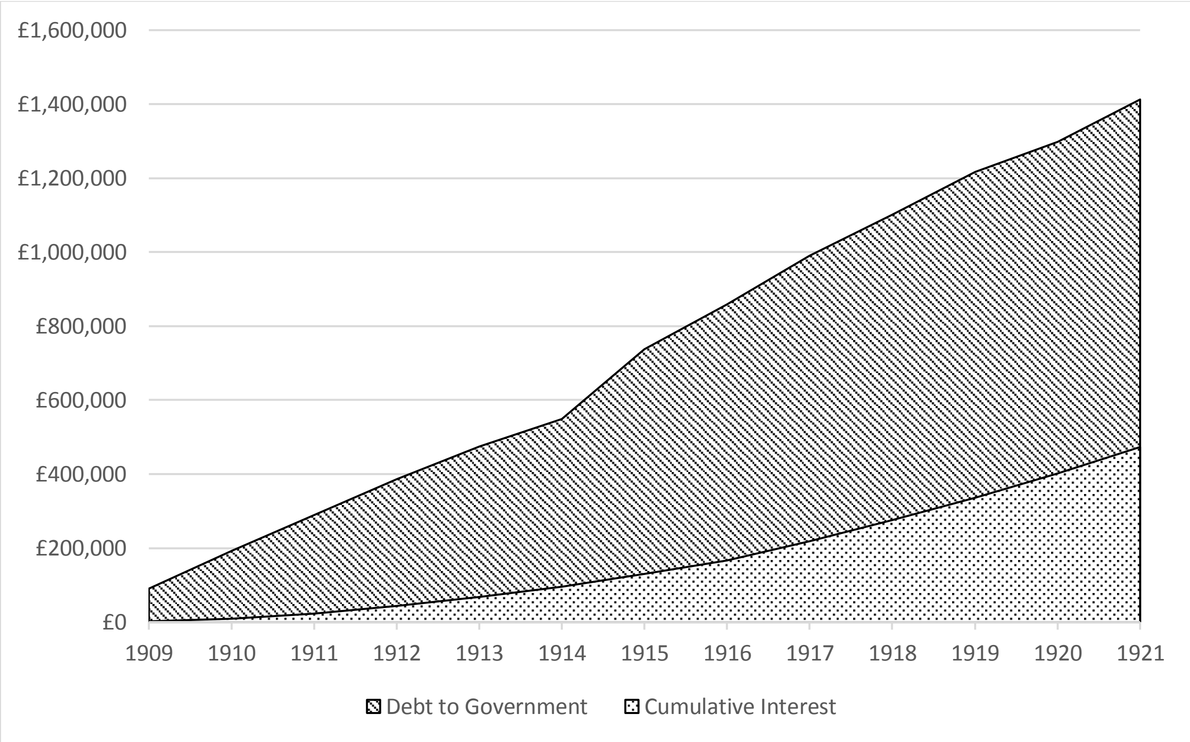
Fig. 4.4 – Operational profit/loss and debenture interest of the CNRC F/Y 1909 – F/Y 1928



Source: See Table 4.2, Lewis, *British Railways*, pp. 217; Davis and Huttenback, *Mammon*, p. 107; Edelstein, *Overseas Investment*, p. 125.

Between 1909 and 1919, a substantial deficit existed between the operational profits and debenture interest. As per the guarantee, the Colombian government paid this interest on the company's behalf. However, these payments were accounted for as a separate interest-bearing debt. It is unclear what interest rate was applied, but as can be seen in fig. 4.5, it was sufficient to contribute significantly to the growth of the debt over time. By 1921, the debt to the government had grown to over £1,400,000, of which almost £475,000 was cumulative interest.

Fig. 4.5 – Debt and cumulative interest on debt to government of the CNRC F/Y 1909 – F/Y 1928



Source: See Table 4.2.

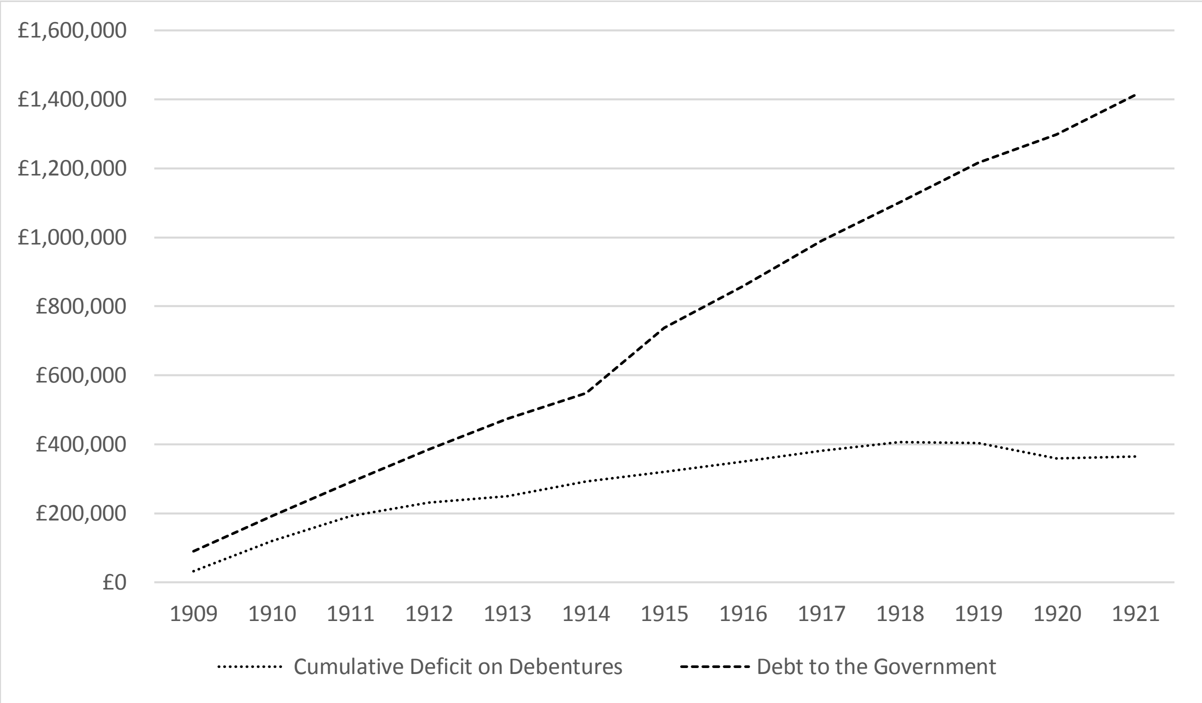
As is evident from fig. 4.6, the debt to the government grew much more rapidly that the CNRC's cumulative deficit. Some of this difference is explained by the cumulative interest. Another factor is that the CNRC did not begin paying any interest at all until 1913, and subsequently paid substantially less than would have been possible based on their net receipts. For example, in 1916 the CNRC's net receipts were £59,286, yet they only paid £4,000 towards interest.[71] However, by 1913 the national government had purchased 85% of the CNRC's outstanding debentures.[72] As a result, most debenture interest was owed to the national government itself. Thus, at this point, by covering debenture interest, the government was simply forgoing returns on its own investment. However, as is illustrated later in the chapter,

71 'Colombian National Railway Report of 1916', Guildhall Library, Stock Exchange Reports, Box 1420, f. 2.

72 'Colombian National Railway Report of 1914', Guildhall Library, Stock Exchange Reports, Box 1318, f. 3.

the perception which formed within the increasingly nationalistic public sphere was that the CNRC was impoverishing the national exchequer.

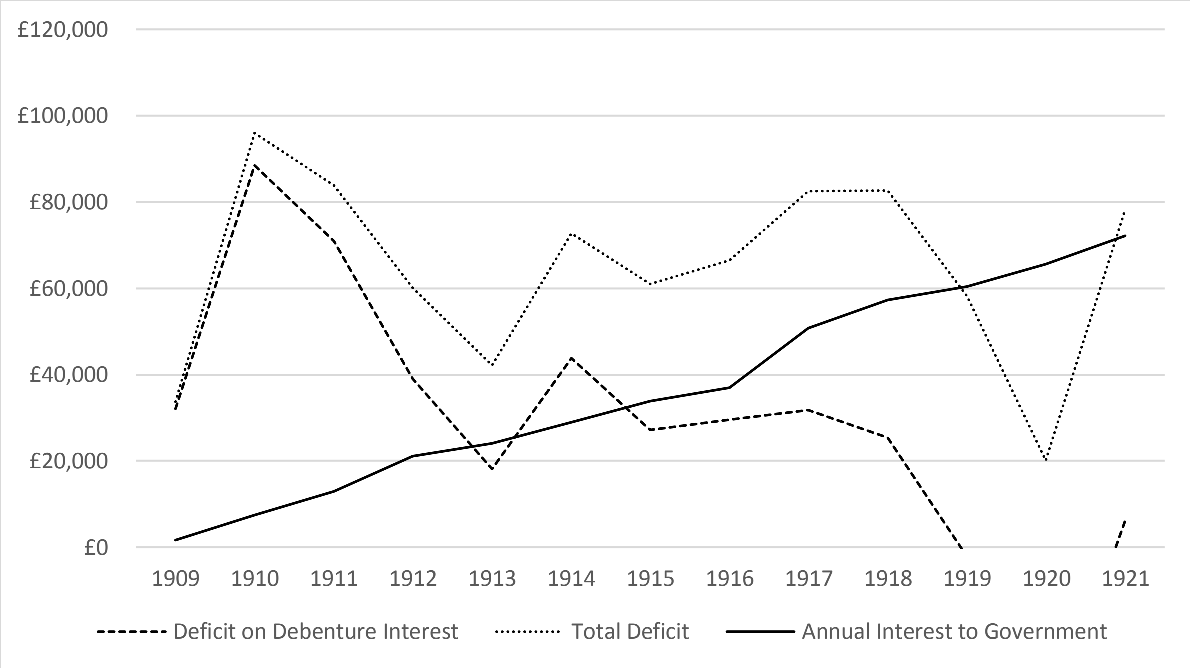
Fig. 4.6 – Cumulative deficit and debt to government of the CNRC F/Y 1909 – F/Y 1928



Source: See Table 4.2.

As fig. 4.7 analyses, decreases in the deficit on debenture interest was counteracted by the increasing interest payments on the debt to the government. This meant that even though the CNRC's profits rose year on year, its debt continued increasing.

Fig. 4.7 – Deficit on debenture interest, total deficit and annual interest to government of the CNRC F/Y 1909 – F/Y 1928



Source: See Table 4.2.

The inevitable result was bankruptcy, and the national government exploited this to nationalise the enterprise, although this process was much slower than had been the case with the GNCRC and the CCRC. Fundamentally, the exponential growth of the CNRC's debt was a legacy of the civil war, which delayed construction works for three years and seven months. As table 4.3 illustrates, during this time £129,000 of interest was incurred on the £600,000 of debentures which had been raised in 1899.[73] In 1907, additional debentures were floated at a 20% discount. Part of this issuance was used to replace the capital lost through interest payment whilst works were suspended. This resulted in £161,250 of additional debt, or 37.5% of the new issuance. As is illustrated in table 4.4, this resulted in £9,675 of additional interest annually. meaning a total of £135,450 between 1907 and 1921. The combination of repairs required to fix physical damage sustained in the war, and the three-year and seven-month period during which

[73] 'Claim of the Colombian National Railway Company, Limited', TNA, FO55/415, f. 244.

construction was paralysed, the railway was completed at least four years later than would otherwise have been the case.[74]

Table 4.3 – Debt issued against the CNRC

Item	Type of Security	Date Issued	Value
First Debentures	Mortgage against railway	1899	£200,000
Second Debentures	Mortgage against railway	1899	£400,000
Third Debentures	Government guarantee	1907	£430,000
Fourth Debentures	Government guarantee	1908	£450,000

Source: 'The Colombian National Railway Company, Limited. Balance sheet, 31st December, 1916', Guildhall Library, Stock Exchange Reports, Box 1469.

Table 4.4 – Financial Impact of the Civil War on CNRC

Item	Working	Impact
Interest incurred during civil war	£600,000 at 6% for 3.583 years	£129,000
Interest incurred on new bonds	£161,250 at 6% for 14 years	£135,450
Total Increase in debt	£161,250 raised at 80% to net £129,000	£161,250
Total Debt of Company	£200,000 + £400,000 + £430,000 +£450,000	£1,480,000
Percentage increase in debt	£161,250 / £1,480,000	12.2%
Increase in annual interest	£161,250 at 6%	£9,675

Source: 'Republic of Colombia, Colombian National Railway (1908) Customs Guaranteed 6% Debentures', *The Times*, 26 October 1908; 'Claim of the Colombian National Railway Company, Limited' TNA, FO55/415, f 244.

Fig. 4.8 displays a counterfactual analysis, which projects the CNRC's financial position without the war's influence. The analysis presented is conservative, only considering two variables. Crucially, it uses actual data rather than the type of 'assumed data' which has been heavily criticised by Hobsbawm.[75] The problems of using this type data is exemplified within the national historiography by the studies of Junguito and Pérez Ángel, who utilised assumed or projected (and objectively inaccurate) construction cost data.[76] The first amendment decreases annual interest by £9,675, which was shown in table 4.4 to have been a direct result of the war. The second amendment moves the finances of the company back four years, meaning counterfactual figures for 1909 are replaced with the actuals for 1913. This change

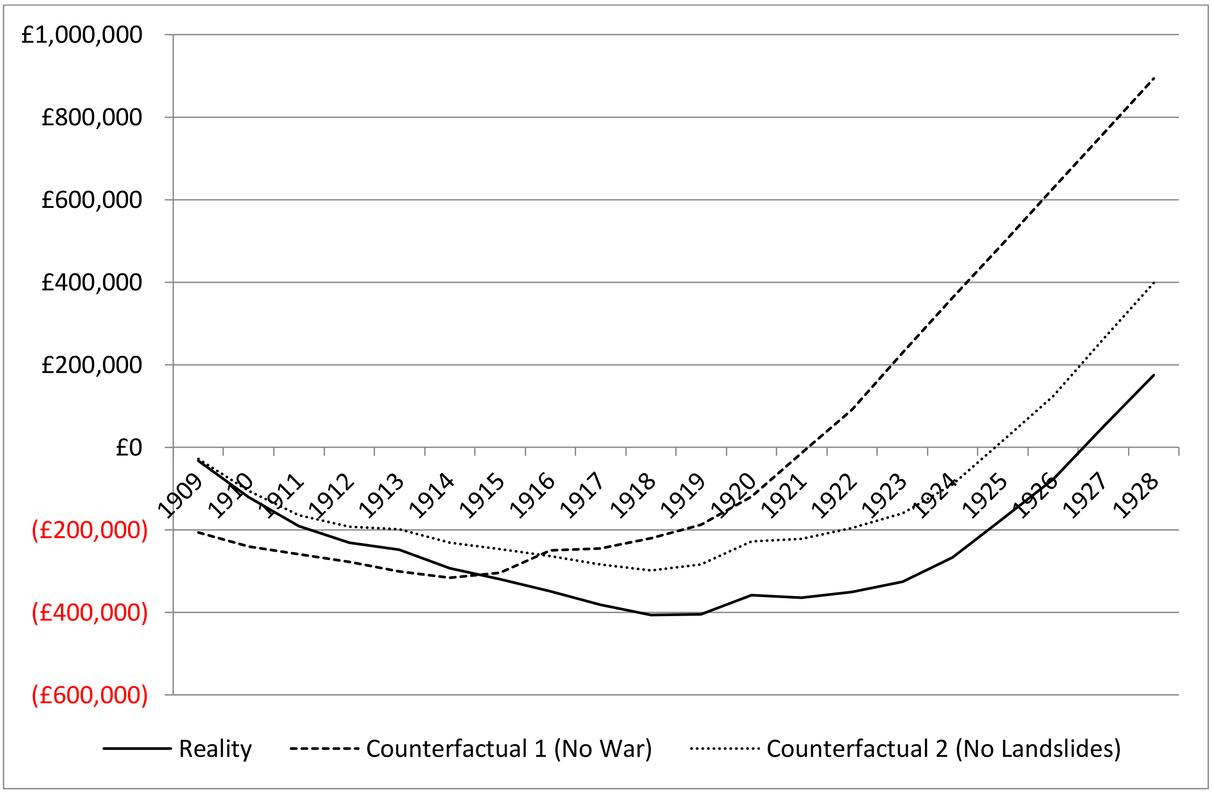
[74] Construction was delayed for 3 years and 7 months. The damage which had to put right before new construction could be initiated is likely greater than, but certainly no less than five months.

[75] Eric Hobsbawm, *On History* (London: Abacus, 1998), pp. 124-43.

[76] Pérez Ángel, *Nos Dejó el Tren*; Junguito, 'Historia Económica'.

reflects the impact of the construction delays on the development of the company's freight and revenues. The true impact of the war was likely much greater, since the war devastated the economy of Colombia, significantly impacting the amount of freight available to the railway. In addition, the significant physical damage to railway property has not been factored into the calculation at all. Despite its conservative nature, the model demonstrates the war was the root cause of the CNRC's bankruptcy. A second counterfactual has been added which projects finances without some geographical and climatic complications during construction, but with the civil war.[77]

Fig. 4.8 – Counterfactual analysis of railway finances - cumulative deficit/surplus over time



Source: See Table 4.2; TNA, BT 31/16224/62637; 'Republic of Colombia Colombian National Railway (1908) Customs Guaranteed 6% Debentures', *The Times*, 26 October 1908; 'Claim of the Colombian National Railway Company, Limited', TNA, FO55/415, f 244.

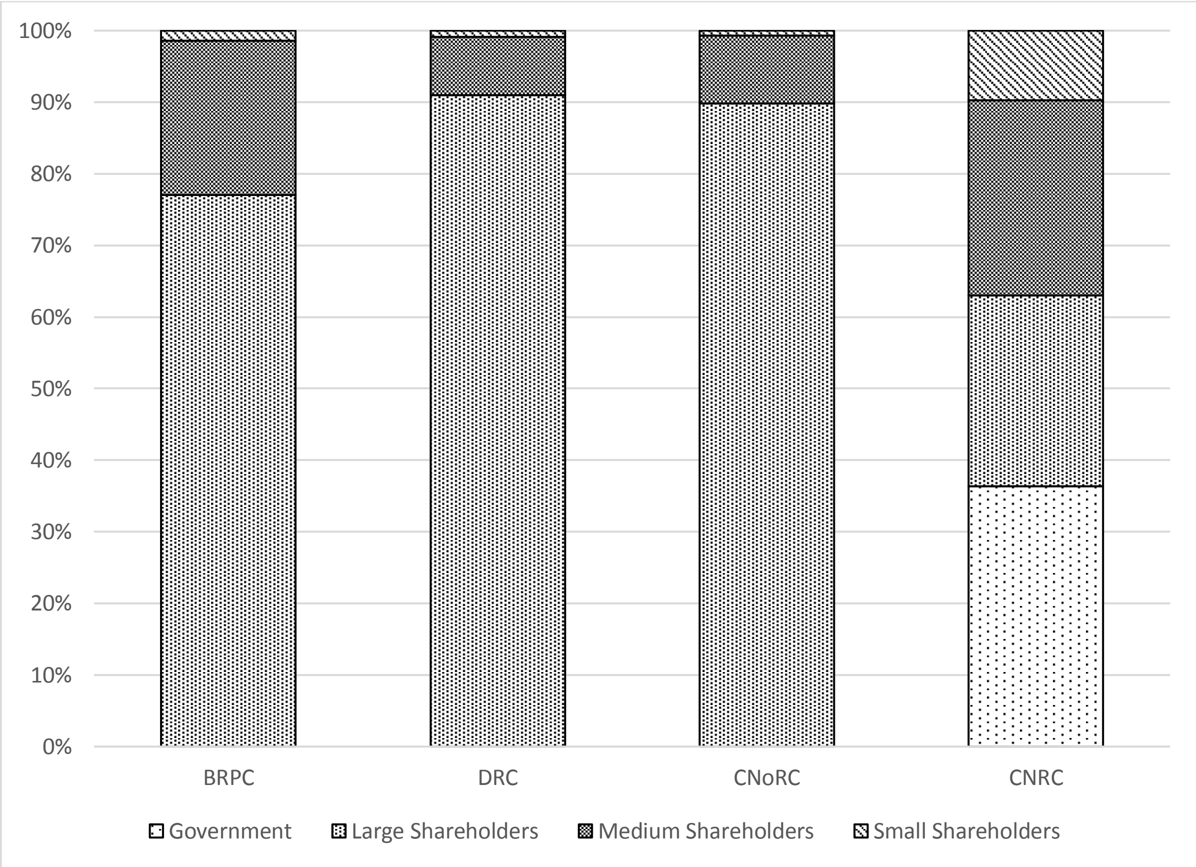
77 The CNRC raised an additional £450,000 in 1908 to cover construction costs resulting from geographical and climatic problems. A significant amount of the £450,000 was provided to Jenks for interest payments he had made on the CNRC's behalf. As such, the remainder of £192,857 has been deducted from the total debt outstanding in the counterfactual. 'Colombian National Railway Report of 1908', Guildhall Library, Stock Exchange Reports, Box 1021, f. 1; Torres Elicechea, *Carta Abierta al Presidente*, p. 60.

The lack of construction delays and decreased debt levels in the counterfactual model means that the deficit would have decreased much more rapidly. By 1921, the company would have been able to return all support payments to the government from its own profits. This would have been a markedly different experience for the national government. In the second counterfactual, the peak cumulative deficit is lower than in the first, but the delays caused by the war mean the deficit does not decrease as rapidly. The patterns illustrated by the counterfactual models suggest geographical factor endowments were not as influential in determining the success of railway development as politics, instability, and conflict.

3.4.1 *Shareholders*

The CNRC is unique within the Colombian context because it was financed and completed with the guarantee system of finance. The previous subsection has illustrated the influence of the government guarantee on company finances. This subsection analyses the type of shareholding pattern it produced, and how this compares with other British railways. Fig. 4.9 demonstrates that in 1913 the shareholding of the CNRC was quite unlike that of the BRPC, the DRC and the CNoRC (financed with the subvention system).

Fig. 4.9 – Comparison of patterns of ownership of CNRC (1914), BRPC (1913), CNoRC (1913), and DRC (1913) based on size of shareholding



Source: See footnote.[78]

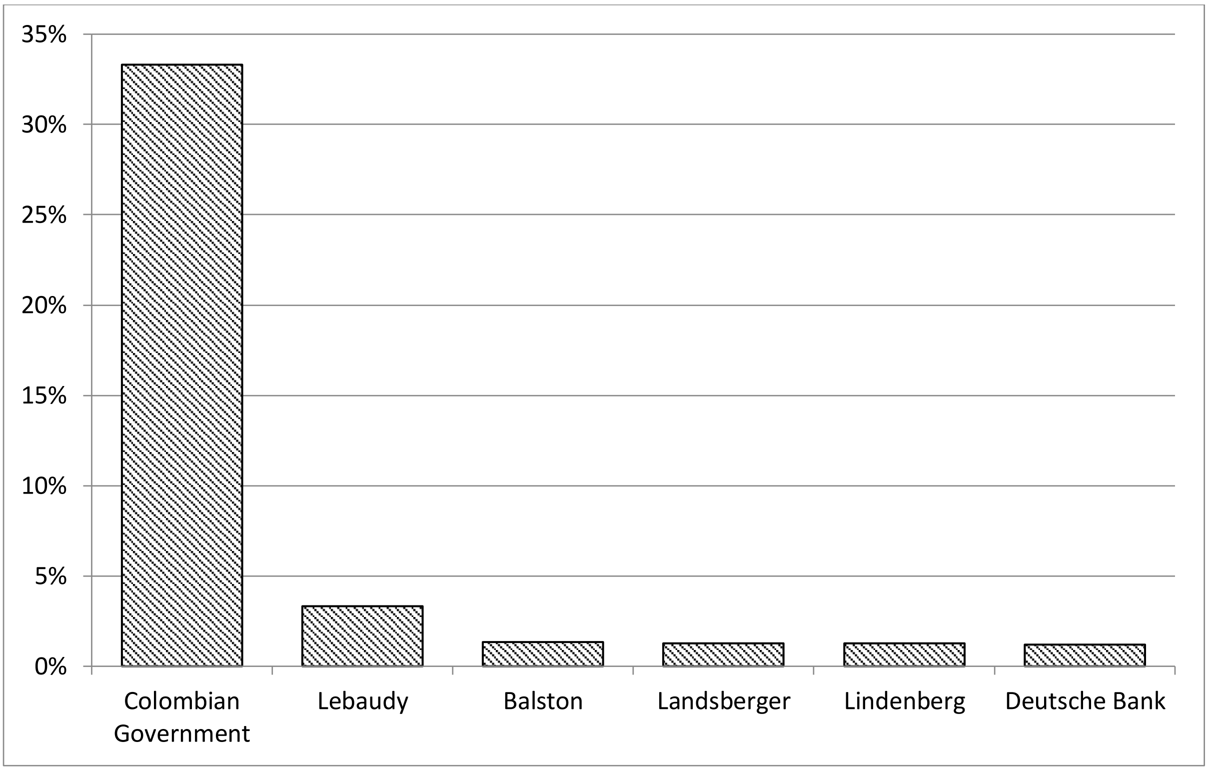
The CNRC's shareholding was controlled principally by small (£200 and under) and medium (£201-£2,000) shareholders, and the Colombian government. This contrasts with the pattern of ownership of the BRPC, the DRC, and the CNoRC, which was concentrated in the hands of large shareholders with holdings over £2,000. As is detailed in chapters five and six, these shareholders came to dominate the expansion policy of the railways. As is evident in Fig. 4.10, in 1914 the five largest private CNRC shareholders controlled only 8.3%. In contrast, in 1913 the two largest shareholders of the CNoRC controlled 75.5%.[79] These circumstances made it

78 CNRC: Shareholder Registers for 1914, TNA, BT31/16224/62637; BRPC: Shareholder Registers 1913, Companies House, Company No. 26163 (Barranquilla Investments Ltd); DRC: Shareholder Reports for 1913, Companies House, Company No. 84226, Ashtead Holdings Limited [Dorada Extension Railway Limited]; CNoRC: Shareholder Registers for 1913, and 1924, TNA, BT31/31593/55900; Within the calculation (and throughout the thesis) shareholder groups are defined in the following terms: Small Shareholders £1-£200, Medium Shareholders £201-£2,000, Large Shareholders £2,000+.

79 Shareholder Register for 1914, TNA, BT31/16224/62637; Shareholder Register for 1913, TNA, BT31/31593/55900.

difficult for large shareholders to influence policy in the same way as those of the BRPC, the DRC, and the CNoRC. The Colombian government's 33.3% effectively made it impossible.

Fig. 4.10 – CNRC major shareholders, 1914



Source: Shareholder Register for 1914, TNA, BT31/16224/62637.

Notable shareholders include Robert Lebaudy. Robert was the son of one of the founders of the French sugar refining business Lebaudy Brothers, which controlled France's sugar beet refining industry.[80] Robert's investment in the Colombian National represented only 3.33% of the share capital, a much smaller percentage than the largest private shareholders in the other railways. The next largest shareholder was William Edward Balston, who with his brother Richard was co-owner of W&R Balston, a paper mill in Maidstone Kent.[81] Balston's shareholding was also relatively small at only 1.33% of the capital, much less than his 5.7%

80 Shareholder Register for 1914, TNA, BT31/16224/62637. Robert's brother Jacques was a famous French empire builder in the mould of Cecil Rhodes, who sought to create a new nation in Saharan Africa. See: Philippe Di Folco, *L'empereur du Sahara* (Paris: Galaade, 2014); Bennet Maxwell, 'The Emperor of the Sahara' *The Independent*, 14 September 1998.

81 TNA, BT31/16224/62637; 'Whatman set to Close' http://www.kentonline.co.uk/maidstone/news/whatman-set-to-close-a56091/ accessed 29/05/2016.

stake in the Dorada Railway Company.[82] German bankers Gustave Lansberger and Paul Lindenberg from Dresdner Bank each held 1.25% of the share capital.[83] Finally, Deutsche Bank held a 1.18% stake in the railway.[84] Another notable shareholder was Sir Edward Payson Wills, of the Imperial Tobacco Company. As of the 31 December 1909, he held a £4,000 investment in the CNRC, representing 0.47% of the issued share capital.[85] This investment made up only a tiny fraction of the £2,531,207 estate he left when he died the following March.[86] As is the case with the BRPC and DRC shareholder registers (covered in subsequent chapters), many shareholders seem to fit the 'gentlemanly capitalist' concept. They had medium (£201-£2,000) and large (over £2,000) shareholdings, their place of residence was in London or the home counties, and their profession was either within the financial sector (banker, stockbroker, etc.), or was listed as 'gentleman'. However, a major contrast is how many shareholders *do not* share this pattern. There are many more middle-class shareholders with a small (£1-£200) or medium (£201-£2,000) sized holding. These include accountants, barristers, reverends, solicitors, military officers, doctors, dentist, schoolmaster, etc. Even more surprising, is the quantity of lower-middle class, and in some cases working class shareholders. The share register contains entries for: butcher, grocer, paper strainer, tripe dresser, draper, warp-dresser, meat salesman, farmer, electrician, felt weaver, dairyman, chemist, book binder, coal merchant, colliery manager, cashier, fish and game merchant, mariner, ironmonger, joiner, leather merchant, weaver, postal clerk, etc. The importance of these patterns is how they *contrast* with the other railways. The CNRC is the only railway where we see a significant interest in the shareholding by what I term throughout this thesis as middle-class capitalists.

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82 Dorada Railway Company Share Register for 1913 Companies House, Company No. 84226 (Ashtead Holdings).

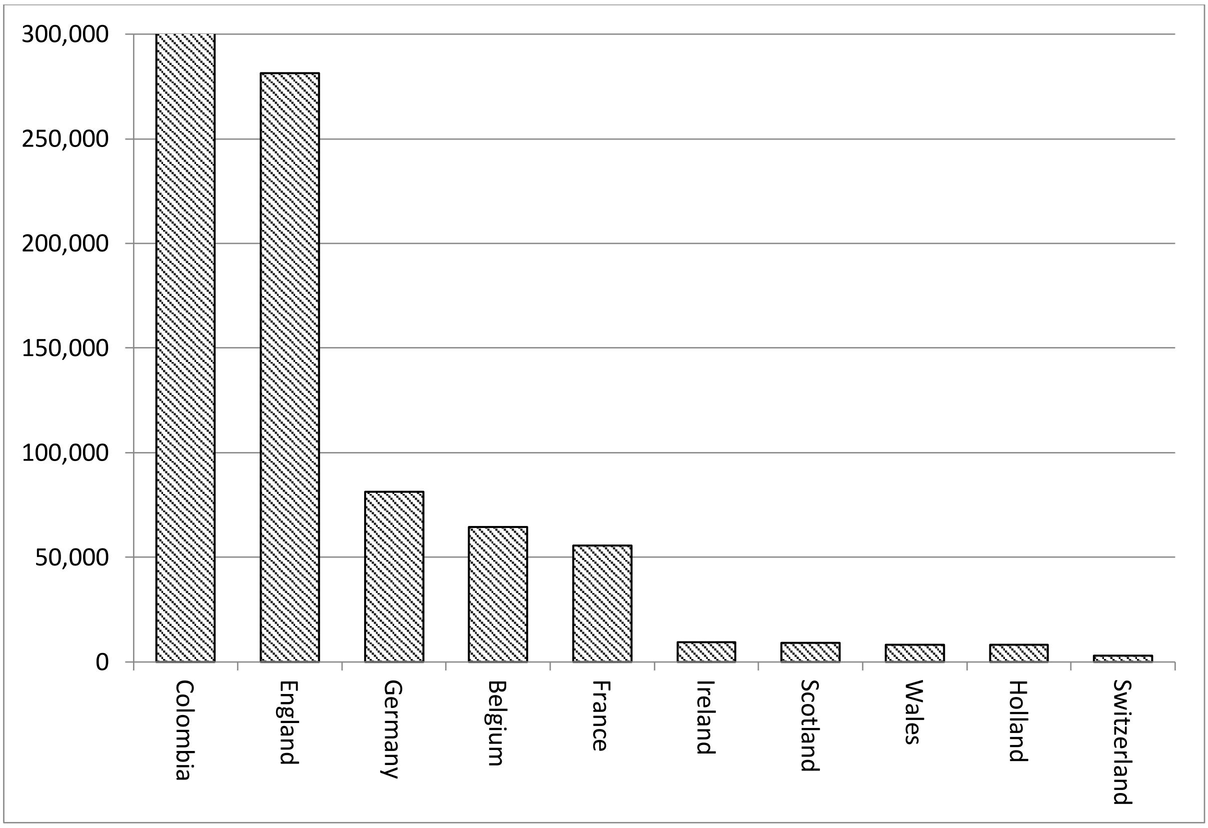
83 Shareholder Register for 1914, TNA, BT31/16224/62637

84 Ibid.

85 Ibid.

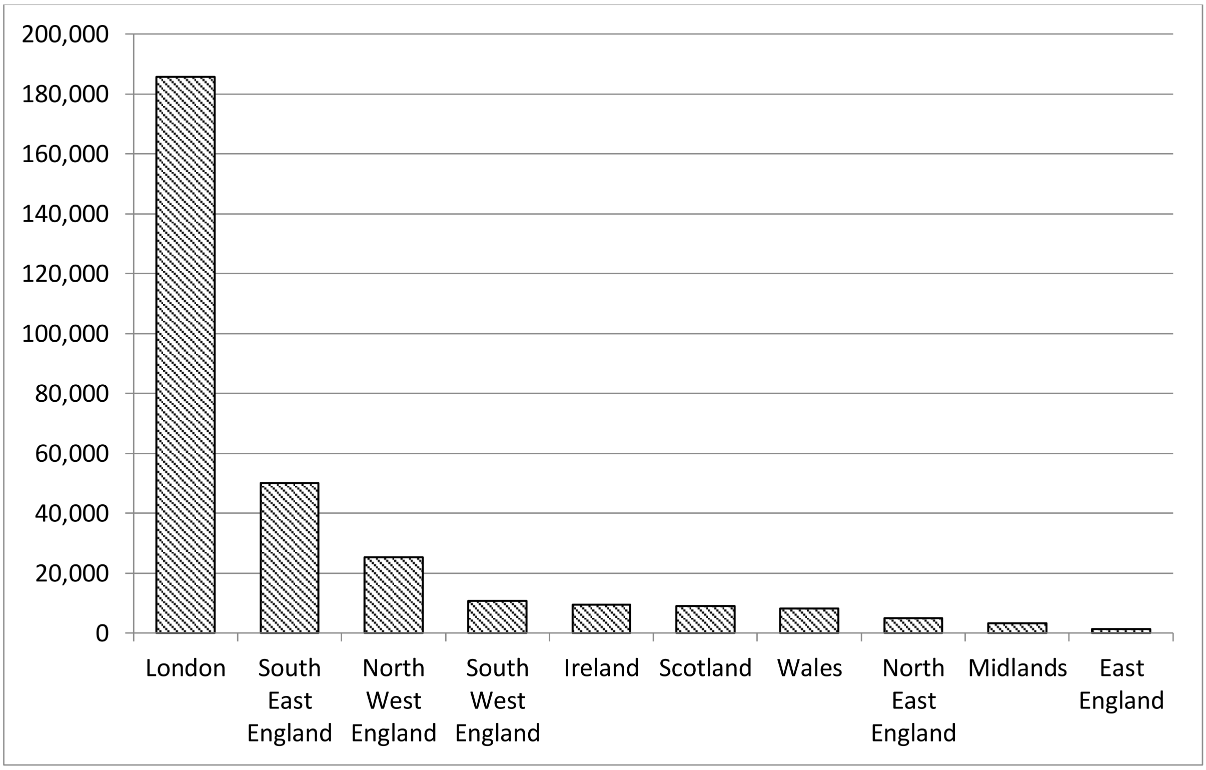
86 'Sir Edward Wills' Estate', *The Times*, 14 May 1910.

Fig. 4.11 – CNRC Shareholders by location, 1914



Source: Shareholder Register for 1914, TNA, BT31/16224/62637.

Fig. 4.12 – CNRC British Shareholders by region, 1914



Source: Shareholder Register for 1914, TNA, BT31/16224/62637.

The geographic patterns of shareholders evident in figs. 4.11 and 4.12 further support what the analysis of shareholder groups and large shareholders illustrates. Firstly, there is a much greater interest in the railway by European capitalists than is the case for other railway companies. In 1914, German, Belgian, French, Dutch, and Swiss shareholders represented 9.85%, 7.8%, 6.7%, 0.98% and 0.35% of issued share capital. European shareholders therefore controlled 25.68% of the company. The CNRC was the only railway in the country where European interests in the share capital came anywhere near to these levels. Secondarily, British shareholders of the CNRC match Cain and Hopkins' characterisation of the geographic distribution of 'gentlemanly capitalism' exactly: British shareholders were overwhelmingly domiciled in London or the South East of England. Control of the CNRC was thus split between four groups: the national government, British 'gentlemanly capitalists', European capitalists, and middle-class capitalists. This was a much more diverse mix than was the case for the DRC, the BRPC, the SMRC or the CNoRC. As was demonstrated in chapter three, the CNoRC was mainly controlled by national capitalists, with a smaller but significant interest on the part of British 'gentlemanly capitalists'. Chapters five and six show that the DRC was controlled by a mix of 'gentlemanly capitalists' and national capitalists, whilst on the coast the BRPC and the SMRC were controlled principally by 'transnational capitalists', along with a mix of 'gentlemanly capitalists' and national capitalists. In all four cases, middle-class capitalists were almost entirely absent, or were present in such small numbers as to be inconsequential. This analysis of data illustrates that implementation of the guarantee system of finance had a significant impact on the pattern of ownership that emerged. The government guarantee provided security for the investor, which increased the availability of credit. In addition, this security attracted less wealthy investors, less able to invest in speculative and risky enterprises such as the BRPC or the DRC. These provided significant returns, but as chapters five and six shall illustrate, they depended on the continuation of precarious geographical monopolies. This analysis suggests ownership patterns of the GNCRC would likely have been similar, if the application of the guarantee system had not been resisted. Paradoxically, rather than a mechanism to ensure control by foreign interests, the guarantee seems to have resulted in a less concentrated ownership pattern. The system shut out large shareholders, who used their influence to protect geographic monopolies, syphon off profits, and delay or terminate expansion of the railways to serve the less lucrative trade of the hinterlands, where from a developmental perspective, the infrastructure was most required.

4.5 The *Quinquenio*, 1904-1909

The last section illustrated how the government guarantee interacted with company finances and influenced the patterns of ownership. This section presents the system's application from two perspectives. The first subsection of this fifth section of the chapter focusses on the construction of the railway, illustrating how the availability of capital and technical expertise overcame the geographical challenges, refuting the prevalent position within national historiography that geographic factor endowments precluded large-scale railway expansion.[87] The second subsection explores the corrupt behaviour of key political actors in the 'Apulo works' controversy, and analyses how this resulted in a negative association, between government guarantees, 'gentlemanly capitalists' such as the Jenks, and the rent-seeking of 'collaborating elites'.[88]

4.5.1 *Expansion with Government Guaranteed Debentures*

Lewis, Miller, and Summerhill all argue guarantees enabled Argentine, Brazilian, and wider Latin American railway development.[89] However, whilst the system's importance is well

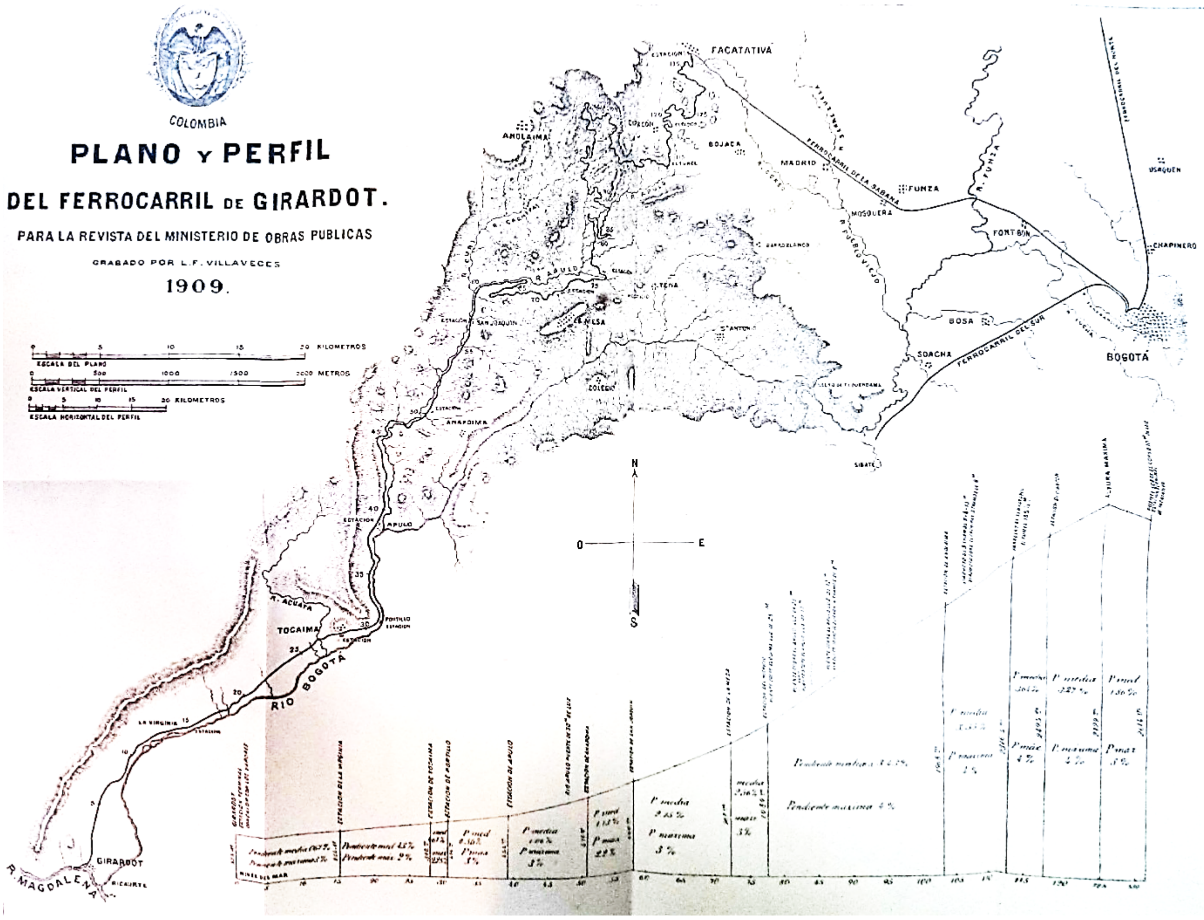
87 Safford, 'El Problema de los transportes'.
88 Cain and Hopkins, *British Imperialism*, I; Gallagher and Robinson, 'The Imperialism of Free Trade'.
89 Miller, *Britain and Latin America,* p. 133; Lewis, *British Railways*, pp. 97-123; Lewis, *Public Policy,* pp.35-8; Summerhill, *Order.*

established from a Latin American perspective, in Colombia its influence and failure remains poorly understood. This historiographical imbalance is illustrated well by the recent comparative study of the expansion of railway networks in Latin America. Whilst the government guarantee systems are a central focus of the respective chapters for Mexico, Brazil, Argentina, Uruguay, Peru, and Chile, the chapter for Colombia makes only a passing mention to the system, in which Correa repeats the same argument he made in relations to the GNCRC, that the system led to exploitation by unscrupulous foreign financiers.[90] Álvaro Panchón and María Teresa Ramírez also largely overlook the *Quinquenio* period and the guarantee system, preferring to focus on the period of government led railway expansion in the 1920s.[91] I argue that in Colombia, the system's implementation became intertwined with the regionalist and personal interests of local political actors. Nepotism, corruption, personal interests, and regionalism interacted with British capital through the guarantee system to direct investment away from the GNCRC, and towards the CNRC.

90 *La expansión ferroviaria en América Latina*, ed. by Sandra Kuntz Ficker (Mexico City: COLMEX, 2015); Correa, 'Colombia' in *La expansión ferroviaria*, pp. 142-43; Correa, *Café y ferrocarriles*, pp. 76-7.

91 Ramírez, 'Los ferrocarriles' in *La infraestructura*, pp. 3-6.

Fig. 4.13 – The route of the railway and local topography



Source: República de Colombia, *Informe del ministerio de obras publicas al Congreso de 1911* (Bogotá: Imprenta Nacional, 1911), Unnumbered Fold-out page towards the end.

After re-establishing construction works following the war, the CNRC experienced various catastrophes during 1903-04. The project was paralysed when the lead engineer John C. Gibney and four of his crew died of tropical diseases in Girardot.[92] The threat of tropical diseases to construction crews in Girardot had also hampered Javier Cisneros's construction projects in the 1880s, who was unable to attract local labourers due to a perception that the area was 'infected'.[93] The company faced a similar challenge, and just as they had in the early 1880s, the national government assisted by offering 1,000 government troops as manual labour.[94]

92 República de Colombia, *Informe que rinde el Ministerio de Obras Publicas ante el Señor Designado* (Bogotá: Imprenta Nacional, 1909), p. 134.

93 Horna, *Transport Modernization*, p. 133.

94 'Colombian National Railway Report of 1904', Guildhall Library, Stock Exchange Reports, Box 879, f. 2.

Tropical rainstorms also caused several serious landslides. The most dramatic of these swept away the majority of the line between La Mesa and Hospicio, resulting in a costly reconstruction.[95] The bridge over the Apulo river was also destroyed twice by heavy rainfall, once in in March of 1904, and again in April after having been replaced.[96] This resulted in the suspension of traffic between Juntas de Apulo and Anapoima for three months.[97] In order to avoid a repeat of these events, a 2.4km section of new line was constructed from km 44 onwards to avoid the two river crossings.[98] The Foreign Office and Colombian Ministry of Public Works both acknowledged the crucial role British engineers played in successfully overcoming these challenges.[99] The Ministry felt the CNRC 'had the calibre of engineer required to overcome the great difficulties' presented by the Colombian terrain.[100] Both sides felt the CNRC's replacement lead engineer Alexander Gulliver played a particularly important role. He gained experience of Andean railways working on the Transandine railway in Chile and Argentina, and was said to have 'possessed in a marked degree the gift of inspiring confidence in his subordinates'.[101] Despite facing the geographical challenges the historiography argues impeded Colombia's railway development, British engineers completed the final 82km of track in the space of five years.[102] When the railway was transferred to the CNRC in 1899, only a 50km section had been completed in the eighteen years since construction work began in 1881.[103] Regionalist and personal interests also impeded progress. In 1905, just as construction on a

95 'Report on the Railways of Colombia' 1910, Vol. XCVI, Cd. 4968, p. 27.

96 'Report on the Railways of Colombia' 1910, Vol. XCVI, Cd. 4968, p. 27.

97 'Colombian National Railway Report of 1904', Guildhall Library, Stock Exchange Reports, Box 879, f. 1.

98 'Colombian National Railway Report of 1904', Guildhall Library, Stock Exchange Reports, Box 879, f. 2.

99 'Report on the Railways of Colombia' 1910, Vol. XCVI, Cd. 4968, p. 27; *Informe que rinde el* Ministerio, pp. 134-9.

100 Ibid, p. 135.

101 Ibid, p. 135; 'Report on the Railways of Colombia' 1910, Vol. XCVI, Cd. 4968, p. 27.

102 'Report on the Railways of Colombia' 1910, Vol. XCVI, Cd. 4968, pp. 25-8. Within the historiography factors such as high construction costs, difficult terrain, challenging engineering, and adverse climatic conditions are often posited as explanations for the lack of railway expansion in Colombia. See: Safford, 'El Problema de los transportes'.

103 'Report on the Railways of Colombia' 1910, Vol. XCVI, Cd. 4968, pp. 25-27.

new section was about to be initiated, the national government decided to revaluate the railway's route. They were keen to reroute the railway to join the Southern railway company at Sibaté, rather than with the Sabana railway at Facatativá.[104] The Southern Railway's management contained two familiar names: Camilo Torres Elicechea's son Guillermo was the general manager, and Santiago Pérez Triana sat on its board of directors.[105] Ultimately the route did not change, but the event was estimated to have delayed construction by around four months.[106]

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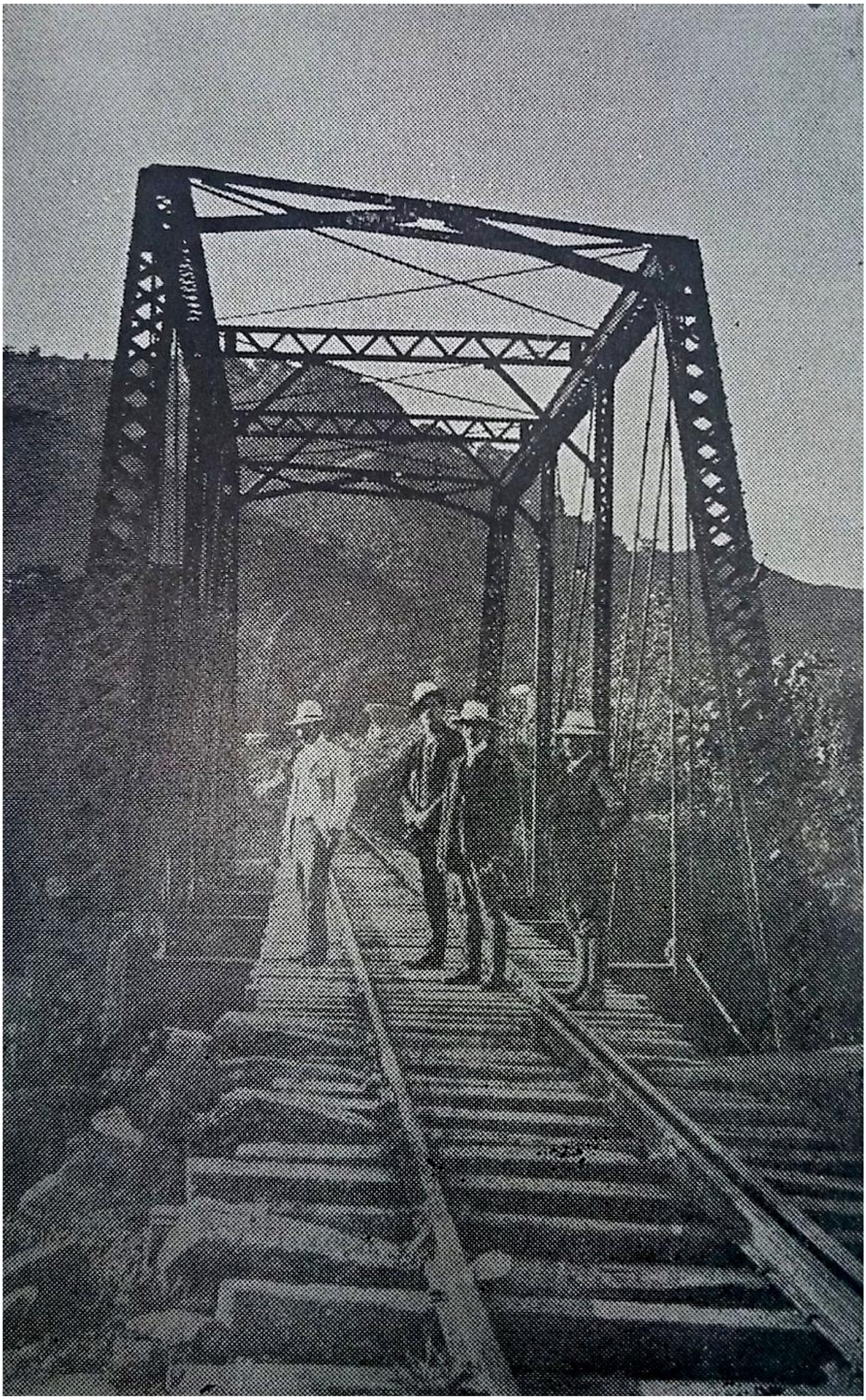
104 'Colombian National Railway Report of 1905', Guildhall Library, Stock Exchange Reports, Box 928, f. 1.

105 'Colombian Southern Railway Ltd. Share Registers', Company No: 91778, TNA, BT 31/11819/91778.

106 'Colombian National Railway Report of 1905', Guildhall Library, Stock Exchange Reports, Box 928, f. 2.

Fig. 4.14 – The bridge over the River Apulo, c. 1911



Source: Republica de Colombia, *Informe del ministerio de obras públicas al Congreso de 1911* (Bogotá: Imprenta Nacional, 1911), Unnumbered Fold-out page towards the middle.

Because of these climatic, geographical, institutional and administrative problems, the CNRC required additional capital to complete the project. But the railway was already mortgaged on existing debt. In order to enable construction works to continue, the government agreed to guarantee interest payments of 6% on £430,000 of new debentures, in return for several concessions.[107] The first was £165,000 worth of share capital free of charge, which in addition to the £135,000 the government already held, would represent a 33.3% stake.[108] Secondly, the CNRC agreed to cede the claims for compensation relating to the civil war which were detailed earlier in the chapter.[109] Finally, the CNRC agreed to invest £21,000 of the receipts of the debenture issuance in a 'pleasure and health resort, with [luxury] hotel and necessary houses and shops' which would be constructed in Apulo and act as a tropical retreat for the political elite of the capital.[110] The financial improprieties related to the subsequent construction of this retreat, would lead to Camilo Torres being indicted for embezzlement.[111] This agreement was highly favourable to the government, since the concessions had a combined nominal value greater than the issuance of the bonds.[112] But as is illustrated later in the chapter, the government guarantee engendered significant hostility.

According to the company's reports, this £430,000 would have been sufficient to complete the line, had it not been for another series of unforeseeable disasters. Heavy rainfall led to landslides meaning 'the line' had to be rebuilt 'several times over'.[113] In addition, the first 40km of the railway between Apulo and Girardot had to be relayed.[114] The Ministry of Public

107 'Colombian National Railway Report of 1907', Guildhall Library, Stock Exchange Reports, Box 974, f. 1.

108 *Informe que rinde el Ministerio*, p. 138.

109 Ibid.

110 Ibid, p. 139; 'Colombian National Railway Report of 1907', Guildhall Library, Stock Exchange Reports, Box 974, f. 1.

111 Torres Elicechea, *Carta Abierta al Presidente*.

112 The original claim for compensation made by Henry Jenks was for £333,548, which combined with £165,000 of share capital and £21,000 of investment in Apulo comes to £519,548.

113 'Colombian National Railway Report of 1908', Guildhall Library, Stock Exchange Reports, Box 1021, f. 1.

114 This section was constructed before the CNRC took over the railway. Most had been constructed by Cisneros, some under national administration. Relaying the track was necessary because of insufficient

Works commented that: 'the rails on this section weight only 19.5kg per metre, there are insufficient sleepers and those present are unserviceable'.[115] The basic parameters of the line such as traffic and rolling stock, had not changed sufficiently for the conditions to have been a result of anything other than incompetence, or the deliberate use of unsuitable materials in order to extract funds from the maintenance budget. The works to repair the line to avoid a repeat of the landslides were 'necessarily very costly', and in order to finance them the government agreed to guarantee interest on one final issuance of debentures for £450,000.[116] In return they requested additional 'representation on the board' and the appointment of national 'engineers to superintend the final works'.[117]

A significant portion of this new £450,000 floatation was immediately transferred to Jenks, for interest payments of £180,000 he had made on the CNRC's behalf. He agreed to receive debentures in lieu of cash, but would only accept them at 70%.[118] Of the £450,000 issuance Jenks received £257,142, leaving a remainder of £192,857. These remaining debentures were sold in London at 80%, meaning of the £450,000 floatation, only £154,285 was available to the CNRC for construction works.[119] Despite the fact that these convoluted financial transactions were underwritten by the national government, and orchestrated by a 'gentlemanly capitalist' who many considered locally as an agent of imperialism, Santiago Pérez Triana and Camilo Torres Elicechea remained absolutely silent.[120] No wonder, since despite berating the GNCRC, they had played active roles in negotiating the CNRC's government guarantee. Both

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sleepers, low grade iron rails, deteriorated wooden bridges, etc. *Informe que rinde el* Ministerio, pp. 139-40.

115 Ibid.

116 'Colombian National Railway Report of 1908', Guildhall Library, Stock Exchange Reports, Box 1021, f. 1.

117 'Colombian National Railway Report of 1908', Guildhall Library, Stock Exchange Reports, Box 1021, f. 2.

118 Torres Elicechea, *Carta Abierta al Presidente*, p. 60.

119 Republic of Colombia, Colombian National Railway (1908) Customs Guaranteed 6% Debentures' *The Times*, 26 October 1908

120 Villamizar, *Negocios Colombianos*.

signed the contract, Pérez Triana as a member of the CNRC's board of directors, and Camilo Torres on behalf of the national government.[121]

Rescinding the GNCRC's government guarantee meant more resources were available to support the construction of the CNRC. As was discussed in chapter three, the collapse of the GNCRC was a momentous development for subsequent regional distribution of economic power. Palacios argues that the growth of coffee in western Colombia as opposed to Santander, was influenced by the 'high transportation costs' resulting from the failure to develop a rail link, which 'blocked the takeoff of modern capitalism'.[122] Attacks on the GNCRC, and support of the CNRC, ensured significant competitive advantage to coffee growers in Cundinamarca, as did the development of the DRC ropeway for the coffee growers of Caldas. Inhabitants of Santander claimed attacks by the 'metropolitan elite' on the GNCRC were inspired by personal interests and regionalism, with the single objective of 'ruining the life of a blooming region'.[123] The long-term impact of prioritisation of the CNRC over the GNCRC suggests there was some truth to this statement. The GNCRC and the CNRC demonstrate that government support was influenced by the personal and regional interests intertwined with the project. Implementation depended not on economic rationale, but political capital. Only one of the railways was subjected to the prolonged and coordinated attack from the national press. The government guarantee ensured the CNRC's completion and Cundinamarca's ascendancy, whilst recantation of the GNCRC's guarantee led to the collapse of the project, and Santander's stagnation. This illustrates clearly, that in Colombia, just as was the case in Argentina and Brazil, the guarantee system was the difference between success and failure.

4.5.2 *Apulo Works Controversy*

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121 República de Colombia, *Documentos Relacionados*, pp. 46-7.

122 Palacios, *Between Legitimacy*, pp. 54-55.

123 'Los vampiros y el Ferrocarril', *El Ferrocarril. por la causa del Ferrocarril de Puerto Wilches*, 12 August 1911.

This subsection explores how government guarantees and foreign railway companies became associated with the corruption of members of the Reyes administration in the 'Apulo works'. I argue this stimulated the growth of political resistance to the system. The 'Apulo works' project sought to construct a luxury tropical retreat in Juntas de Apulo, where the railway intersected the Apulo River valley.[124] Its main function was as a playground for the *Bogotano* elite. Apulo is 420m above sea level, and because of its equatorial latitude enjoys a perpetual balmy climate resembling a sunny day in the height of a European summer. The project's financing was extremely convoluted, and can be summarized as follows. The Colombian government agreed to guarantee interest on £30,000 of CNRC bonds. These same bonds would be purchased by the government at 70% to net £21,000, which would be handed over to Camilo Torres Elicechea. The government thus agreed to pay £1,800 of interest annually to access £21,000 of capital from their own treasury.[125] When Torres was subsequently accused of embezzlement the only material he could provide in his defence were bank receipts for money received, suggesting there were no checks and balances in place to track how the money was used.[126] The whole affair was indicative of corruption, and the Jenks were right at the centre of these suspicious and seemingly fraudulent business dealings. In view of this, it is perhaps unsurprising that years later Colombia's lawyers in London commented that the Jenkses' financial methods 'often give room for stringent criticism'.[127]

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124 República de Colombia, *La Ciudad y el Valle del Apulo y el Ferrocarril de Girardot* (Bogotá: Imprenta Nacional, 1906); Camilo Torres Elicechea, *Fondos para las obras de Apulo* (London: [s.n.] 1910), p. 4.

125 Torres Elicechea, *Fondos*; República de Colombia, *La Ciudad y el Valle*; Camilo Torres Elicechea, *Mision Fiscal en Europa* (Lausanne: Borgeaud, 1916); Gerardo Pulecio, *Alegato que presenta Gerardo Pulecio ante el tribunal superior en defensa del Dr. Camilo Torres Elicechea Asunto: Obras de Apulo* (Bogotá: El Nuevo Tiempo, 1911).

126 Torres Elicechea, *Fondos*, pp. 20-2.

127 Smith to Upjohn, 19 August 1911, AGN, MRE, Box 513, Folder 56, f. 59.

Fig. 4.15 –Hotel Apulo, the centrepiece of the elite's tropical retreat in Juntas de Apulo

Source: BLA, Colección Gumersindo Cuéllar Jiménez, FT1426, BRBLAA55621-3 http://www.banrepcultural.org/blaavirtual/imagen/gumercindo-cuellar/hotel-apulo-ferrocarril-de-girardot-colombia, Accessed 18/06/2017.

The affair was particularly damaging because Reyes and his son were involved. Once received by Torres, cash was deposited with the national bank. It was subsequently transferred by cheque to various notable local political actors connected to the Reyes administration. These included: President Reyes himself, the family business Reyes e Hijo (Reyes and Son) and Jorge Holguín's son Daniel.[128] The value of each cheque was detailed, but justification of where the funds were spent was entirely absent.[129] The whole of the £21,000 sum had disappeared, yet

[128] Torres Elicechea, *Fondos*, p. 23.
[129] Torres Elicechea, *Fondos*, p. 19-23.

works had not been completed, and the luxury Hotel in Apulo required additional remedial work. Of course, none of this came to light until after Reyes had in the words of Palacios, 'slipped aboard a United Fruit Company boat and sailed off into exile'.[130] The scandal brought the legitimacy of the whole *Quinquenian* project into question, and with it, the guarantee system. The question in the minds of the Colombian public was: were promises of material progress just the platitudes of a collaborator taking his cut from foreign interests?

Torres and Reyes were indicted on the 25 April 1910 for theft of public funds, and an extradition order raised for Torres.[131] Neither sought to clarify and justify expenses, they simply argued the funds were the property of the CNRC to distribute as they saw fit, and thus no theft had taken place.[132] The CNRC made no comment, strengthening the perception that Reyes, Torres, Jenks and the British company were in cahoots.[133] This reinforced their reputation as collaborators, and sullied the image of the government guarantee which had enabled the debacle to occur. There is no evidence Jenks or other British capitalists received any of the £21,000. By engaging in these questionable financial arrangements, British interests desired to curry favour with a leader they imagined would be leading the country for the foreseeable future. The case illustrates that British companies were at times complicit in attempts to extract resources from the treasury, but crucially, and in contrast to the argument of Pérez Ángel, this process was fundamentally driven by local elites, rather than by foreign financiers and concession holders.[134] The project also illustrates the dominance of Bogotá's elite society over the country's credit and fiscal revenues. These were exploited to create a spa

130 Palacios, *Between Legitimacy*, p. 63.
131 Gerardo Pulecio, *Alegato que presenta Gerardo Pulecio*; Torres Elicechea, *Fondos*, p. 3.
132 Gerardo Pulecio, *Alegato que presenta Gerardo Pulecio*; Torres Elicechea, *Fondos*, p. 3; República de Colombia, *Proceso Relativo a las Obras de Apulo* (Bogotá: Imprenta Moderna, 1912).
133 Villamizar, *Negocios Colombianos*; Torres Elicechea, *Fondos*; Gerardo Pulecio, *Alegato que presenta Gerardo Pulecio*; República de Colombia, *Proceso Relativo*.
134 Pérez Ángel, *Nos Dejó el Tren*, p. 46.

town to serve as a tropical paradise for the *Bogotano* elite to rest, only a few hours train journey from the city.

4.6 **Towards Nationalisation 1909-1923**

The previous section of this chapter illustrated that key figures within the *Quinquenio* could be classified as 'collaborating elites' based on their business relationships with the 'gentlemanly capitalist' Jenks family. As such, we could consider the CNRC's relationship with the Reyes administration as an example of British imperialism, as defined by Cain and Hopkins. The post-*Quinquenian* administration was characterised by an 'eagerness to go against the decisions' of Reyes and his regime, presented under the auspices of a patriotic and nationalistic rear-guard action against prior collaboration with foreign interests.[135] The first subsection of this sixth section of the chapter demonstrates that despite the nationalistic rhetoric of key post-*Quinquenian* political actors such as Pérez Triana, corruption and rent seeking by members of the administration was just as prevalent as it was during the *Quinquenio*, and that the collaborative relationship with the Jenks family continued on some levels. In the second subsection, I argue that whilst evidence of British 'imperialism' persisted, at the macro-level, government policy had indeed taken a nationalistic turn towards the ideas espoused by Pérez Triana in *Desde lejos*.

4.6.1 *Santiago Pérez Triana, José Vicente Concha & Shirley Jenks*

As was discussed in chapter three, Santiago Pérez Triana was named Colombia's representative in London following the end of Reyes's regime.[136] Considering Peréz Triana's anti-imperialist rhetoric, one would assume that upon taking up this position, links to the Jenks family would have been cut. Not only did this not happen, the complete opposite occurred: The Jenkses'

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135 Ibid, p. 39.
136 Ibid.

influence in government finances increased. Upon evaluating the Jenkses' enduring influence, Colombia's legal counsel in London Herbert Smith commented that:

> Mr Shirley Jenks is a financier in the city who had succeeded to the business for a good many years past carried on by his father. The Jenks, pere et fils, have both had many transactions with, and good many interests, in Colombia. They are not of high standing, but it is fair to state, that whilst their methods often give room for stringent criticism, they have on occasion found comparatively large sums, which directly or indirectly, have been utilized by Colombian enterprise. Whether their association has been one which has proved altogether beneficial to Colombia is a vexed question, because although, undoubtedly the money they have found has been useful it may well be urged that their financial methods in London have not altogether tended to popularise the national credit of Colombia.[137]

Pérez Triana had enjoyed personal links with the CNRC and its predecessor the Girardot Railway since at least 1883.[138] Pérez Triana also shared a personal relationship with the Jenks predating the CNRC's formation in 1899, sat on its board of directors, and 'signed the contract' of August of 1908 which assured a government guarantee.[139] This occurred only a year after publishing *Desde lejos*, and four years before he compared the GNCRC's guarantee to a 'putrid corpse' which stole 'bread from … [the people's] mouths to pay interest … [to foreigners]'.[140]

Pérez Triana, and his counterpart in the Paris consulate José Vicente Concha, negotiated a £500,000 loan with Shirley Jenks.[141] A dispute arose because of the ineptitude of both men. The agreement provided Jenks security by mortgaging the Muzo emerald mines, but neither realised this asset was already part of a *Quinquenian* concession to the Colombian Emerald Company Ltd.[142] In addition, they had contracted for the loan and received an advance of

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137 Smith to Upjohn, 19 August 1911, AGN, MRE, Box 513, Folder 56, f. 59.

138 'Ferrocarril de Girardot', *La Industria*, 12 April 1883.

139 It is unclear the exact date this relationship was formed. Rafael Villamizar, Negocios Colombianos (Bogotá: Imprenta de la Libertad, 1918) pp. 198, 191-224; República de Colombia, *Documentos Relacionados*, pp. 46-7.

140 Santiago Pérez Triana, *Ferrocarril de Puerto-Wilches*, p. 2; Pérez Triana, *Desde Lejos*.

141 Jenks to Pérez Triana, 14 March 1910, AGN, MRE, Box 513, Folder 56, f. 46. £300,000 of the £500,000 was earmarked for interest arrears on existing debts. Jenks to Pérez Triana 14 March 1910, AGN, ACH, José Vicente Concha, Box 47 Folder 85, f. 92.

142 Correspondence details how a mortgage on the Emerald Mines of Muzo would support the loan. Unfortunately, historiography on this company like most British investment in Colombia is limited to contemporary accounts such as: Villamizar, *Negocios Colombianos*. This oversight was the main reason for the subsequent claim for compensation. For a collection of correspondence on the issue please see: AGN, MRE, Box 513, Folder 56.

£67,710 before congressional legislation was in place to authorise the transaction.[143] Both men had heavily criticized Reyes's and Holguín's engagement with European capital markets. Yet once they were charged with the same responsibility, they continued the relationship with a key 'gentlemanly capitalist' ally of the regime. When approval was not forthcoming, Pérez Triana employed a familiar tactic, arguing the lack of authorisation in congress invalidated the agreement.[144] The advance was returned to Jenks, but in remarkable similarity to his father, Shirley Jenks proceeded to claim damages for a perceived loss of prestige in London.[145] The government's solicitors commented that in their professional opinion the letters Pérez Triana had exchanged with Jenks represented 'a [legally binding] contract'.[146] A letter sent to Concha reveals that Pérez Triana felt they were perhaps culpable for what had transpired.[147] Another, sent a week later, discussed how the government and lawyers worked in unison to coordinate stories to repudiate the contract: 'Mr Smith … suggested … that the government not only denies that we had authority, … but also claim that we did not advise them regarding negotiations'.[148]

In December 1909, Pérez Triana and Concha negotiated a second loan with Jenks, this time for the minor sum of £28,000 to cover interest payments on the CNRC's debentures.[149] This loan was arranged under such advantageous terms for the creditor, that even considering the government's dire finances, incompetence alone seems insufficient to explain its approval.[150] The inconsistencies between Pérez Triana's anti-imperialist rhetoric, his links to Jenks, and his

143 Pérez Triana to Grey (Foreign Secretary), 5 September 1910, AGN, MRE, Box 513 Folder 56, f. 126.
144 Foss Bilborough & Co. to Nuñez, 30 March 1911, AGN, MRE, Box 513 Folder 56, ff. 47-50.
145 'The Colombian Government and Jenks' in Upjohn to Colombian Legation, 19 August 1911, AGN, MRE, Box 513 Folder 56, ff. 62-6.
146 Foss Bilborough & Co. to Nuñez, 30 March 1911, AGN, MRE, Box 513 Folder 56, f. 47.
147 Pérez Triana to Concha, 9 September 1911, AGN, ACH, José Vicente Concha, Box 47 Folder 84, f. 213.
148 Pérez Triana to Concha, 16 September 1911, AGN, ACH, José Vicente Concha, Box 47 Folder 84, f. 217. Communications between the two men and the Ministry of Foreign Relations from December 1909 shows both these ideas were fabricated between the government and their lawyers. Pérez Triana to Calderón, 6 January 1910, AGN, MRE, Box 513, Folder 56, f. 4.
149 Pérez Triana to Calderón, 6 January 1910, AGN, MRE, Box 513 Folder 56, f. 3.
150 For a critique of the loan see: Vásquez Cobo to Pérez Triana, 24 January 1910, in Santiago Pérez Triana, *Dos Cartas (Asuntos Colombianos)* (London: Wertheimer, 1910).

collaborative behaviour in London, did not go unnoticed in Colombia. In an open letter to Pérez Triana in January 1910, Reyes's Minister of Foreign Affairs during 1906-08, Alfredo Vásquez Cobo, mocked the new administration's performance in London in comparison to Holguín's:

> The last financial operations carried out by Dr. José Vicente Concha, last December, I think deserve an explication; because at a first glance they seem to belong among the "monstrosities" of which you speak of in your interesting book. General Holguín only employed a few months to complete his negotiations, yet Dr. Concha managed to sign a loan in London which mortgaged three government assets in just one morning.[151]

Pérez Triana and Concha had mortgaged the shares held by the government in the Magdalena Navigation Company, the revenues of the government's emerald mines, and consular revenues.[152] All of this for a small loan. Vásquez Cobo accused the men of mortgaging these assets without the authorisation of congress, just as was the case for the larger £500,000 loan. In addition, the loan carried an 8% interest rate and Jenks received a 2% commission.[153] According to Rafael Villamizar, Pérez Triana used his position for the same corrupt rent-seeking as Reyes and Torres displayed in the 'Apulo works'.[154] For example, in 1911 the government's lawyers prepared the legal documents required for local police to confiscate emeralds worth £40 which had been illegally brought to London from Colombia.[155] For this simple service, the lawyers charged the Colombian government £1,031, a huge sum of money, which in 2015 represents just under £94,000.[156] The invoice was so large that the Ministry of Foreign Relations sent Pérez Triana a letter enquiring whether the value on the invoice was correct, assuming it must have been a misprint. Pérez Triana responded that:

> My opinion is that the invoice must be correct, based on the fact that they are indisputably honourable people and lawyers of high standing. However, I cannot assume responsibility of saying whether or not the invoice is correct, and it is not even possible to do so, since English customs dictate in the case in which there is doubt, it should be subject to expert examination.

151 Vásquez Cobo to Pérez Triana 24 January 1910, in Pérez Triana, *Dos Cartas*, p. 14.
152 Ibid.
153 Pérez Triana to Calderón, 6 January 1910, AGN, MRE, Box 513, Folder 56, f. 3.
154 Villamizar was one of Pérez Triana's successors in the consulate, who played an important role in the administration and nationalisation of the CNRC.
155 Villamizar, *Negocios Colombianos*, pp. 99-103.
156 Ibid, p. 99; Calculation made at: https://www.measuringworth.com/ukcompare/relativevalue.php accessed 15/05/2016.

> Nevertheless, my opinion is that there is no justification to proceed with this type of examination due to the respectability and standing of the lawyers which I have already expressed.[157]

The same lawyers charged only £126 for writing all the policies, contracts, and notarial documents for the CNRC's 1908 £450,000 bond emission. Yet they charged over one thousand pounds for 'taking a Little box of emeralds from a helpless Colombian'. In the words of Villamizar 'the scandalous invoice was paid'.[158]

These three events illustrate that despite nationalistic rhetoric, on a micro-level, key political actors within the new regime maintained a close (perhaps even collaborative) relationship with 'gentlemanly capitalist' allies of the *Quinquenian* regime. Furthermore, within these interactions, they displayed the same corrupt behaviour which they had criticised during the *Quinquenio*. In view of the clear inconsistencies in Pérez Triana's position, how should we view his wider political project? Was it all a sham? And as such, is Rausch wrong to represent him as a 'crusader [for] hemispheric unity' in the face of imperialism?[159] Should Pérez Triana be considered an anti-imperialist 'crusader', or an opportune 'collaborating elite'? It may seem counterintuitive, but my view is that he was both, just as Reyes was both a 'collaborator' and a champion of material 'progress'. The tendency to project ideology onto history obscures the fact that people – even influential political actors – have the potential to fulfil contradictory roles. As such, concurrently fulfilling the roles of 'hero' or 'villain', 'collaborator' or anti-imperialist 'crusader', is not a contradiction in terms. I believe Pérez Triana held genuine nationalistic beliefs and that Reyes's pursuit of material 'progress' was sincere, and both cared deeply for the future of Colombia. However, they were both imperfect and complex individuals.

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157 Villamizar, *Negocios Colombianos*, p. 100.
158 Ibid.
159 Rausch, *Santiago Pérez Triana*, p. 150.

Pérez Triana was certainly erudite, or as Rausch argues, a 'man of letters', but as his business career in the United States and his involvement in the Punchard-McTaggart affair both illustrate, he was also a man both tempted and driven by the material world.[160] He was also a man of his time and place, and as such, fundamentally shaped by what Safford terms Colombia's 'catch-as-catch-can' national business culture.[161] Pérez Triana's story – which has been woven through the last three chapters – illustrates that the stance towards railways and foreign investment within the Colombian political scene was complex and contradictory. The first few decades of the twentieth century were a period of national reflection in the face of the disaster of Panama. How could Colombia define itself as a nation after its body politic had been mutilated? As the second chapter illustrated, this period was particularly painful for liberals. Pérez Triana still fundamentally believed in the liberal ideal of 'progress', but his faith in ideas such as mobility of capital had been shattered. The traumatic ideological chaos caused by the collapse of his liberal belief structure explains the contradictory positions he occupied. On a macro-level, this also explains why Colombia moved from embracing capitalistic liberalism as strongly as any country in the region to implementing aggressive anti-foreign policies towards British railway companies so rapidly. What Wright argues took decades in Argentina, where 'the oligarchy publicly defended the British enterprises as agents of progress', occurred in Colombia in only a few years.[162]

4.6.2 *The New National Railway Policy, the CNRC and Nationalisation*

Despite Pérez Triana's actions representing Colombia in London, post-*Quinquenian* government policy mirrored the policies presented in *Desde lejos*.[163] He had achieved this with nothing more than a typewriter and the international postal service. The new national railway

160 Rausch, *Santiago Pérez Triana,* pp. x, 25-38.
161 Safford, 'Foreign and National Enterprise', p. 503.
162 Wright, *British-Owned Railways*, pp. 89, 47-109.
163 Pérez Triana, *Desde Lejos*.

policy had two aims, the first was to develop new railways under national ownership, the second was to nationalise railways in private hands. This policy quickly solidified in the first few years following the *Quinquenio*, and by 1912 after a year of discussion in congress, there was an almost complete national consensus. The *Proyecto de Ley Sobre Ferrocarriles* presented to congress in October of 1912, established the legislative basis for this policy.[164] It authorised the floatation of government bonds to purchase the three coastal railways and the CNRC. A maximum level was placed on the purchase prices, a combined total of £1,700,000 for all three coastal railways, and £1,800,000 for the CNRC.[165] Congress reacted overwhelmingly positively, but despite feeling it contained 'transcendental ideas in relation to national fiscal and economic policy', they were conscious that the plans were financially impractical for the foreseeable future.[166] These discussions represented the impulse of railway policy for the following two decades. Other than the DRC's Manizales-Mariquita Ropeway, no further expansion of private railway companies was permitted, and an aggressive policy of nationalisation was implemented.

The government had agreed in 1909 to guarantee interest on the bonds raised in 1899, meaning the government was liable to pay interest on £1,480,000 of debt.[167] Because of the guarantee, a special sense of urgency was attached to the CNRC. National political elites from both parties asked with increasing frequency that since Colombia was obliged to pay interest on bonds as a guarantor, why not just raise bonds themselves and own the railway outright? Francisco Montaña's study of the CNRC's bonds further stoked growing hostility towards government guarantees for private railway companies:

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164 'Proyecto de Ley "Sobre Ferrocarriles"', 30 October 1911, AGN, Congreso Legislativo, Vol. 1579, ff. 39-55.

165 'Proyecto de Ley "Sobre Ferrocarriles"', 30 October 1911, AGN, Congreso Legislativo, Vol. 1579, f. 41.

166 'Segundo debate al Proyecto de Ley Sobre Ferrocarriles', 15 November 1911, AGN, Congreso Legislativo, Vol. 1579, ff. 43-4.

167 República de Colombia *Informe que rinde el* Ministerio, pp. 134-9.

> Is it in the nations interests, that on top of the heavy burden of paying interest on the fourth mortgage bonds, it should continue making loans to the company so that it can pay interest on the first and second mortgage bonds? … Colombia should not pay a single cent more.[168]

This reaction illustrates how combative Colombia's political elites were compared to those of other countries, where the utilisation of guarantees had been successfully implemented. The CNRC's guarantee only extended to interest on bonds. In contrast, the Brazilian government guaranteed dividends to shareholders. After opening in 1881, the Great Western of Brazil 'collected guaranteed dividends … every year … until the turn of the century', yet despite this heavy and long-term burden, evidence of the same level of political resistance is absent within Summerhill's study of the system's implementation.[169] Lewis describes similar regionalist disputes to the Cundinamarca-Santander tug of war over the CNRC and GNCRC government guarantees in Brazil, but these did not result in questioning the legitimacy of the system itself, as it did in Colombia.[170] In Argentina 'the threat of expropriation' was used to force the Buenos Aires Great Southern Railway into 'constructing extensions'.[171] In each case, the contrast with Colombia is clear, policy in Argentina and Brazil focussed on *ensuring* expansion of private railway companies. In Colombia, after 1909 policy was focussed on *avoiding* expansion and seizing control of them.

As was previously illustrated, the civil war's impact on CNRC finances put significant financial strain on the national government. This strain, combined with the negative experiences with the Jenkses, the 'Apulo works', and corruption of Reyes and members of his government, further entrenched the negative image of the CNRC and guarantee system within the public imagination. Rafael Villamizar, who played a key role in efforts to nationalise the railway,

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168 Montaña, *Estudio sobre los Bonos*, pp. 17-8.
169 William Summerhill, 'Market intervention in a backward economy: railway subsidy in Brazil, 1854-1913', *The Economic History Review*, 51 (2003), 542-68 (pp. 547-9).
170 Lewis, *Public Policy*, 29-30.
171 Miller, *Britain and Latin America*, p. 156.

argued that it had 'cost the nation £3,000,000, yet belongs to an English company'.[172] Whilst this sum was a substantial exaggeration, it is easy to see why the government viewed the arrangement as detrimental.[173] In view of the urgency surrounding the government guarantee, and the strategic importance of the railway, a more detailed piece of legislation was presented to congress in September 1912, which specifically focussed on the CNRC.[174] This sought to realise a 'patriotic duty … for the public good' by authorising the government to 'contract a loan at 5% for the sum necessary to collect all of the mortgage bonds floated by the company … and the acquisition of all the company's shares'.[175] The measure had such overwhelming support, that even the original author of the guarantee Rafael Reyes, made a speech to congress to promote it:

> The time has not come to cast judgment on what has come to be known as the Quinquenio ... The Girardot Railway was one of my proudest accomplishments; I felt that this industrial social work was politically indispensable to our national life. ... I did everything humanly possible to reduce its costs and sacrifices made by the nation to a minimum ... According to reports, the railroad ... is producing an annual yield of £ 60.000, which represents 6% interest on capital of £ 1,000,000. ... after only 3 years after opening for service, this amply justifies the provisions made by my administration … Now ... the company ... has been sued in London by second mortgage bondholders ... if these legal proceedings are not brought to an end they will result in the forced liquidation of the company, the auction of the Railroad, and the total loss of this valuable company to the Republic.[176]

In November 1913, President Carlos E. Restrepo referred to the CNRC as a 'grave and transcendental problem', which the government had solved by purchasing the CNRC's debentures to 'eliminate the serious dangers to the credit and sovereignty of Colombia'. [177] By

172 Villamizar, *Negocios Colombianos*, p. 191.

173 The railway had a large debt to the government, but as section _ illustrated a significant portion of this was compound interest. In addition, by 1913 the government had purchased the majority of the CNRC's debentures, meaning interest paid on bonds after this date was effectively paid to itself.

174 'Proyecto de Ley por la cual se dispone la compra del Ferrocarril de Girardot', 21 September 1912, AGN, Congreso Legislativo, Vol. 1580, ff. 242.

175 'Mensaje del Presidente de la República al Congreso', *El Tiempo*, 3 November 1913; 'Proyecto de Ley por la cual se dispone la compra del Ferrocarril de Girardot', 27 September 1913, AGN, Congreso Legislativo, Vol. 1580, f. 242.

176 Rafael Reyes's Speech to the Colombian Congress on 12 August 1912, AGN, Congreso Legislativo, Vol. 1580, ff. 244-7.

177 'Mensaje del Presidente de la República al Congreso', *El Tiempo*, 3 November 1913.

the time the speech was made, the national government had control of 85% of the CNRC's outstanding debentures.[178] In December 1913, the Colombian consulate in London felt that 'the government today has control of the railway', since in addition to being 'the owner of 300,000 shares, many of the [debentures], and a creditor of a great sum [to the CNRC]' the government also had a 'preponderant influence within the board of directors'[179] Thus, from the end of 1913, government control over the infrastructure had for all practical purposes been achieved. However, formal nationalisation of the railway would take significantly longer.

One reason for the 'urgent priority of nationalising [the CNRC]', was the desire and necessity to address the developing crisis of transportation on the Magdalena River.[180] This crisis, caused by silt and low water levels in the upper Magdalena River, meant that by June 1919, transportation between Bogotá and La Dorada using the combination of the CNRC, river steamers, and the DRC, had ground to a standstill.[181] As is explored in chapter six, the concentrated shareholding of the DRC, and the interested parties' focus on maintaining their lucrative monopoly, meant government incentives to encourage the DRC expanding their operations to Girardot had failed. Completing this single uninterrupted length of railway from Bogotá to La Dorada, was also described as a 'transcendental work'.[182] In 1915, the CNRC was compared to the Guayaquil-Quito railway in Ecuador, in the sense that 'the government has responsibilities and expenditures, whilst the concession holder enjoys profits and guarantees'.[183] This Ecuadorian railway is described by Kim Clark as a 'redemptive work' which played a central role in nation building.[184] In Colombia, the CNRC did not unite the

178 'Colombian National Railway Report of 1914', Guildhall Library, Stock Exchange Reports, Box 1318, f. 3.
179 Colombian London Consulate to Minister of Public Works, 22 December 1913, AGN, República, Ferrocarriles, Vol. 398, f. 62.
180 Anonymous, 'De Bogotá a la Dorada Directamente', *Revista Moderna*, 2, 7 (1915), p. 6.
181 Anonymous, 'El Problema de los Transportes', *El Tiempo*, 11 June, 1919.
182 Anonymous, 'De Bogotá a la Dorada Directamente' *Revista Moderna*, 2, 7 (1915), p. 6.
183 Anonymous, 'De Bogotá a la Dorada Directamente' *Revista Moderna*, 2, 7 (1915), p. 6.
184 Clark, *The Redemptive Work*.

country physically as in Ecuador, but its nationalisation certainly united the country against foreign interests. Jenks and the CNRC were accused of standing in the way of the nationalisation. The government needed access to the CNCRC's accounts, but 'several years relating to construction works had been incinerated on Jenks's orders', because he did not wish the 'umbilical cord to the national treasury cut'.[185] *Revista Moderna* also felt that there were stronger imperialistic forces allied with the CNRC:

> We all know that a telegram exists on certain desks in London, charged with threats to Colombia, and ready to be sent if the nation decides to defend its interests against the interests of others. A permanent death sentence, signed and sealed, just like the one held over one of the Counts of Charolais.[186]

Shirley Jenks was also attempting to create a through rate monopoly through his combined interests in the CNRC, the Cartagena Railway, and Magdalena River navigation companies, for which he was attacked by contemporaries.[187] Jenks had a vested interest in the growth of Cartagena over other coastal cities, because of significant investments in the city's water supply. He overextended himself in this investment and it ultimately led to his bankruptcy.[188]

Despite the 33.3% share capital and 85% of debentures held by the national government, the enormous debt, and dire financial situation of the CNRC, it took another seven years following *Revista Moderna*'s article for nationalisation to be achieved. During this time, heightened tensions between the local population and foreign railway companies developed, which saw the CNRC's workers go on strike in November 1919, as well as those of the CNoRC and the

185 Anonymous, 'De Bogotá a la Dorada Directamente' *Revista Moderna*, 2, 7 (1915), p. 7.

186 Anonymous, 'De Bogotá a la Dorada Directamente', *Revista Moderna*, 2, 7, (1915), p. 8.

187 Thomas Fischer, 'Empresas de navegación en el río Magdalena durante el siglo XIX: dominación extranjera y lucha por el monopolio' in *Empresas y empresarios en la historia de Colombia. Siglos XIX-XX. Una colección de estudios recientes*, ed. by Carlos Dávila, 2 vols (Bogotá: Universidad de los Andes, 2003), II, pp. 991-1018 (pp. 1010-11); Ferrocarril de Santa Marta – La Prorroga del Contrato Peligros de Soberania', *El Tiempo*, 11 January 1912.

188 'Adjourned Public Examination of the Debtor Shirley Hatton Jenks', 5 February 1929, Document in Private Collection of Shirley Jenks's papers held by Tacy Rickard, Teignmouth, Devon.

Colombian Southern Railway Company.[189] When the nationalisation was completed in December 1922, CNRC shareholders received no compensation whatsoever, since the CNRC handed over the railway in return for the national government assuming all of its liabilities.[190]

The nationalisation illustrates several points. First, the CNRC's finances, and the corruption and rent-seeking of associated political actors, tainted the image of the guarantee system. As a result, the CNRC became a rallying point for anti-foreign, anti-imperialist sentiment. By 1910, when Francisco Montaña published his expose on the company's debentures, this process was already advanced. As such, the experiences with the CNRC and its guarantee, heavily influenced the wider conception of guarantees and British railway companies in Colombia. It was because of the experiences with the CNRC, that such an aggressive policy towards other railways such as the GNCRC, the CNoRC and the CCRC, was implemented. The CNRC illustrated the dangers to national sovereignty and the national treasury posed by the system, since the government was bound to financially support the railway irrespective of its performance.

4.7 Conclusions

The CNRC and its experience with the guarantee system, had a defining influence on the development of national railway policy. Many factors combined to create a negative perception of guarantees and foreign railway companies: the disappointing finances of the company, the collaborative and corrupt behaviour of members of the Reyes regime, the 'Apulo works', the perceived imperialistic role of the Jenkses, etc. Government guarantees came to be seen as a

189 'La Huelga Ferroviaria de Hoy' *El Tiempo*, 22 November 1919; 'La Actitud de los Ferroviarios de Bogotá' *El Tiempo*, 21 Novemeber 1919; 'La Huelga en el Ferrocarril de Girardot' *El Tiempo*, 21 November 1919.

190 Colombian National Railway Company to Shareholders, 14 December 1922, in 'Report of the Directors, 1922', Guildhall Library, Stock Exchange Reports, Box 1693.

costly and dangerous threat to national sovereignty. Despite this, the CNRC's history illustrates that when applied, the guarantee system could ensure the successful completion of infrastructure projects, irrespective of geographical and engineering challenges, illustrating how fundamental it was to developing railways in the wider region. Without the guarantee, the railway could not have been completed. But the CNRC's history illustrates that the system was prone to being co-opted to serve the personal and regionalist interests of Colombia's combative elite. The CNRC was relatively profitable from a regional perspective, and the most significant influence on the CNRC's financial problems, was the disruptive influence of the civil war during the first few years following incorporation. Torres and Meisel both demonstrate the devastating economic impact of the war at the macro-level; the CNRC shows its impact on individual enterprise was just as great. [191] As such, the war was a determining factor for the failure of the guarantee system. This is a important conclusion for both national and regional historiography, because until this thesis, the dynamics of the system's implementation in Colombia were almost entirely unknown.[192]

A wide body of literature details the fundamental role of guarantees for railway development in Latin America.[193] Summerhill's study provided a view of the system's successful implementation in Brazil at the micro-level. [194] The CNRC demonstrates the successful implementation witnessed in Brazil was not inevitable. The system required two prerequisites: political stability and a receptive and passive elite. This was achieved momentarily in Colombia

191 Torres, *moneda*; Meisel, *El Banco*, Section named 'Consecuencias monetarias de la Guerra de los Mil Días' in digital online edition: http://www.banrepcultural.org/blaavirtual/economia/banrep1/hbrep22.htm

192 Correa's contribution to the recent comparative study of railway expansion in Latin America is illustrative of this lacuna, in which there is only a passing reference to the system, which is portrayed negatively. The system is also largely overlooked by Ramírez who focus on the state-led project of the 1920s. Correa, 'Colombia' in *La expansión ferroviaria,* ed. by Kuntz, pp. 137-67; Ramírez, 'Los ferrocarriles' in *La infraestructura*, pp. 3-6.

193 Lewis, *British Railways*; Lewis, *Public Policy*; Summerhill, 'The Development of Infrastructure'; Summerhill, *Order*; Summerhill, 'Market Intervention'; Miller, *Britain and Latin America,* p. 134.

194 Summerhill, 'Market Intervention'.

with Reyes's *caudillo* style dictatorship. However, as the first two chapters illustrated, Reyes was significantly less successful than Díaz in pacifying the elite and producing internal political stability. Both Garner and Coatsworth demonstrate this political order was indispensable to the modernising project he implemented within the Mexican economy.[195] Fleming argues that in mid-1870s Argentina, hostility to a '7 percent guarantee [paid] directly to shareholders' led to 'a delay of nearly three years' expanding the Gran Oeste, whilst Lewis contends that prior to 1880 'the perennial constitutional problem' inhibited railway expansion.[196] As such, in Argentina, political resistance and instability contributed to the stagnation of railway construction prior to the boom of the 1880s, just as it did subsequently in Colombia. However, the federalisation of Buenos Aires in 1880 established 'internal order … until 1929', and provided the stability required for the rapid growth of the network.[197] Both Brazil and Argentina guaranteed dividends to shareholders, significantly outstripping the support received by the CNRC, yet neither Wright, Lewis, or Summerhill describe the same level of political opposition which materialised in Colombia.[198] Argentina ended railway guarantees in 1891, but rather than an ideological aversion to government support of foreign interests, the decision was influenced by the 'abuse of the guarantee system', far surpassing the levels of support in Colombia.[199] To give some perspective, the Eastern Argentine received £1,000,000 of support payments, surpassing its £970,000 capitalisation.[200] In contrast, the CNRC's debt to the Colombian government reached £1,400,000 in 1921, of which over £400,000 was cumulative interest. The support payments received by the CNRC were at most £1,000,000, on a total capitalisation of £2,480,000. They would have been significantly less but for the civil war. In

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195 Coatsworth, *Growth*, pp. 1-15; Garner, *British Lions*, pp. 94-117.

196 Fleming, 'Profits and Visions', in *Railway Imperialism*, ed. by Robinson, p. 76; Lewis, *British Railways*, p. 44.

197 Lewis, *British Railways*, p. 44.

198 Summerhill, 'Market intervention'; Wright, 'British-Owned Railways', Lewis, *Public Policy*; Lewis, *British Railways*.

199 Wright, *British-Owned Railways*, p. 77; Lewis, *British Railways*, pp. 113, 117.

200 Lewis, *British Railways*, p. 117.

addition, Argentina had been paying guarantees for over two decades by the time the system was rescinded.[201] The about turn in Colombian policy occurred in the space of five years. Wright describes how in Argentina 'antiforeign nationalism' materialised in the first decade of the twentieth century, but was nullified by the 'all-powerful rule of the oligarchs' who maintained a positive stance to foreign interests.[202] As such, the contrast between the CNRC's (and GNCRC's) experience to that in Brazil or Argentina suggests Colombia's elites were uniquely predisposed to antagonistic agency against outside economic influences. These factors explain why the modernising project of the *Quinquenio* was less successful and enduring than those of Mexico, Argentina, or Brazil, despite applying effectively the same ideological and economic model.

The strength of local agency also meant that the relationship between Cain and Hopkins's 'gentlemanly capitalists' and Robinson and Gallagher's 'collaborating elites' was much less stable than elsewhere in the region.[203] Based on the evidence presented, we could certainly classify the intersection between the Jenks and local political actors as an example of 'British imperialism', and the local populous certainly considered this to be the case. However, this was not a classical imperialistic relationship. The chapter has demonstrated that local political actors fundamentally drove this relationship. Rather than being passive and compliant enablers of the interests of foreign capitalists, the Colombian political elites co-opted British capital and technology to serve their own interests. By the 1880s, families such as the Camacho Roldáns and Pérez Trianas were constructing transnational businesses long before Minor Keith dominated the banana zone. In contrast, as Darwin and Platt argue, in Argentina, Brazil, Chile, and Peru, the elite were content to leave this same lucrative economic niche to British and

201 Lewis, *British Railways*, pp. 97-117.
202 Wright, *British-Owned Railways*, p. 103.
203 Cain and Hopkins, *British Imperialism*, I; Robinson and Gallagher, 'The Imperialism of Free Trade'.

European trading houses.[204] In view of this background, it is unsurprising that Colombia's political elite demanded a similar level of control over infrastructure as it held over international trade. These desires were manifested in the form of heel dragging in negotiations, demands for representation on the board, repudiation or breach of contracts, and the request to use company funds to develop elite recreational infrastructure. British businessmen were overwhelmed and bewildered by this 'catch-as-catch-can' business culture, and as such Miller's observation that British businessmen were 'forced to compromise with the endemic corruption they encountered in Latin America' is highly applicable to Colombia.[205] Shirley Jenks provides an example of a businessman that accepted this compromise by slowly adapting and thriving within the alien environment.

As a British businessman in the 'gentlemanly capitalist' mould, Jenks faced agency from the government apparatus and local Cundinamarcan elite concurrently. Unlike Dávila or Mainero he initially lacked what Molina terms the 'business mentality' exhibited by successful nineteenth and early twentieth century Colombian Businessmen.[206] Jenks's case demonstrates that a *caudillo* style leader was essential for conventional 'British imperialism' (or the guarantee system) to function, since it assured the implementation of the specific flavour of North's 'rules of the game' that 'gentlemanly capitalists' were accustomed to working under.[207] Posada and Jaksić argue that the 'historiographical insistence on the *caudillo* tradition in Latin America has impeded the proper appreciation of how weak the executive power often was'.[208]

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204 Rausch, *Santiago Pérez Triana*, pp. 25-30; Darwin, *Unfinished Empire*, pp. 169-170; Platt, *Latin America*, pp. 136-72.

205 Rory Miller, 'Foreign Capital, The State and Political Corruption in Latin America Between Independence and the Depression' in *Political Corruption in Europe and Latin America* ed. by Eduardo Posada-Carbó and Walter Little (London: Macmillan, 1996), p. 66; Safford, 'Foreign and National Enterprise', p. 513.

206 Molina, *Empresarios Colombianos*, p. 75.

207 North, *Institutions*; Cain and Hopkins, *British Imperialism*, I.

208 Posada and Jaksić, 'Shipwrecks and Survivals', (p. 491).

But in the context of foreign investment, this is exactly *why* a *caudillo* style leader was so necessary, since it addressed this fundamental and systemic institutional weakness.

The most fundamental 'rule of the game', was the stability *of* and the respect *for* contractual agreements. Outside the *Quinquenio* these fundamental 'rules of the game' were absent. The histories of the CNRC, the CNoRC, the GNCRC, the BRPC, the SMRC and the DRC all illustrate that the 'imperialism' of British railway companies in Colombia (if it existed at all in the standard sense) was not as straightforward as that which existed in Argentina or Brazil. No Colombian railway fits Robinson's 'colonizing, immigrative railway imperialism' model.[209] The lack of European immigration associated with railway construction perhaps helps to explain increased resistance and local agency, similar to how the UFC's failure to import Caribbean labour inhibited the growth of its power in the banana zone.[210] In addition, as the next chapter illustrates, railways such as the BRPC or the SMRC were controlled by 'transnational capitalists'. These were less directly tied to the projection of national interests and imperial power in the traditional sense, because their businesses did not function as a simple economic connection between the imperial metropole and a developing peripheral economy. As such, with the possible exception of the DRC, no British railway in Colombia really fits traditional models for understanding British imperial economic expansion.

The pattern of ownership created by the guarantee system further limited the construction and projection of influence and power. This pattern was different to the one evident in railways financed with subventions. The government was the largest single shareholder, and large shareholders did not control as much of the share capital as elsewhere in Colombia. The guarantee avoided the detrimental effects of the concentrated shareholding patterns explored in the third, fifth, and sixth chapters. The government's large stake acted as an additional

[209] Robinson, *Railway Imperialism*, p. 187.
[210] Posada, *The Colombian Caribbean*, p. 210.

counterweight against efforts to mould expansion policy in the interests of influential shareholders. Robinson and Gallagher argue ‘collaborating elites’ were necessary for empire.[211] The CNRC’s history demonstrates how the agency exhibited by Colombian elites disrupted the orthodox mechanism of economic control employed by British capitalists. The ‘Apulo works’ of the CNRC and the Chiquinquirá expansion of CNoRC demonstrate that in both railways, the relationship between ‘gentlemanly capitalists’ and ‘collaborating elites’ was dominated by the interests of the latter, who directed resources for their own benefit. These interests created significant resentment and resistance, leading to early nationalisation.

[211] Robinson and Gallagher, ‘The imperialism of free trade’.

Chapter 5. - The Coastal Railways

5.1 **Introduction**

> Separatism started to germinate in Panama under the shadow of the [American] railway company. … [which] became the lynchpin of the succession movement. … Who can guarantee … these companies will not fall into the hands of North American speculators? … Nationalising the railways of the Atlantic Coast, is strategically speaking, turning the key in the lock of security of the nation. … The very security and integrity of the nation depends on this. *El Republicano*, 1911.[1]

In 1911 *El Republicano* and much of Colombia's political elite were preoccupied with what the transnational interests interweaved with the SMRC and BRPC would mean for national sovereignty. This chapter demonstrates that rather than an irrational reaction to a traumatic event, Colombian elites were right to be concerned. Posada and Muñera argue the Caribbean region was distinct from the interior largely because of its economic proximity to the world economy.[2] This chapter shows that as a result of this proximity, both the BRPC and SMRC were controlled by a group Cain and Hopkins term 'gentlemanly capitalists', and another Sklair and Robinson term the 'transnational capitalist class'.[3] Sklair explores the consolidation of this global class in the second half of the twentieth century.[4] In this chapter I argue that – just as is the case in Colby's study of Central America – the origins of transnational capitalism are clearly visible in the early twentieth century Colombian Caribbean.[5] These interests are particularly evident in the SMRC, and to a lesser extent in the BRPC. The first section of the chapter argues that the BRPC's geographical monopoly created a railway as remunerative as any in the Latin American region. This led to a mix of 'transnational capitalists' and 'gentlemanly capitalists' rapidly taking control of the company for the monopoly level profits.

1 'Grave Peligro para la integridad de la Nación – necesidad de nacionalizar los ferrocarriles de la Nación' *El Republicano*, 11 August 1911.

2 Eduardo Posada, *Colombian Caribbean*.

3 William Robinson, *Transnational Conflicts: Central America, Social Change and Globalization* (London: Verso, 2003), p. 39; P.J Cain and A. G. Hopkins, 'Gentlemanly Capitalism and British Expansion Overseas II: New Imperialism, 1850-1945', *The Economic History Review*, 40 (1987), 1-26; Sklair, 'The Transnational Capitalist Class'; Sklair, *The Transnational Capitalist Class*.

4 Sklair, 'The Transnational Capitalist Class'; Sklair, *The Transnational Capitalist Class*.

5 Jason Colby, *The Business of Empire United Fruit, Race and U.S. Expansion in Central America* (London: Cornell University Press, 2013).

The interests of these shareholders led to a company policy dedicated to protecting the geographical monopoly, rather than expanding operations. However, I also argue the BRPC enabled Colombia to access international engineering expertise, necessary to construct the infrastructure required for the '*despegue cafetero*' economic growth of the 1920s.[6] The chapter's second section argues the SMRC's and the UFC's congruent interests dominated expansion plans. These interests, combined with the government policy designed to reign in the UFC, arrested railway expansion to the Magdalena River. The SMRC was dominated by the interests of transnational capital, but the chapter rejects monolithic representation of the SMRC/UFC relationship, arguing it was complex and multifaceted, and interconnected with Britain's leading banana importer Fyffes. Rather than a conduit of empire for the UFC, the SMRC is presented as succumbing (much like the region) to its more powerful economic interests. But the idea of the UFC's omnipotence is also rejected. The chapter proves that all sections of Colombian society displayed agency in the face of the UFC's encroachment, and as such, Bucheli's concept of an unbroken receptive perspective towards foreign capital throughout the 'conservative hegemony', within which rising opposition to the UFC is attributed solely to the liberal opposition, is a misconception.[7] Whereas LeGrand illustrated agency from workers in the zone, this chapter illustrates that significant attempts were made by the conservative national government to limit the UFC's power though its relationship with the SMRC. I demonstrate and that nationalisation of the coastal railways was central to national railway policy, contradicting Bucheli's argument that the conservative national government 'opposed nationalization'.[8] Ultimately, I argue that the UFC's experience with the SMRC was

6 Bejarano, 'El Despegue Cafetero'.

7 Marcelo Bucheli, *Bananas and Business: The United Fruit Company in Colombia, 1899-2000* (New York: New York University Press, 2005), pp. 88-94.

8 Catherine C. LeGrand, 'Living in Macondo Economy and Culture in a United Fruit Banana Enclave in Colombia' in *Close Encounters of Empire: Writing the Cultural History of U.S.-Latin American Relations*, ed. by Gilbert M. Joseph, Catherine C. LeGrand, and Ricardo D. Salvatore (London: Duke University Press, 1998), pp. 333-68; Bucheli, *Bananas and Business*, p. 92.

significantly different to the one presented by Colby in Central America, paralleling the argument of Tucker that 'banana corporations never dominated national governments [in Colombia], as they did in the smaller countries to the north'.[9]

5.2 The Barranquilla Railway and Pier Company

5.2.1 *Origins*

The Barranquilla Railway was built to avoid 'a shifting and unstable sand bar' within the Magdalena River delta known as the *Bocas de Ceniza*, which 'impeded ocean vessels from reaching [Barranquilla]'.[10] The *Bocas de Ceniza* made any other transportation route between Barranquilla and the outside world impractical, creating a strong monopoly.

Fig. 5.1 – Map showing the BRPC and the Bocas de Ceniza sandbank it was built to avoid

Source: Posada, *The Colombian Caribbean*, p. 118

9 Colby, *The Business of* Empire, p. 158; Richard Tucker, *Insatiable Appetite: The United States and the Ecological Degradation of the Tropical World* (Berkeley: University of California Press, 2000), p. 158.

10 Posada, *Colombian Caribbean*, p. 163.

As was discussed in the first chapter, the original concession for the Barranquilla Railway was awarded to a British man named W.J. Kelly in 1865.[11] However, this agreement was subsequently violated, and the concession was transferred to General Ramón Santodomingo and Ramón Jimeno the same year. The first was the vice president of the state of Bolívar and Chief General of the army in the state. The second was described by Kelly as 'a member of the legislature, and one of the warmest partisans of the government'.[12] These men, 'together with the German immigrant minority and their connections in Bremen, built the railroad'.[13] Ramón Santodomingo was a radical liberal signatory of the 1863 Rionegro constitution. He was also the great uncle of the modern Colombian billionaire Julio Mario Santo Domingo, and the award of the Barranquilla Railway concession represents the family's first step on their way towards entering what Sklair terms the 'transnational capitalist class'.[14] The construction of the railway revolutionised Barranquilla, replacing Santa Marta and Cartagena as the dominant port for international trade.[15] The geography of the river made the railway 'very profitable almost from the outset', attracting a group of wealthy shareholders who rapidly developed majority control of the enterprise[16] I argue in subsequent subsections that the interests of these shareholders led to the company focussing its energies on protecting its monopoly, rather than expanding its operations.

5.2.2 *Javier Cisneros*

The Cuban-American civil engineer Javier Cisneros played an important role in the development of this railway. During the first administration of Rafael Nuñez (1880-1882) Cisneros proposed building a rail extension from Puerto Salgar to Punta de Nizperal, where the

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11 'Daniel O'Leary's despatch No. 12', 24 November 1865, TNA, FO135/88.

12 Ibid.

13 Horna, *Transport Modernization*, p. 144.

14 Sklair, 'The Transnational Capitalist'; Sklair, *The Transnational Capitalist Class*.

15 Juan Santiago Correa, 'El Ferrocarril de Bolívar y la consolidación del Puerto de Barranquilla' (1865-1941)', *Revista de Economía Institucional*, 14 (2012), 241-66 (p. 263).

16 Horna, *Transport Modernization*, p. 144.

waters were more suitable for anchoring ships.[17] He was initially thwarted by local opposition, until he arranged for an associate to purchase the concession and subsequently transfer it to him.[18] Cisneros then gradually transferred 'his property to joint stock companies … in England in order to obtain that nation's influence', influenced by his 'long experience in witnessing intrigues and nationalistic reaction against his enterprises'.[19] This was a tactic subsequently paralleled by Dávila and the CNoRC, on the basis that if threatened, their interests would enjoy British diplomatic intervention. Between 1888 and 1889, Cisneros constructed an extension of the line to Puerto Colombia, where the conditions were more advantageous for ocean going vessels than at Salgar.[20] A modern iron pier was constructed by the British engineer John B. Dougherty using 'British equipment and materials', which when opened on the 15 July 1893, was the third largest in the world, and represented 'one of the most dramatic engineering feats ever witnessed by Colombia'[21]

5.2.3 *Finances*

As Table 5.1 demonstrates, the BRPC was a highly profitable enterprise. Debt was also low: only £100,000 of interest bearing debentures were outstanding between F/Y 1904/05 and F/Y 1920/21. By the end of the F/Y 1926/27, the BRPC had repaid these and was completely debt free.

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17 Horna, *Transport* Modernisation, p. 145.
18 Ibid.
19 Ibid, p. 146.
20 Ibid, p. 146.
21 Illegible to President Reyes, 2 November 1907, AGN, Ferrocarriles, Vol. 320, f. 89; Horna, *Transport* Modernisation, p. 146.

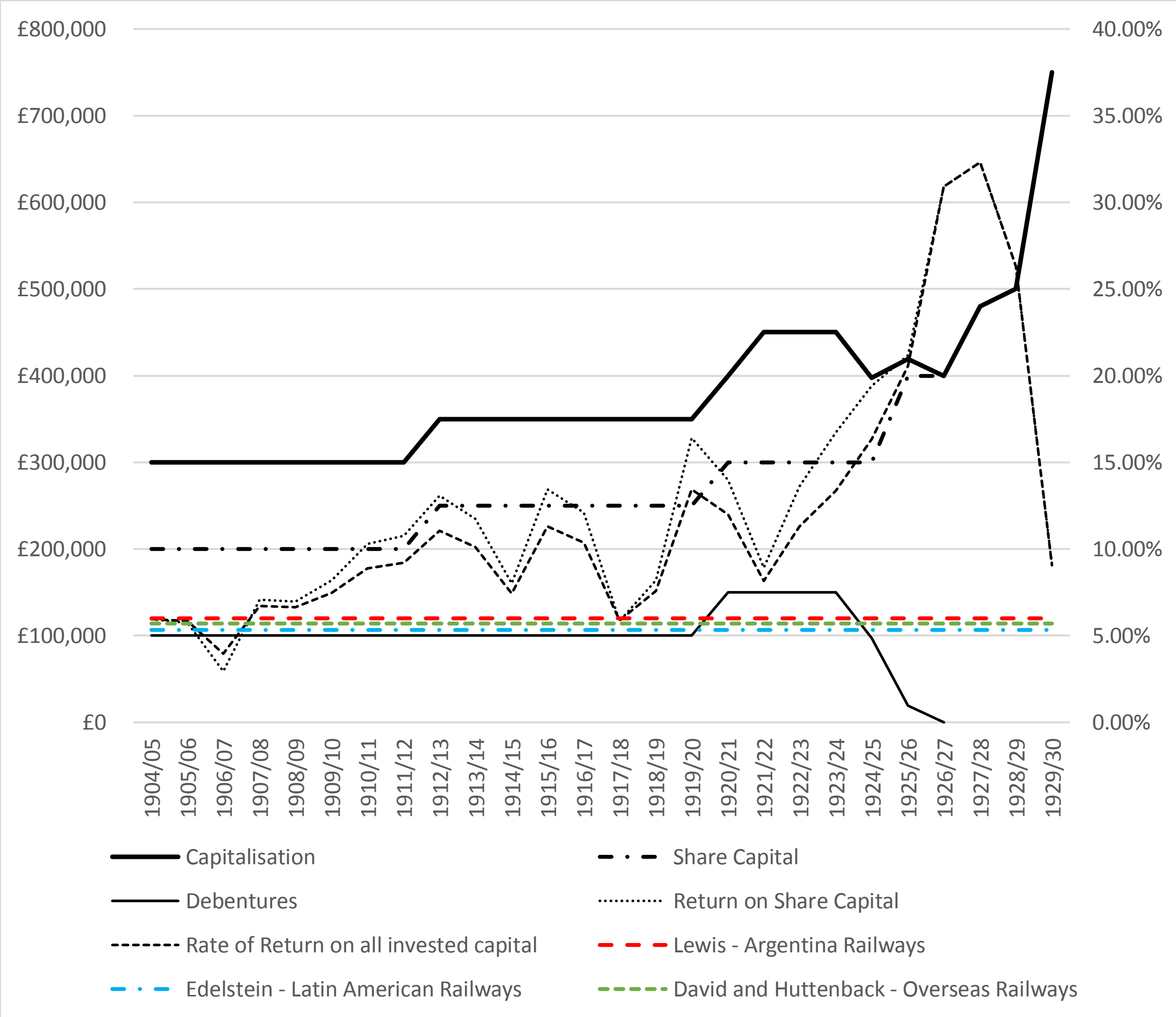
Table 5.1 – The Barranquilla Railway Company Accounts F/Y 1904/5-1929/30

Barranquilla Railway and Pier Company							
F/Y	Gross Receipts (£)	Working Expenses (£)	Net Receipts (£)	Capitalisation	Capital Costs	Rate of Return on all Capital	Rate of Return on Share Capital
1904/05	£48,287	£30,415	£17,872	£300,000	£6,000	5.96%	5.94%
1905/06	£44,371	£26,885	£17,486	£300,000	£6,000	5.83%	5.74%
1906/07	£36,852	£24,960	£11,892	£300,000	£6,000	3.96%	2.95%
1907/08	£43,947	£23,819	£20,128	£300,000	£6,000	6.71%	7.06%
1908/09	£42,724	£22,769	£19,955	£300,000	£6,000	6.65%	6.98%
1909/10	£45,922	£23,526	£22,396	£300,000	£6,000	7.47%	8.20%
1910/11	£53,793	£27,174	£26,619	£300,000	£6,000	8.87%	10.31%
1911/12	£55,551	£27,992	£27,559	£300,000	£6,000	9.19%	10.78%
1912/13	£71,017	£32,292	£38,725	£350,000	£6,000	11.06%	13.09%
1913/14	£70,581	£35,238	£35,343	£350,000	£6,000	10.10%	11.74%
1914/15	£57,123	£31,076	£26,047	£350,000	£6,000	7.44%	8.02%
1915/16	£73,823	£34,207	£39,616	£350,000	£6,000	11.32%	13.45%
1916/17	£74,012	£37,746	£36,266	£350,000	£6,000	10.36%	12.11%
1917/18	£60,183	£39,565	£20,618	£350,000	£6,000	5.89%	5.85%
1918/19	£73,534	£47,011	£26,523	£350,000	£6,000	7.58%	8.21%
1919/20	£129,385	£82,368	£47,017	£350,000	£6,000	13.43%	16.41%
1920/21	£153,864	£105,942	£47,922	£400,000	£6,000	11.98%	13.97%
1921/22	£138,176	£101,395	£36,781	£450,000	£10,000	8.17%	8.93%
1922/23	£151,151	£100,309	£50,842	£450,000	£10,000	11.30%	13.61%
1923/24	£167,686	£107,487	£60,199	£450,000	£10,000	13.38%	16.73%
1924/25	£184,069	£119,137	£64,932	£397,461	£6,687	16.34%	19.42%
1925/26	£241,789	£155,566	£86,223	£419,550	£1,564	20.55%	21.16%
1926/27	£303,889	£180,219	£123,670	£400,000	£0	30.92%	30.92%
1927/28	£334,689	£179,616	£155,073	£480,000	£0	32.31%	32.31%
1928/29	£363,386	£231,770	£131,616	£500,000	£0	26.32%	26.32%
1929/30	£234,937	£166,815	£68,122	£750,000	£0	9.08%	9.08%

Sources: Guildhall Library, Stock Exchange Reports, Boxes 879, 928, 974, 1021, 1067, 1115-6, 1167, 1217-8, 1267, 1318-9, 1369-70, 1420-1, 1469, 1512, 1557, 1602, 1647, 1693, 1738, 1782, 1830, 1879, 1929, 2030, 2081.

Fig. 5.2 illustrates how the share capital of the company increased from £200,000 to £750,000 between F/Y 1911/12 and F/Y 1929/30, because of several bonus shares issuances to existing shareholders. The BRPC received no additional capital from these, and initial shareholders did not relinquish any of their stake in the railway's monopoly. Davis and Huttenback's principal measure of return on capital was set against 'all capital claims'.[22] On this basis, the basic rate of return for the BRPC reached 30% towards the end of the 1920s, significantly higher than Lewis's 6% figure for Argentine railways, Edelstein's 5.33% average for Latin American railways, or Davis and Huttenback's 5.7% average for overseas British railways.[23] Whilst these only provide regional or national averages, the BRPC's profitability is sufficiently high in order to suggest it was comparatively an extremely profitable enterprise.

Fig. 5.2 - Levels of share capital, interest bearing debentures, total capitalisation, return on share capital, and return on all invested capital of the BRPC – F/Y 1904/05 – F/Y 1929/30



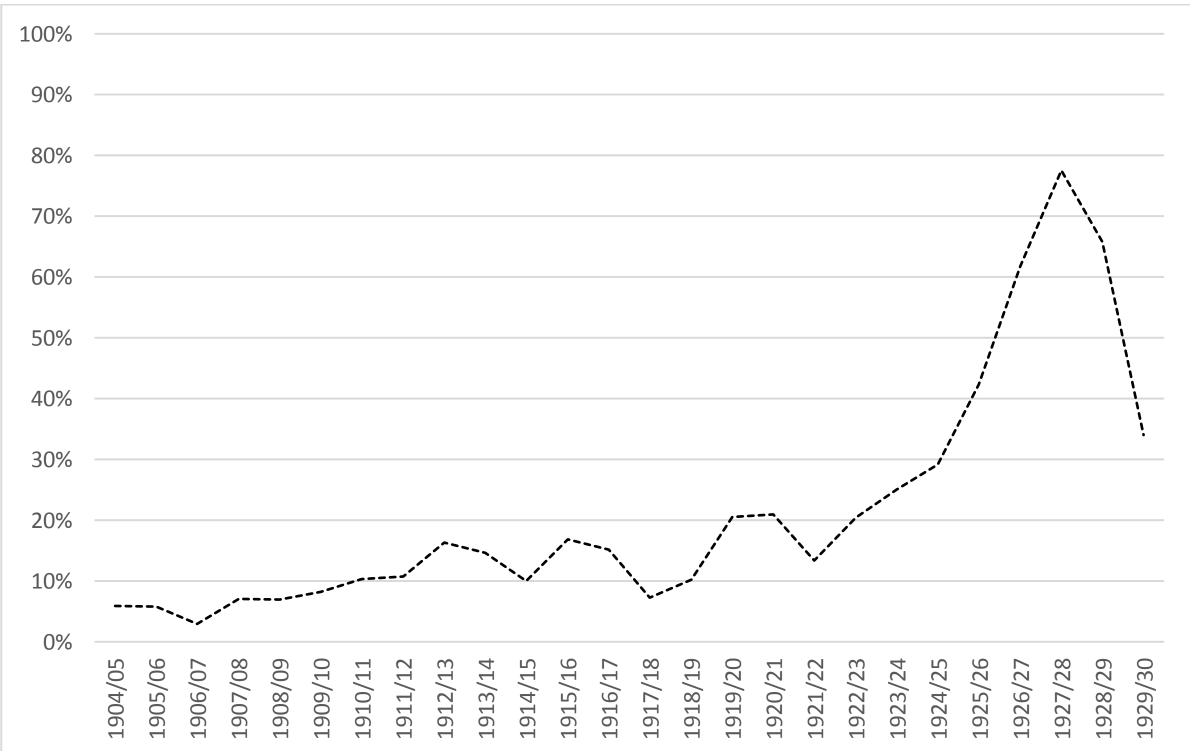
Sources: See table 4.1 and Edelstein, *Overseas Investment*, p. 125; Lewis, *British Railways*, pp. 217; Davis and Huttenback, *Mammon*, p. 117.

22 Davis and Huttenback, *Mammon*, p. 106.

23 Lewis, *British Railways*, pp. 217; Davis and Huttenback, *Mammon*, p. 107; Edelstein, *Overseas Investment*, p. 125.

However, bonus share issuances between F/Y 1912/13 and F/Y 1929/30 make using a basic rate of return 'on all capital claims' flawed and misleading, since for many shareholders the effective return on share capital was substantially higher. Fig. 5.3 displays profits after debenture interest as a proportion of the original share capital of £200,000. This gives a more representative illustration of the experience of shareholders who had held shares before the first bonus shares issuance in F/Y 1912/13. It is particularly important to illustrate the experience of these shareholders, because as the next subsection will demonstrate, large shareholders holding significant interests in 1891 still held a 40% stake in the enterprise in 1920. The figures displayed in Fig. 5.3, are by any means of analysis, monopoly level profits. In these circumstances, the understandable preoccupation of the shareholders was to maintain the lucrative monopoly, rather than expand operations.

Fig. 5.3 – Return on shares held before the first bonus share issuance in F/Y 1912/13



Sources: See Table 1.

Throughout the first three decades of the twentieth century, the BRPC paid a dependable but average nominal dividend income to its shareholders (see fig. 5.4). It only failed to do so twice:

once in F/Y 1906/07, because of the uncertainty surrounding the national government's rights to nationalise the line, and a 'war of rates' with the competing Cartagena railway, and again in F/Y 1919/20, when the board decided against a dividend because of a debenture issuance of £50,000 at 8% to finance reinforcing the pier with concrete. [24] Rippy's argument that Colombian railways were not particularly profitable, which remains unchallenged by the national historiography to date, is based on the average nominal value of dividends paid by the BRPC and other Colombian railways.[25] However, as fig. 5.4 illustrates, the effective dividend income for long term investors was significantly higher. By F/Y 1929/30, shareholders who acquired their stake in the 1910s, 1920s, or before, enjoyed an effective dividend income of between 16% and 20%. Within Latin American historiography only the Panama Railroad Company and the São Paolo Railway Company present a similar shareholder experience.[26] Casson and da Silva Lopes argue investment in high-risk environments such as Latin America depended on risk-management strategies.[27] One such strategy – implemented by the CNoRC, the BRPC and the DRC – was conservative financial management, meaning dividend payments fell well below underlying profitability. As such, underlying profitability is only evident through analysis of accounting records. Since dividend income has been used as the principal measure of profitability internationally, a re-evaluation of the profitability of British railway investment may well be necessary on a much wider basis.

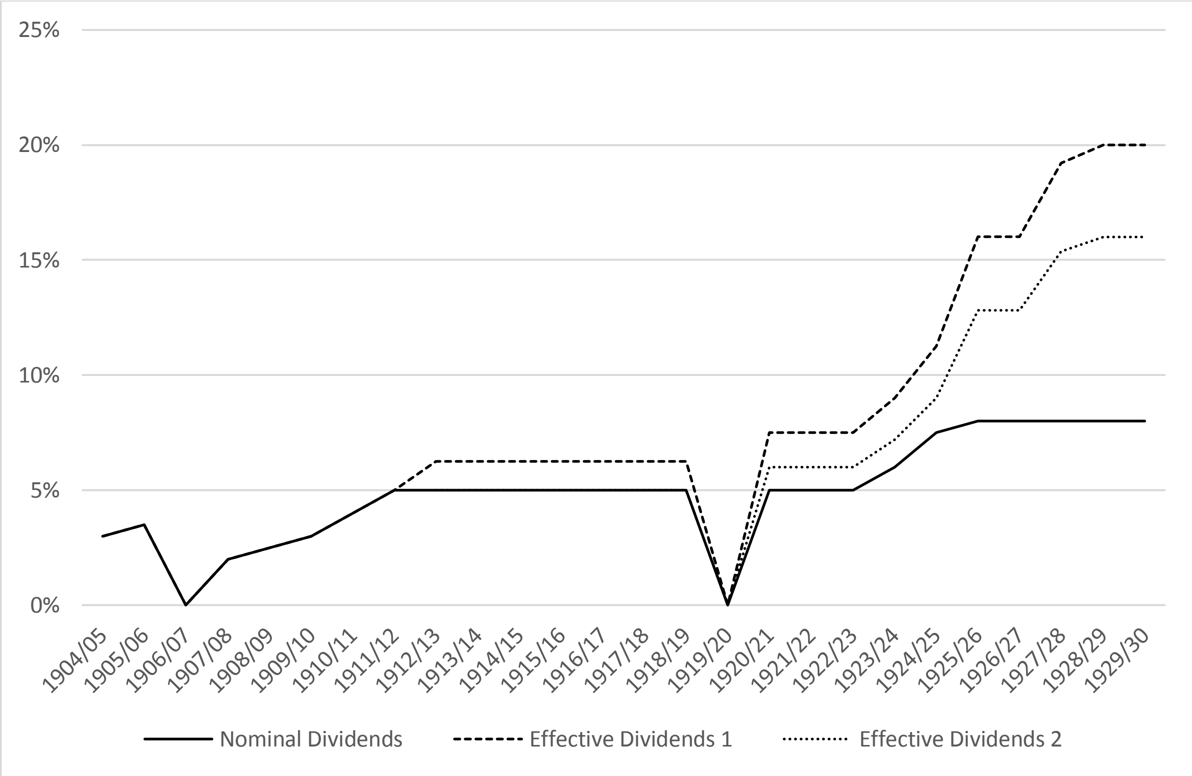
24 'Barranquilla Railway and Pier Company Report of 1907', Guildhall Library, Stock Exchange Reports, Box 974, ff. 1-2; 'Barranquilla Railway and Pier Company Report of 1920', Guildhall Library, Stock Exchange Reports, Box 1602, f. 5.

25 Rippy, *British Investments*, pp. 118-9.

26 Correa, *The Panama Railroad*, p. 132; Lewis, *Public Policy*, pp. 32-3, 54-5.

27 Casson and da Silva Lopes, 'Foreign direct investment'.

Fig. 5.4 – BRPC nominal dividends, effective dividends for shares held before 1912/13 (1), and effective dividends for shares acquired between F/Y 1912/13 and F/Y 1920/21 (2) - F/Y 1904/05 – F/Y 1929/30.



Source: See Table 1.

The BRPC's only potential expansion route was upstream following the banks of the Magdalena River. To provide any extra utility, the railway would need to expand as far as one of the river ports of the interior. The closest, Puerto Wilches (of the GNCRC), was over 500km upstream, the next, Puerto Berrio (of the Antioquia Railway), was over 100km further upstream, then La Dorada (of the DRC) was at least a further 100km upstream. Thus, at the very minimum, the BRPC had to construct 700km of track to link up with the railways of the interior. The Cucuta Railway had plans to expand its line as far as Tamalameque, approx. 200km nearer to the coast than Puerto Wilches. However, 'the project only ever existed in the imagination, and was never realised'.[28] An expansion upstream would have been beneficial for the national economy. Periodic problems of navigability on the river would have been solved,

28 Olga Lucía Pradilla Landazábal 'El ferrocarril de Cúcuta 1876-1960: expresión de unos cambios regionales' Masters Thesis, Pontificia Universidad Javeriana, 2012, p. 86.

and the connection with the interior would have been quicker and more dependable. However, the freight wrestled from the river steamers would not have been sufficient to justify the enormous capital outlay, especially without the security of a government guarantee. The BRPC was already processing all the freight which made its way down the river as far as Barranquilla. For the shareholders, there was little to be gained from a costly and risky expansion project. As subsequent subsections will detail, this led to a focus on improving the pier infrastructure to protect what in 1910 the Foreign Office described as ‘a practical monopoly on the import and export trade’.[29]

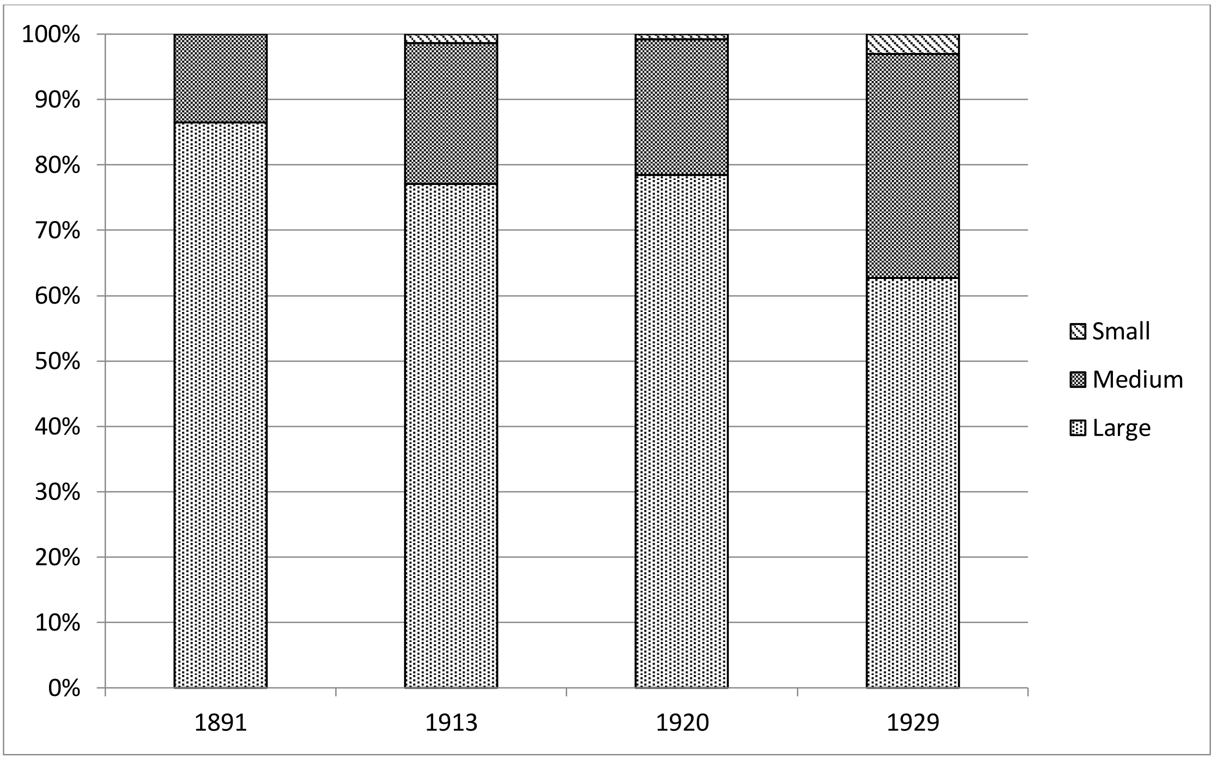
4.2.4 *Shareholders*

The BRPC closely parallels other railways established through the subvention system, which tended to be dominated by large shareholders. Fig. 5.5 demonstrates how small shareholders, elsewhere largely made up of what I term ‘middle-class capitalists’, were almost entirely absent from the BRPC shareholding.[30] In 1891 there was not a single shareholder with a holding under £200. In 1929 this had risen to only 3%. Large shareholders with an investment greater than £2000 decreased from 87% in 1891, to just under 63% in 1929. Medium sized shareholders holding between £201 and £2000 rose from 13% in 1891, to 34% in 1929. This is a stark contrast from the CNRC, where by 1913, small and medium shareholders held a greater stake than large shareholders. This supports the argument made in the previous chapter, that the government guarantee system employed by the CNRC attracted these middle-class capitalists. The evidence available suggests the guarantee system encouraged a less concentrated shareholding pattern, whilst the monopolistic railways created by the subvention system encouraged control by the emerging ‘transnational capitalist class’ or ‘gentlemanly capitalists’.

[29] ‘Report on the Railways of Colombia’ 1910, Vol. XCVI, Cd. 4968, p. 51.

[30] Within shareholder records of British Railway Companies in Colombia those with small shareholdings under £200 in value were often from middle-class backgrounds. The majority were professionals, but lower middle-class businessmen such as butchers, greengrocers and shop-keepers, also appear.

Fig. 5.5 – BRPC shareholders by size



Sources: Shareholder Registers 1891, 1913, 1920, 1929, Companies House, Company No. 26163 (Barranquilla Investments Ltd).[31]

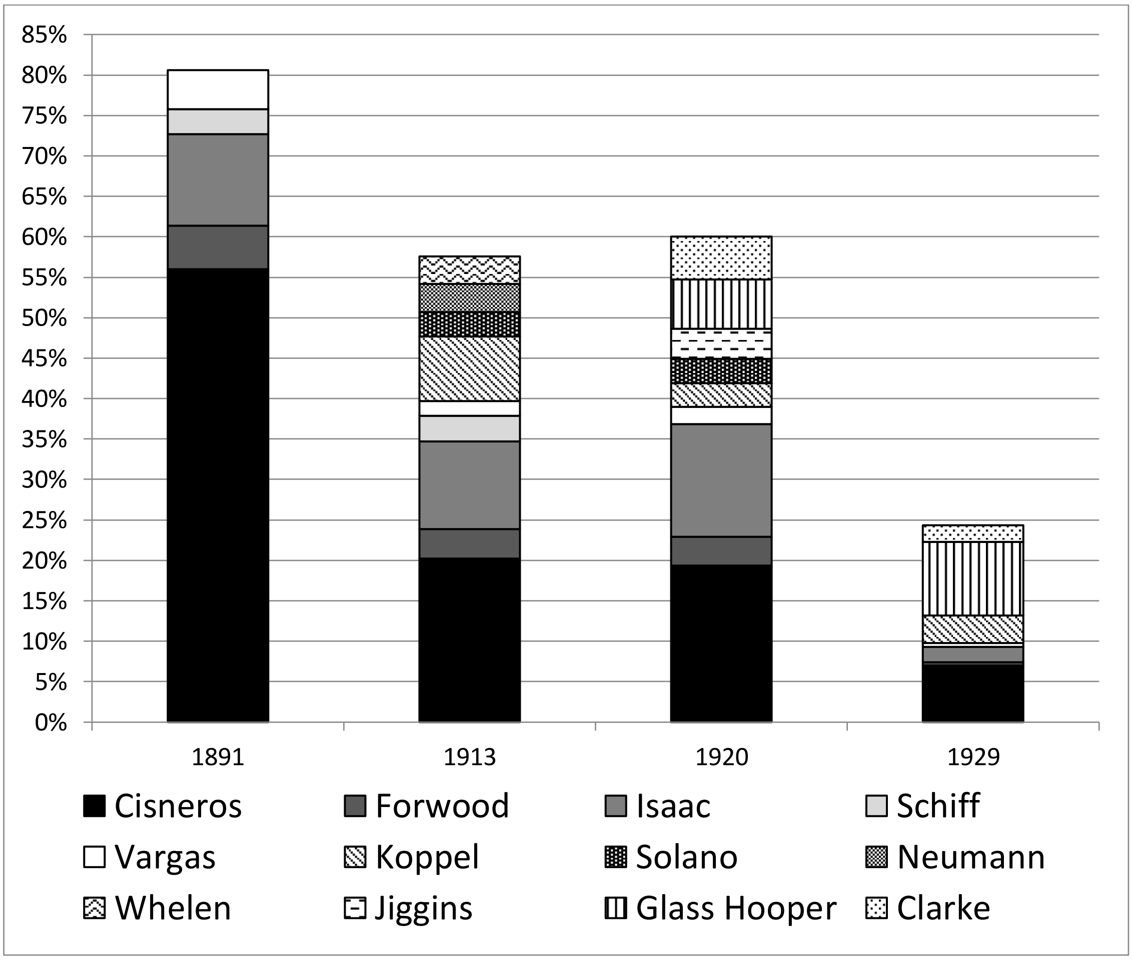
Fig. 5.6 illustrates how Javier Cisneros held a large stake from the outset, which in 1891 represented 56%. At this time five families, including his, controlled over 80% of the share capital. In 1913, this had dropped to approx. 40%. An additional four families had each acquired large interests representing approx. 18%. As a result, nine families controlled 58% of the company. These families were different to the types of investors seen in the interior of the country. Characteristics which stands out are significant wealth, links to international finance and commerce, and membership of what Sklair and Robinson define within the current world economy as the 'transnational capitalist class'. These are characteristically international in nature and unrestrained by national boundaries.[32] One such investor was Bendix Koppel, who owned 8% of the company. Bendix's mother was part of the Warburg family, with banking

31 Throughout this thesis shareholder groups are defined in the following terms: Small Shareholders £1-£200, Medium Shareholders £201-£2,000, Large Shareholders >£2,000.

32 Robinson, *Transnational Conflicts*, p. 39; Sklair 'The transnational capitalist'.

interests throughout the western world. Another was the Isaac family, who were established in both London and Bogotá, and developed their shareholding to almost 14% of the enterprise by 1920. London stockbrokers Alfred and Ernest Schiff held 3% of the company. The Schiff family were influential in both London and New York, and when they died, left estates totalling £1,647,000.[33]

Fig. 5.6 – BRPC major shareholders



Sources: See Fig. 5.5.

Sklair argues 'new technologies' and a 'new global political economy' leading to 'unprecedented mobility of capital' are the motors of present day globalisation through transnational capitalism.[34] This commentary could easily be describing the experience of

[33] *The Palgrave Dictionary of Anglo-Jewish History*, ed. by W. Rubinstein, Michael A. Jolles and Hilary L. Rubenstein (New York: Palgrave, 2011), p. 871.
[34] Sklair, *The Transnational Capitalist Class*, p. 70.

shareholders of the BRPC or other railways in the early twentieth century. Technologies like the telegraph and steamship, meant shareholders – many of who likely never stepped foot on Colombian soil – were able to develop an economic interest which many within the national local elite felt threatened the sovereignty of the entire country. Furthermore, this investment was enabled by the development of what could be termed a 'global political economy', which was enthusiastically embraced by Latin American leaders such as Reyes (Colombia), and Díaz (Mexico). Other shareholders such as the British-South African banker, financier, and mining magnate Sir Sigmund Neumann, London Banker John Leman Whelen, the Jiggins, Clark, and Glass Hooper families, fit much better within the 'gentlemanly capitalist' concept. Most were domiciled in Britain, within either the metropolitan area or in South-East England, and thus fit Cain and Hopkin's classification, which understands this social class as the driving force of British imperialism.[35]. Shareholders with a presence in Colombia maintained strong links to the City of London. Koppel was born in Europe but lived in Colombia. Cisneros was born in Cuba but lived in Colombia and America. These political actors straddle the divide between the national and 'transnational capitalist' class. They lived their lives across borders, exemplifying Sklair's 'citizens of the world' description.[36]

The shareholding records lead to some important questions. Were these shareholding patterns, and the entry of the 'transnational capitalist' or the 'gentlemanly capitalist' into the national economy, beneficial or detrimental for Colombia? We witness a consolidation of control by a small group of powerful and enormously wealthy shareholders, with international interests and influence, who wielded control over infrastructure with an effective monopoly over the international trade of the interior. As the quote opening this chapter demonstrates, the national

[35] Youssef Cassis, *City Bankers, 1890-1914* (Cambridge: Cambridge University Press, 1994), p. 127; Cain, and Hopkins, *British Imperialism*, I; Shareholder Registers for 1891, 1913, 1920, 1929, Companies House, Company No. 26163 (Barranquilla Investments Ltd),.

[36] Sklair, *The Transnational Capitalist Class*, p. 70.

political elite understood the threat these interests posed to national sovereignty.[37] The BRPC underlines a significant problem of capitalist driven economic development in peripheral areas: capital gravitated towards where it was needed least. The infrastructure employed was certainly of a high quality, but this infrastructure was used primarily to protect the railway's monopoly. But could things have been any different? The railway was already constructed by Cisneros before it became a British company. However, to service the needs of the interior, the pier's infrastructure needed to be of a high standard, with sufficient capacity to service most of the country's foreign trade. Ramírez argues 'the lack of technical knowledge' remained a stumbling block to infrastructure development during the 1920s, meaning constructing the pier would have been difficult (if not impossible) without foreign involvement.[38] As the next subsection illustrates, the loss of sovereignty was counterbalanced by access to international capital and engineering expertise. This enabled Colombia to construct transportation infrastructure to service its export trade which assured international competitiveness.

5.2.5 *Civil War, Contractual Dispute and Expansion 1899-1914*

The BRPC was largely unaffected by the guerrilla warfare of the civil war, and the physical impact was less than that suffered by the CNRC, the DRC or the SMRC. According to the company's report for 1903, 'during the long period of the revolution not the slightest damage was sustained by the company's property'.[39] The greatest effect was the decrease in international trade, leading to decreased revenues and profits.[40] The inflation of the Colombian peso was also an issue. The BRPC management attributed success facing the challenges to the

37 'Grave Peligro para la integridad de la Nación – necesidad de nacionalizar los ferrocarriles de la Nación', *El Republicano*, 11 August 1911.

38 Ramírez, 'Los ferrocarriles' in *La infraestructura*, p. 48.

39 'Barranquilla Railway and Pier Company Report of 1903', Guildhall Library, Stock Exchange Reports, Box 787, f. 1.

40 'Barranquilla Railway and Pier Company Report of 1901', Guildhall Library, Stock Exchange Reports, Box 688, f. 1.

local general manager C.P. Yeatman.[41] Whilst material damage to the enterprise was avoided, the civil war paralysed the production and transportation of coffee and other export commodities from the interior. In F/Y 1903/04, a large backlog of goods flowed out of the interior, doubling the tonnage carried and the company's profits.[42]

In the aftermath of the war, the BRPC's most pressing issue was clarifying the government's contractual right to nationalise the railway, which was unclear and led to a protracted legal case. The original concession contract entered legislation through *ley 49 de 1884,* and included a clause enabling nationalisation twenty years after the railway reached Puerto Belillo.[43] The BRPC and national government disagreed over when this twenty-year period began. The national government felt the clause came into effect as of June 1907, twenty years after the extension of the railway was completed.[44] The BRPC argued the twenty-year period should start from the point at which 'the pier [extension] was opened to public traffic … [on] the 15 June 1893' representing an end date of 15 June 1913.[45] This disagreement was based on different interpretations of the original contract. The contact stated:

> After twenty years (20) from the date when the railway shall have been extended as far as Puerto-Belillo and open for traffic, the government may redeem the whole railway with its annexes and accessories for the sum at which the railway and accessories may be valued for their material value by experts appointed by the government.[46]

The uncertainty occurred because the pier was not specifically referenced within the clause, leading to a debate over whether 'railway' referred to the whole enterprise including the pier, or just the terrestrial track. Colombian courts eventually ruled in favour of the BRPC, setting

41 'Barranquilla Railway and Pier Company Report of 1902', Guildhall Library, Stock Exchange Reports, Box 737, f. 1.

42 'Barranquilla Railway and Pier Company Report of 1904', Guildhall Library, Stock Exchange Reports, Box 830, f. 1.

43 Illegible to Reyes, 2 November 1907, AGN, Ferrocarriles, Vol. 320, ff. 88-91.

44 Illegible (Barranquilla Railway and Pier Company) to Grey (Foreign Secretary), 15 February 1908, TNA, FO371/436, f. 310.

45 AGN, Ferrocarriles, Vol. 320, f. 91.

46 Illegible (Barranquilla Railway and Pier Company) to Grey (Foreign Secretary), 15 February 1908, TNA, FO371/436, f. 310.

the first opportunity for nationalisation as the 15 June 1913.[47] Two further opportunities for nationalisation would follow at ten-year intervals. The first in 1923 allowed purchase with a 20% discount; the second in 1933 included a 40% discount.[48] After courts ruled in favour of the BRPC, it remained unclear whether the national government would subsequently nationalise the railway. This inhibited modernisation and investment. The 1912 *Proyecto de Ley Sobre Ferrocarriles* created a legislative basis for the nationalisation of the coastal railways, adding to the general feeling of uncertainty for the BRPC.[49] At the annual meeting of shareholders in 1913, the company secretary commented that:

> For two or three years past, and until the contract with the executive was signed (only a few weeks ago), they had been living, so to speak, from hand to mouth, fearing to order rolling stock in advance of actual requirements lest it might be left on their hands in the event of the government's exercising its right of purchase, and they had been quite unable to take in hand such important works as the extension of the pier.[50]

When the first opportunity for nationalisation arrived on the 15 June 1913, Colombia's unfavourable financial position meant funding the nationalisation was unfeasible. Both parties also viewed nationalisation as undesirable at this time. Additional capacity for vessels on the pier was indispensable to the developing export economy.[51] Waiting another decade assured the pier extension would be completed with foreign capital and engineering expertise, and the second opportunity for repurchase in 1923 included a 20% discount.[52] Forgoing this opportunity to repurchase the railway, assured another decade of operations for the BRPC, and

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47 Illegible (Barranquilla Railway and Pier Company) to Grey (Foreign Secretary), 15 February 1908, TNA, FO371/436, f. 310.

48 Illegible (Barranquilla Railway and Pier Company) to Grey (Foreign Secretary), 15 February 1908, TNA, FO371/436, f. 310.

49 'Proyecto de Ley "Sobre Ferrocarriles"', 30 October 1911, AGN, Congreso Legislativo, Vol. 1579, ff. 39-55.

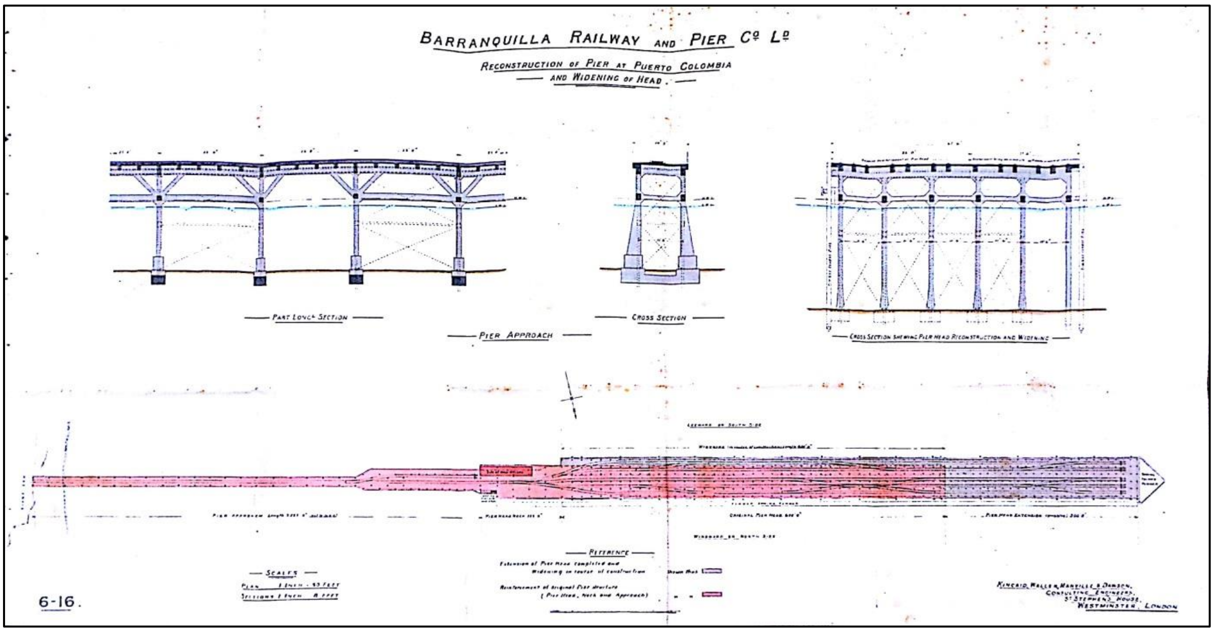
50 'Barranquilla Railway and Pier Company Limited', *The Times*, 1 November 1913.

51 'Proyecto de Contrato entre el Gobierno de Colombia y The Barranquilla Railway & Pier Company, Limited', AGN, Ferrocarriles, Vol. 321, ff. 258-60; Illegible (Barranquilla Railway and Pier Company) to Grey (Foreign Secretary), 15 February 1908, TNA, FO371/436, f. 310.

52 Illegible (Barranquilla Railway and Pier Company) to Grey (Foreign Secretary), 15 February 1908, TNA, FO371/436, f. 310.

some semblance of stability. The pier had represented a bottleneck for international trade, and the BRPC immediately began pier expansion to provide sufficient capacity for the growing demands of Barranquilla. Colombia could only export what its rudimentary system of transportation could cope with, and as the principal point of exchange with the world economy, the pier at Puerto Colombia was an indispensable part of this. The uncertainty surrounding the BRPC's position benefited the Cartagena Railway, which as a competing route, was able to compensate for the delay in the improvements of the BRPC's infrastructure.

Fig. 5.7 – Plans for expansion of the BRPC pier, 1916



Source: Kincaid, Waller, Manville & Dawson Consulting Engineers, June 1916, AGN, Ferrocarriles, Vol. 321, f. 405.

Fig. 5.7 presents the engineers' plans for the Puerto Colombia pier expansion, which included adding an extra 300 feet to the pierhead, increasing its length by 50%. The pierhead was also widened, increasing the surface area by 80%, and adding an extra rail along its length. In addition, the wooden surface of the iron and steel pier would be replaced with reinforced concrete. The additional 300ft meant the pier now stretched 4300ft, or 1.31km out to sea.[53]

[53] Correa states that before the expansion the pier was 4,000ft long. Plans of the extension state 300ft was added to the end: Correa, 'El ferrocarril de Bolívar', p. 257; Plan of Pierhead elaborated by Kincaid, Waller, Manville & Dawson Consulting Engineers, June 1916, AGN, Ferrocarriles, Vol. 321, f. 405.

Like the Manizales-Mariquita ropeway, which is covered in the next chapter, in terms of scale and quality, the pier was comparable to the best examples of the technology in the world. The extension and widening of the pier was completed in February 1916; reconstruction in reinforced concrete began immediately and was completed in December 1923.[54] Figs. 5.8 and 5.9 provide a view of the original 1893 pier and the 1923 reinforced concrete pier. As the principal point of exchange for the export economy, these changes were essential to the subsequent development of the national economy, which in the 1920s entered an unprecedented period of growth based on coffee exportation termed '*el despegue cafetero*'.[55] The lack of a pier extension would have inhibited this economic growth, until the 'Pacific route' to Buenaventura reached the coffee growing region of Caldas in 1930.[56]

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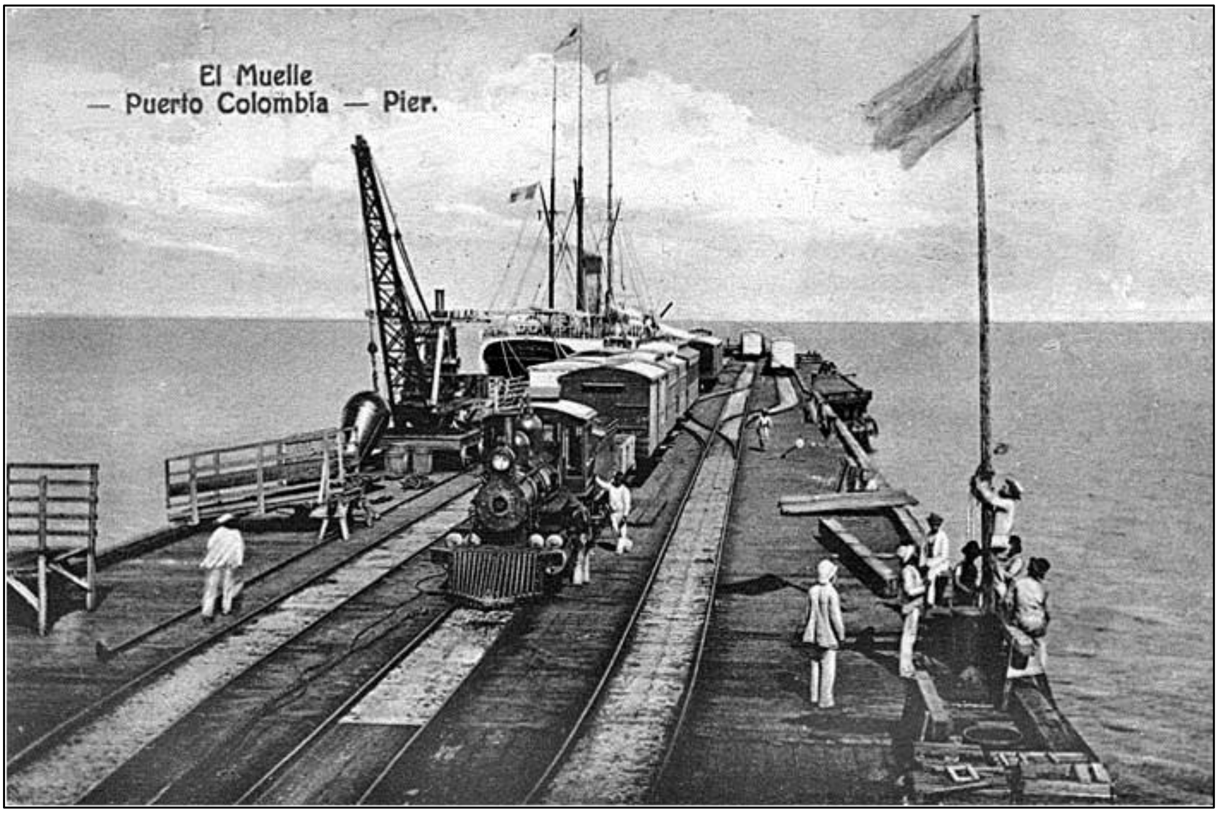
54 'Barranquilla Railway and Pier Company Limited, Report of the Directors, presented 28th November 1917', Guildhall Library, Box 1469, p. 3; 'Barranquilla Railway and Pier Company Limited, Director's report for the year ending 30th June, 1924' Guildhall Library, Box 1782, p. 3.

55 Bejarano, 'El Despegue Cafetero'.

56 Posada, *Colombian Caribbean*, p. 160.

Fig. 5.8 – Image of the original iron and steel pier c. 1900s



Source: Allen Morrison Collection, http://www.tramz.com/co/ba/ba.html accessed 26/06/2016.

Fig. 5.9 – Image of the new pier c. 1920s

Source: Alvaro Mendoza Collection, http://www.tramz.com/co/ba/ba.html accessed 26/06/2016.

5.2.6 *Competition, redundancy and Nationalisation: 1914-1933*

Competition between Caribbean ports had been ongoing since the colonial period in Colombia. During Colonial times Barranquilla had been a minor port of little economic consequence, and Santa Marta and Cartagena dominated international trade. The railway transformed Barranquilla into Colombia's principal international port.[57] In an attempt to wrestle back control over international trade, a railway was hastily built between the port of Cartagena and the Magdalena river port of Calamar. This subsequently suffered 'from the results of cheap construction' in the form of high maintenance costs, and a 'distinctly primitive' means of transferring goods to river steamers.[58] In December 1906, a 'war of rates' between the BRPC and the Cartagena route occurred.[59] Each railway had created strategic alliances with a corresponding river steamer company. Their aim was that by lowering freight charges to non-remunerative levels, they could wrestle freight away from their competitor, and strengthen their monopoly. The Foreign Office commented that the results of this policy were 'disastrous' for both sides.[60] Barranquilla was in a superior position to serve the export trade, because the infrastructure in place at Puerto Colombia was superior to that implemented at the terminus of the Cartagena railway, which the Foreign Office described as being not fit for purpose.[61] However, where the Cartagena railway lacked infrastructure it made up for in strategy. In 1912 the Cartagena (Colombia) Railway Company merged with the Colombia Navigation Company (which ran a riverboat service on the Magdalena River), creating the Colombian Railways and Navigation Company.[62] This meant through-rates and an integrated service from La Dorada to the Caribbean could be offered, and even when the Barranquilla Railway was used as the transit

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57 Correa, 'El ferrocarril de Bolívar'.

58 'Report on the Railways of Colombia' 1910, Vol. XCVI, Cd. 4968, p. 16.

59 'The Barranquilla Railway and Pier Company Limited, Report of the directors, 25th October 1907' Guildhall Library, Box 974, p. 1.

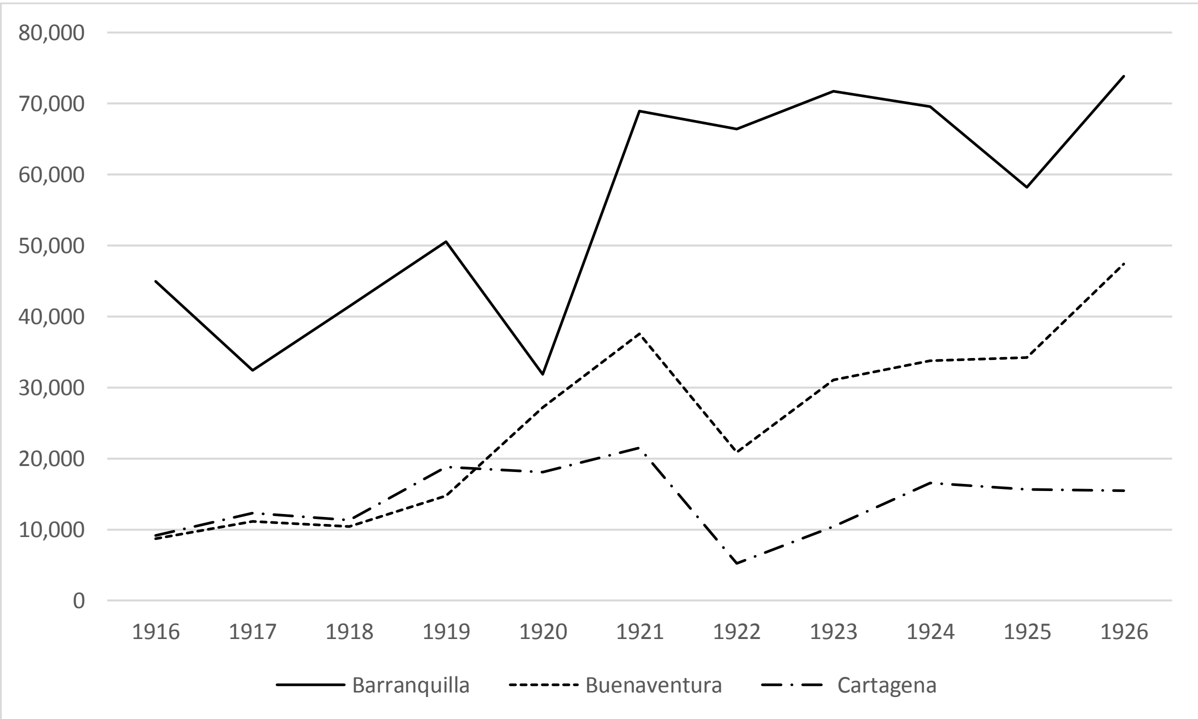
60 'Report on the Railways of Colombia' 1910, Vol. XCVI, Cd. 4968, p. 17.

61 Ibid.

62 'Articles of Association – Colombian Railways and Navigation Company Ltd.' TNA, BT31/37496/88115; 'The Cartagena Railway Amalgamation', *The Times*, 22 October 1912.

point, the Colombian Railway and Navigations Company (holding company for the railway) was often the company transporting the goods by river steamer from the interior to Barranquilla, leading it to become 'the largest transport company in the Magdalena' on the basis of its riverboat operations.[63] This tactic seems to have been influenced by Shirley Jenks's interests in river navigation, the Cartagena Railway, and the CNRC.[64] One reason Jenks developed these interests was an effort to stimulate urban growth in Cartagena because of his investment in the city's water supply (covered in chapter 4).[65] Jenks's interweaved interests in railway and river navigation facilitated a better integrated service than offered by the BRPC.[66]

Fig. 5.10 – Colombian coffee exports by port, 1916-26 (tons)



Source: Posada, *Colombian Caribbean*, p. 161.

As fig. 5.10 elucidates, in the late 1910s to early 1920s, Jenks's Cartagena route had some limited success in acquiring a greater share of Colombia's coffee exports. However, other than

63 'Pineda Lopez & Cia', *El Tiempo*, 2 May 1911; Posada, *Colombian Caribbean*, p. 171.
64 Thomas Fischer, 'Empresas de Navegación', pp. 1010-11; 'Ferrocarril de Santa Marta – La Prorroga del Contrato Peligros de Soberania', *El Tiempo*, 11 January 1912.
65 'Adjourned Public Examination of the Debtor Shirley Hatton Jenks', 5 February 1929, Document in Private Collection of Shirley Jenks' papers held by Tacy Rickard, Teignmouth, Devon.
66 The Colombian Navigation Company Ltd.', *El Republicano*, 22 August 1911.

a brief anomaly in 1920 where Barranquilla's share of coffee exports dropped to approx. 150% of Cartagena's, Barranquilla's status as Colombia's principal export port was not challenged. In contrast, the development of what Posada defines as the 'Pacific route', was a serious threat to Barranquilla's role as export hub, and indeed that of the Caribbean region more generally.[67] Fig. 5.10 demonstrates how by 1926, Buenaventura was close to equaling Barranquilla as a hub for coffee exportation. This was influenced by the opening of the Panama Canal in 1914, which enabled Buenaventura to serve both the Pacific and Atlantic trade routes. The integration of the railways of Caldas with the Pacific Railway network also played a part. In 1927, a branch off the Pacific railway's main trunk line reached Armenia, and in 1930, the branch reached Pereira, providing a direct outlet to the Pacific for the most prolific coffee producing region of the interior.[68] As is explored in chapter six, prior to the development of the Pacific railway, the coffee production of this zone was carried across the Andes on the Manizales-Mariquita ropeway of the DRC, forwarding it on to Barranquilla from the river port of La Dorada.

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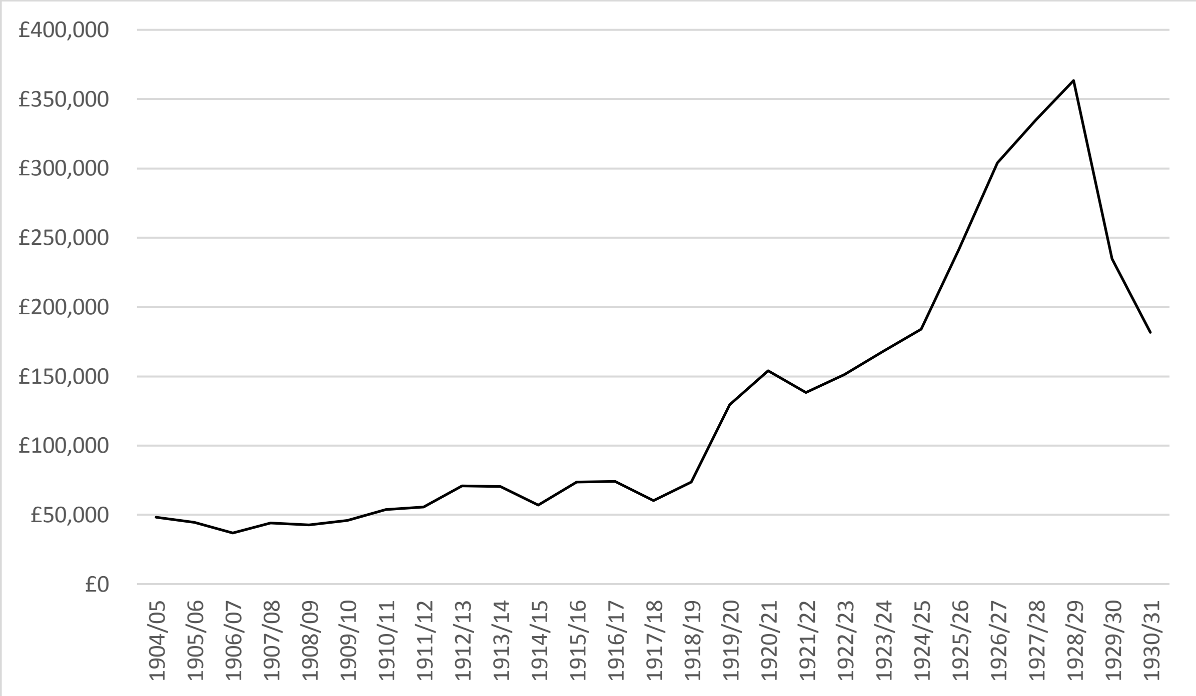
[67] Posada, *Colombian Caribbean*, p. 160.

[68] Hoffmann, 'History of Railway Concessions', pp. 77, 82-4.

Fig. 5.11 – BRPC annual receipts F/Y 1904/05 – F/Y 1930/31



Source: F/Y 1904-F/Y 1929/30: See Table 1, F/Y 1930/31: 'Company Results' *The Times*, 4 November 1931.

Fig. 5.11 illustrates that the Pacific Railway, Buenaventura, and world financial crisis of 1929 combined to substantially impact the railway's income. In the space of two years, between F/Y 1928/29 and F/Y 1930/31, annual income almost halved from £363,000 to £182,700. The situation of the BRPC was complicated further by the national government's attempts to open the *Bocas de Ceniza*. As was explained at the beginning of the chapter, this 'shifting and unstable sand bar' was the geographical basis of the BRPC's monopoly.[69] Without this barrier, the railway would lose its *raison d'être*. The national government were also aggressively pursuing the nationalistic policy towards the coastal railways established in the 1912 *Proyecto de Ley Sobre Ferrocarriles*.[70] By May 1932, the national government was blocking BRPC remittances to London for taxes and administrative costs, signaling its intention to take advantage of the repurchase clause in 1933.[71] The railway was finally purchased by the national

69 Posada, *Colombian Caribbean*, p. 163.

70 'Proyecto de Ley "Sobre Ferrocarriles"', 30 October 1911, AGN, Congreso Legislativo, Vol. 1579, ff. 39-55.

71 'Barranquilla Railway and Pier.', *The Times*, 2 May 1932.

government on the 15 June 1933 for $1,645,333.90 (£339,244), which would be paid over ten years in installments which included 6% annual interest.[72] The sale of the railway was a positive outcome for the BRPC, which the management called ‘a very fair and satisfactory settlement’.[73] This capital was invested into commercial property in London, and the BRPC changed its name to Barranquilla Investments.[74] In December 1936 a few years after the sale, the *Bocas de Ceniza* were officially ‘declared open’ by the national government.[75] This meant infrastructure was ultimately redundant, and by 1940 the railway ‘had been practically abandoned’.[76] Correa summed up the irony of the final years of the railway, commenting that ‘the government bought [a railway] which it very quickly made obsolete with the completion of [the *Bocas de Ceniza*] works’.[77] This thesis explains these actions. As previous chapters demonstrated, post 1909 Colombian railway policy was not driven by the economic rationality Correa feels should drive policy. It was driven by nationalism.

5.3 **The Santa Marta Railway Company**

Of all British railways in Colombia, the SMRC was most closely linked to economic activities often characterised as economic imperialism. Indeed, the railway’s development largely parallels the ‘railway imperialism’ model presented by Robinson, other than the lack of immigration. In Latin America, this turned countries or regions ‘into an economic satellite as easily as a self-governing colony’, but crucially, when railways were established ‘at the end of shipping lines’, they ‘tended to integrate a country’s economic development into a free-trading, international economy and leave the ownership of its economic assets in local hands’.[78] This

72 ‘Barranquilla Railway and Pier Company.’, *The Times*, 22 Dec. 1933.

73 ‘Company Meetings – Barranquilla Railway and Pier Company – Property taken over by government’, *The Times*, 22 December 1933.

74 The company remains trading today as a holding company for a large commercial property portfolio in central London. A business which in recent years has been perhaps even more lucrative than the railway was in its heyday. ‘Barranquilla Investments’, *The Times*, 29 January 1957.

75 Posada, *Colombian Caribbean*, p. 167.

76 Posada, *Colombian Caribbean*, p. 170.

77 Correa, *El ferrocarril de Bolívar*, p. 263.

78 Robinson, *Railway Imperialism*, pp. 184-5.

was certainly true for the area surrounding Santa Marta, where, as Tucker argues, the local elite 'maintained control of most of the country's banana land'.[79] Kepner and Soothill noted in their 1935 study *The Banana Empire*, that the SMRC was the UFC's main means of control over the banana producing region.[80] Since the UFC did not control the land, they had to use the railway to stop 'competitors from entering the market'.[81] Sklair argues late twentieth century transnational capitalism is characterised by 'the emergence of a global culture and ideology of consumerism, based on the promotion of global brand consumer goods and services'. This is consistent with LeGrand's study of the banana zone in the early twentieth century, where the UFC and SMRC brought with them 'colgate, quaker oats, … Chevrolet cars, and Firestone and Goodyear tires'.[82] The impact of what I term the tri-company UFC/Fyffes/SMRC transnational business alliance (covered in detail below) on the banana region, was great from a social and cultural as well as an economic perspective. However, as LeGrand argues, the UFC 'did not wield absolute power'.[83]

The representation of the SMRC's and the UFC's relationship as monolithic and the UFC's economic power as omnipotent, is prominent within Colombian popular culture. The banana massacre occurred when the Colombian army opened fire on a large group of banana workers engaging in an anti-UFC strike in December 1928. In the Nobel prize winning novel *Cien años de soledad*, Gabriel García Márquez describes how the naïve desires of the inhabitants of Macondo to 'link the population with the rest of the world' by 'brining the railway', led to the arrival of North American imperialists.[84] The novel's climax sees José Arcadio Segundo waking up on a pile of dead banana workers in one of the SMRC's carriages, on their way to

79 Tucker, *Insatiable Appetite*, pp. 158-9.
80 Charles David Kepner and Jay Henry Soothill, *The Banana Empire: A Case Study of Economic Imperialism* (New York: Russell & Russell, 1935), p. 164.
81 Posada, *The Colombian Caribbean*, p. 55
82 LeGrand, 'Living in Macondo', p. 345.
83 Ibid, p. 354.
84 Gabriel García Marquéz, *Cien Años de Soledad* (Barcelona: Bruguera, 1985), pp. 213-20.

be dumped into the ocean.[85] The prominent position within García Márquez's novel has burnt the event into the public consciousness, significantly influencing even recent historiography.[86] The SMRC is presented as complicit in the massacre, explicitly in the novel, implicitly within recent historiography.[87] Historically, the Banana workers strike was a popular manifestation of the nationalist stance towards foreign capital which developed following the *Quinquenio*. Following the event, the UFC described one of the leaders of the strike as 'a most dangerous communist', illustrating that the government's response – of breaking up the meeting by murdering the attendees – was influenced by the hysterical fear of communism spreading throughout the western world.[88] The events of the Massacre would lead one to assume political elites accepted subservience to foreign capital, and Bucheli presents the 'conservative hegemony' (1886-1930) as an unbroken period of a consistent receptive stance to the UFC and foreign capital.[89] Subsequent subsections detail that these perspectives are mistaken, and that the whole spectrum of Colombian society offered agency and resistance in the face of the UFC's encroachment. Ultimately, just as LeGrand argued, the reality of the SMRC's and UFC's relationship with the region, was far more complex than has generally been acknowledged by the historiography.[90] This chapter illustrates that political elites and the wider public recognised the threat posed by the UFC and the SMRC, and details agency from across Colombian society in the face of UFC's increasing economic grip on the banana zone.

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85 García Marquéz, *Cien Años*, pp. 290-91.

86 Eduardo Posada-Carbó, 'Fiction as History: The Bananeras and Gabriel García Márquez's One Hundred Years of Solitude', *Journal of Latin American Studies*, 30 (1998), 395-414; Dan Koeppel, *Banana: The Fate of the Fruit That Changed the World* (London: Penguin, 2008), p. 84-6; Mario Bernardo Figueroa Muñoz 'Recuerdo y escritura. A proposito de la massacre de las bananeras en García Márquez' in *Bananeras: Huelga y Masacre 80 Años* ed. by Mauricio Archila Neira (Bogotá: UNAL, 2009) pp. 173-90.

87 García Marquéz, *Cien Años*, pp. 290-9.; Kevin Coleman, 'The Photos That We Don't Get to See, Sovereignties, Archives, and the 1928 Massacre of Banana Workers in Colombia' in *Making the Empire Work: Labour and United States Imperialism*, ed. by Daniel E. Bender and Jana K. Lipman (London: New York University Press, 2015), pp. 112-23.

88 'Memorandum, Colombian Division', United Fruit Company, 8 March 1929, reproduced in: Coleman, 'The Photos', p. 107.

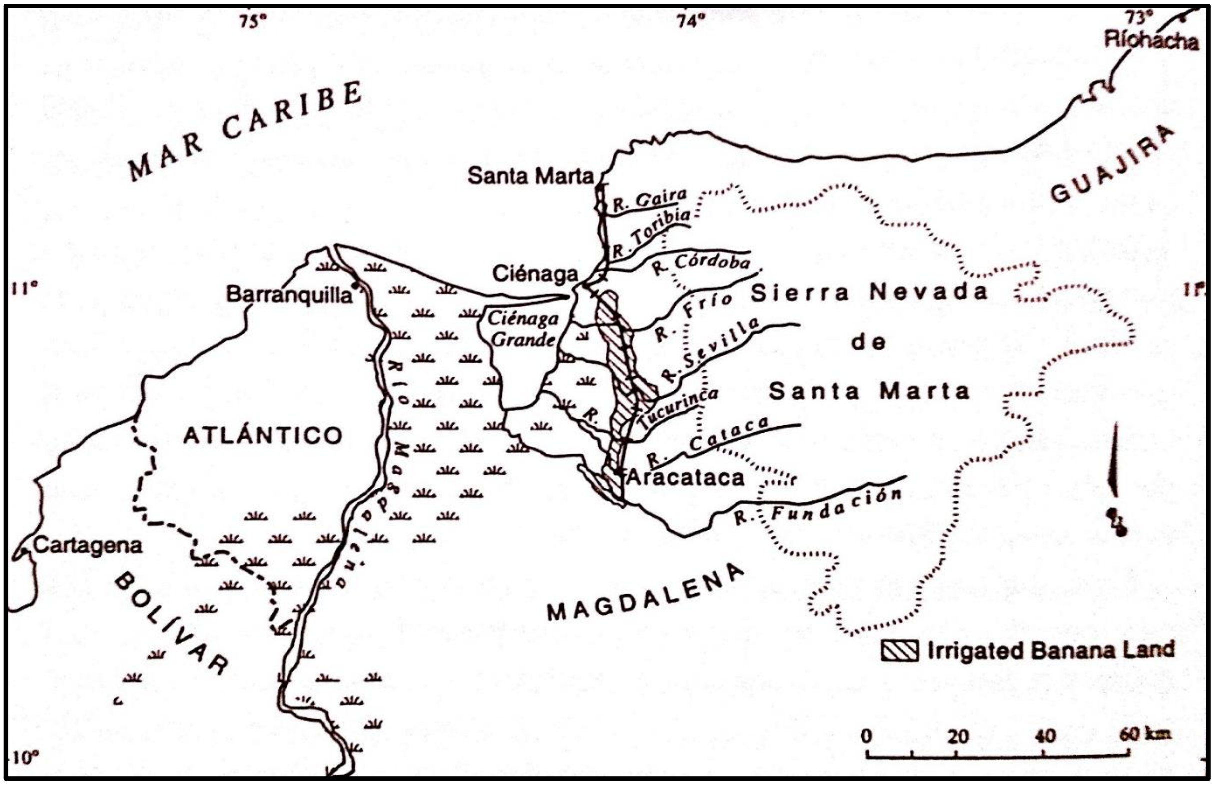
89 Bucheli, *Bananas and Business*, pp. 88-94.

90 LeGrand, 'Living in Macondo', p. 353.

5.3.1 *Origins*

Like other coastal railways, the SMRC was established to connect a Caribbean port with the Magdalena River.[91] The main motivation was regional competition between the ports. Once the first section of the railway was completed, the cultivation of export crops soon followed.[92] As such, 'banana production in the zone went hand-in-hand with railroad construction', and when the railway reached Cienaga in 1887, 'banana fields sprang up to the south', the extent of which are illustrated in fig. 5.12 below.[93]

Fig. 5.12 – Map of the SMRC and banana producing region



Source: LeGrand 'Living in Macondo', p. 338.

The origins of the American banana trade can be traced back to Captain Lorenzo Dow Baker, who in March 1871 used his Cape Cod fishing schooner to transport bananas from Jamaica to

91 Anonoymous, *Ferrocarril de Santa Marta* (Bogotá: Imprenta de Vapor de Zalamea, 1889).
92 Ortega, *Ferrocarriles Colombianos*, p. 591; Maurice P. Brungardt, 'The United Fruit Company in Colombia' in *American Business History: Case Studies*, ed, by Henry C. Dethloff and C. Joseph Pusateri (Arlington: Harlan Davidson, 1987), pp. 235-56 (p. 237).
93 Brungardt, 'United Fruit in Colombia', p. 237.

Boston.[94] The experiment was a success, and by 1885, Baker consolidated the trade by forming the Boston Fruit Company through a partnership with 'twelve New Englanders' with $15,000 of capital.[95] The floatation of the SMRC in 1887 thus coincides with the birth of the banana trade in the western hemisphere. The trade was a foreign undertaking involving British and American interests working in alliance almost from the outset. Minor Keith arrived in 1894, and 'began buying land in Santa Marta, and set up a branch of his export operations'.[96] His story illustrates that the banana trade was directed by 'transnational capitalists' unconstrained by national borders: he was an American who spent the 1870s building railways and business interests in Central America, subsequently listing the 'Colombian Land Company' in London to develop the export trade in Colombia. [97] Keith amalgamated the London-based Colombian Land Company with the Boston Fruit Company in 1899 forming the UFC.[98] In 1903, Keith began building a shareholding in Britain's leading banana importer Fyffes, and as subsequent subsections detail, in 1913, the UFC achieved complete control of the business's interests in the banana zone, which included the SMRC.[99] Without the American banana trade, Santa Marta could easily have become a coffee producing region. Indeed, in 1905, the value of coffee produced for export around Santa Marta was still comparable to the burgeoning banana trade.[100] But the lucrative banana trade created a stampede to cultivate land served by the railway, and exports increased exponentially during 1904-10. As fig. 5.13 illustrates, by 1910, the region of Santa Marta was exporting 4,370,000 bunches per annum, all transported by the SMRC.

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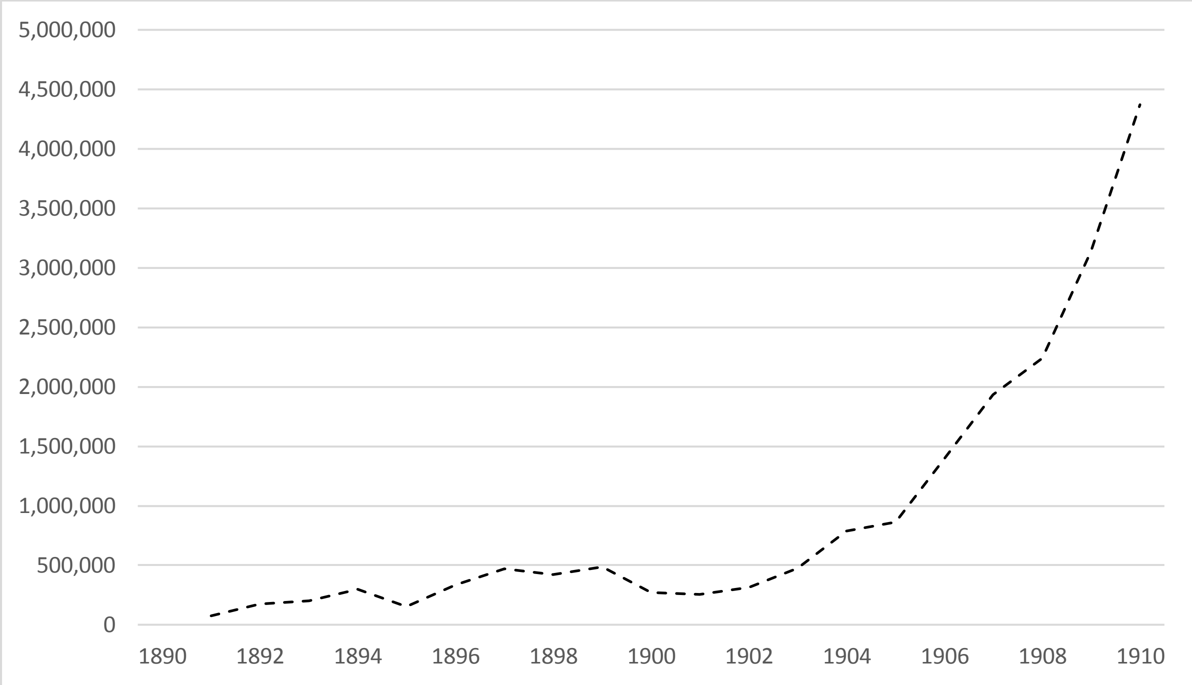
94 Peter N Davies, *Fyffes and the Banana: Musa Sapientum, A Centenary History 1888-1988* (London: Athlone, 1990), p. 26.
95 Davies, *Fyffes*, p. 30.
96 Tucker, *Insatiable Appetite*, p. 159.
97 Ibid, 'Articles of Association – Colombian Land Company', TNA, BT 31/5238/35603.
98 Davies, *Fyffes*, pp. 35, 96.
99 Davies, *Fyffes*, pp. 122, 257.
100 'Report for the year 1905 on the trade of Santa Marta' 1906, CXXIII, Cd. 2682-78, p. 747

Fig. 5.13 – Number of banana stems exported through the port of Santa Marta, 1891-1910



Sources: 1891-1908: 'Report on the Railways of Colombia' 1910, Vol. XCVI, Cd. 4968, p. 51. 1909: 'Report for the year 1909 on the trade of Santa Marta' 1910, Vol. XCVII. p. 501, 1910: 'Report for the year 1910 on the trade of Santa Marta' 1911, Vol. XCI, Cd. 5465-131, p. 302.

The departmental and national governments provided many benefits with the SMRC concession to entice investment. These included: a $60,000 per year subvention for a period of five years, waiving tariffs on imported materials, and a land grant of 100,000 hectares.[101] The expansion of the banana trade and the UFC, was strongly linked to the policies of the *Quinquenio*.[102] Reyes introduced 'loans of $15 for each hectare of land brought into banana cultivation, as well a tax exemption on exports'.[103] These policies led to him being considered 'the most receptive president to foreign investment' in Colombia's history, with a special connection to the UFC.[104] This connection means he is viewed by some as a traitor to foreign

101 Ortega, *Ferrocarriles Colombianos*, p. 591; Brungardt, 'United Fruit in Colombia', p. 239.
102 Bucheli, *Bananas and Business*, pp. 88-91.
103 Joaquin Viloria de la Hoz, *Empresarios del Caribe Colombiano: Historia Económica y Empresarial del Magdalena Grande y el Bajo Magdalena, 1870-1930* (Bogotá, Banco de la República, 2014), p. 105.
104 Viloria, *Empresarios del Caribe*, p. 105.

interests, who ended his administration in disgrace by boarding ‘a United Fruit Company boat and sail[ing] off into exile’.[105]

The SMRC controlled the only means of distribution of the crop, meaning its value to the UFC was far greater than the nominal share capital; large tracts of land included were a substantial bonus. The SMRC’s strategic value and dependence on the banana trade meant expansion policy was quickly overwhelmed by the interests of exporters. This is something which also occurred with what McGreevy termed ‘coffee railways’, exemplified by the Girardot (CNRC) railway, where the *hacendado* class’s desire to connect the coffee-producing region to the Magdalena River overwhelmed the railway’s initial purpose as Bogotá’s link to the world economy.[106] In similar fashion, the SMRC expanded through a network of ‘spurs off into the banana plantations’, instead of towards the Magdalena River (see fig. 5.12).[107] In both cases, once the railway reached the productive region, the railway’s construction stagnated, and the *raison d'être* became serving the interests of the export sector, tying into Ocampo’s concept of ‘speculative production’ of export crops.[108] However, whereas in the interior coffee monoculture was spearheaded by an emerging national capitalist class, on the coast the export of bananas was driven by ‘transnational capitalists’ exemplified by Minor Keith. National entrepreneurs including Santiago Pérez Triana attempted to develop the banana export trade independently in the 1880s, but as Brungardt demonstrates, they failed because of a lack of capital and the necessary international infrastructure.[109]

5.3.2 *Shareholders*

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105 Palacios, *Between Legitimacy*, p. 63.

106 McGreevy, *An Economic History*, pp. 244-279; Horna, *Transport Modernization*, pp. 128-40; Palacios, *Coffee in Colombia*, p. 133.

107 Brungardt ‘United Fruit in Colombia’, p. 237.

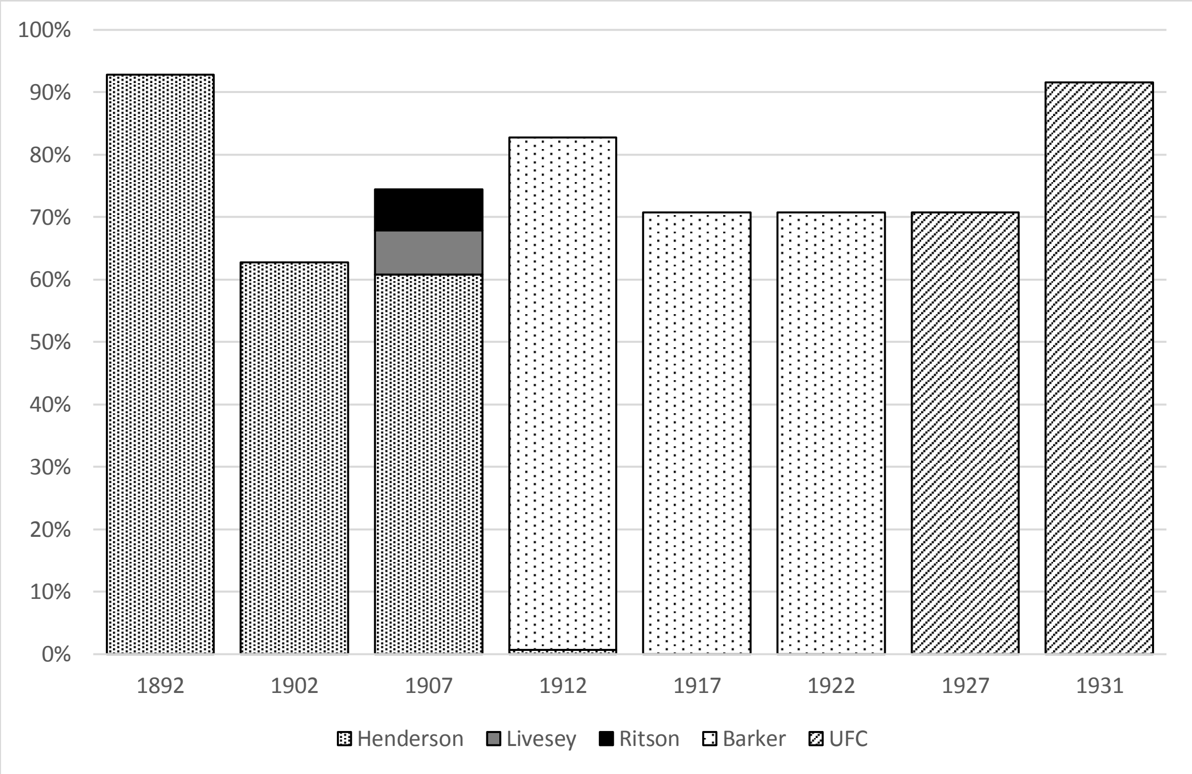
108 Ocampo, *Colombia y la Economía Mundial.*

109 Posada, *Colombian Caribbean*, p. 55; Brungardt, p. 238.

A historiographical consensus exists that argues the UFC and the SMRC had monolithic relationship from the early stages of the development of the banana trade, and that for all intents and purposes the two companies were one and the same. Viloria argues that by 1901, the UFC 'controlled 92% of the share capital'.[110] Brungardt suggests the UFC took control in 1899.[111] Bucheli gives the date as 'the first years of the 1900s'.[112] Eduardo Posada gives 1906.[113] None provide a reference for a primary source. In each case, the documentary rationale for the claim is unclear.[114] The ambiguity and lack of clear documentary evidence, suggests these assertions are influenced by portrayal of a monolithic UFC/SMRC relationship within the contemporary press and Colombian literature.[115] This subsection demonstrates that informal and formal control of SMRC by the UFC occurred significantly later than these authors suggest. This and subsequent subsections reconfigure the interpretation of the historiographical orthodoxy, arguing the relationship was complex and multifaceted.

110 Viloria, *Empresarios del Caribe*, p. 45.
111 Brungardt 'United Fruit in Colombia', p. 237.
111 Ibid, p. 239.
112 Bucheli, *Bananas and Business*, p. 150.
113 Posada, *Colombian Caribbean*, p. 171.
114 Posada provides two sources for a subsequent statement regarding plans to expand the line to the Magdalena River. Neither source provides a single page reference denoting specific evidence of the date of transfer of ownership. Brungardt's footnote cites a source relating to 'customs abuses' mentioned towards the end of the sentence in which the 1899 date is mentioned. There is no source cited specifically for the year the UFC took over the SMRC. Both Viloria and Bucheli seem to cite no primary source at all.
115 In a discussion with Viloria at Banco de la Republica on the 19 February 2018, he remarked that the perception that the UFC had taken control of the railway company was consistently presented in the contemporary press, and stemmed from the local comprehension of British and American economic interests as one and the same.

Fig. 5.14 – Major shareholders of the SMRC, 1892-1931



Sources: Shareholder Registers for above years, TNA, BT31/31074/24941.

As fig. 5.14 illustrates, during 1892-1907 London stockbroker and Liberal Member of Parliament Alexander Henderson was the SMRC's dominant shareholder. His shareholding dated back to the initial floatation in 1887.[116] In 1892, £600,000 of capital had been authorised, but only £105,000 taken up. Henderson's 9750 shares (£97,500) represented a 92.3% stake, the same proportion as Viloria claims the UFC purchased in 1901.[117] However, there is nothing to suggest Henderson's holding had any connection to the UFC, since his primary activities in the market was as a railway speculator: Henderson's fortune was established financing railway and canal projects, both nationally and internationally.[118] As well as a majority shareholder in the SMRC, he was also a large shareholder in the Manchester Ship Canal, and chairman of the

116 'Memorandum and Articles of Association', TNA, BT31/31074/24941.

117 Viloria, *Empresarios del Caribe*, p. 45.

118 Martin Daunton, 'Henderson, Alexander, first Baron Faringdon (1850–1934)' in *Oxford Dictionary of National Biography* (Oxford: Oxford University Press, 2004). [http://www.oxforddnb.com/view/article/47784, accessed 16 Aug 2017]

Great Central Railway.[119] Henderson's residence in the home counties presented in fig 5.15 is representative of the 'gentlemanly capitalist' social class described by Cain and Hopkins.[120] However, Henderson's business interests were international, and he had formed a transnational business network through his brother Frank, who 'was based' in Montevideo, and served as the 'ambassador' for the family's business interests in South America.[121]

Fig. 5.15 – Alexander Henderson's residence Buscot Park

[redacted]

Source: https://www.nationaltrust.org.uk/buscot-park accessed 02/05/2018

Henderson also had a long-term relationship with James Livesey, who acted as consulting engineer for many of the family's railway projects in South America.[122] In 1885, Henderson's brother Brodie entered Livesey and Son as an apprentice. Henderson further solidified his links to the South American railway sector in 1891, when he purchased Brodie a partnership in the

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119 Ibid. Henderson's estate became what is today Henderson Global Investors.

120 Cain and Hopkins, *British Imperialism*, I.

121 David Wainwright, *Henderson: A History of the Life of Alexander Henderson, First Lord Faringdon, and of Henderson Administration* (London: Quiller Press, 1985), p.28.

122 Ibid, p.23.

firm, which according to Boughey 'dominated' the South American railway sector.[123] Livesey was listed in 1907 as a major SMRC shareholder, along with Henderson. In 1895, Brodie travelled throughout South America surveying the family's railway assets. During this journey, he briefly studied the physical state of the SMRC, which had had the first 30km of track carried away by a tropical storm the year before.[124]

In 1907, issued share capital had risen to £264,100, and Henderson still held 16,070 shares (£160,700), representing 60.9% of the company.[125] As such, the documents consulted suggest the dates between 1899 and 1906 provided by Viloria, Brungardt, Bucheli, and Posada, for the transfer of ownership to the UFC, are erroneous. The UFC did not assume control of the SMRC until 1912, and this was only through a proxy: Fyffes director Edward Cecil Barker. Barker had purchased 25,396 SMRC shares (£253,960), including most of Henderson's £160,700 1907 shareholding. By this point, issued share capital had risen to £309,100, and Barker's £253,960 stake represented 82%. The UFC had achieved a majority share of Fyffes two years before, in July 1910. In 1913 Fyffes share capital rose from £450,000 to £1,000,000, and the UFC acquired every one of the additional 550,000 £1 shares. At this point the UFC purchased the 'balance of shares from individual holders, … and Fyffes became a completely owned, though autonomous, subsidiary of the UFC'.[126] This merger between the biggest British banana importer (which sourced a significant supply from the Colombian banana region), and the UFC, cemented the strategic alliance between British and North American capitalists in the region, and assured the UFC's domination of the Colombian banana trade. When this merger occurred

123 Ibid, p. 23-6; David Boughey, 'British overseas railways as free-standing companies, 1900–1915', *Business History*, 51 (2009), 484-500 (p. 494).

124 Wainwright, *Henderson*, p. 23-6; Marshall (General Manager) to Welby (Minister Resident), 9 November 1900, Santa Marta, TNA, FO135/255.

125 TNA, BT31/31074/24941.

126 Davies, *Fyffes*, pp. 122-3

in 1913, Fyffes already controlled the SMRC through Edward Cecil Barker. After the merger, Barker effectively became an employee of the UFC, meaning proxy control was assured.

However, as a British company, the SMRC maintained much stronger links with British subsidiary Fyffes than the parent company. In 1910, when the UFC first took a majority holding in Fyffes, the banana trade with Britain represented 51.6% of the Colombian banana export market.[127] Evidence of the enduring influence of Fyffes, is illustrated by the fact that their SMRC shareholding was not transferred into the UFC's own name until 1927, when it represented a 70.7%. It took until 1931 for UFC to achieve a 91.5% holding in the SMRC, over three decades after Viloria and Bucheli argue this occurred.[128] In Colombia the UFC felt the need to hide their interests through a proxy, supporting LeGrand's argument that UFC 'did not wield absolute power' in the banana zone.[129] In Central America, Colby demonstrates how they wielded their power in full view.[130] The UFC's power and influence in the Colombian banana enclave was based on a strategic alliance with British capital in the shape of Fyffes and the SMRC. This began informally, based on shared interests, but became increasingly absolute. This process began with the 1913 merger, followed by direct control of the SMRC in 1927, and the rise to 91.5% direct ownership in 1931. The Fyffes/UFC merger and proxy control of the SMRC, demonstrates the formation of transnational business connections between British and North American capitalists within the Colombian banana zone. In view of LeGrand's work, it illustrates the significant influence of these connections on the cultural, social, and economic development of the banana 'enclave'. [131] As subsequent subsections shall demonstrate, it also influenced the political development of the entire country.

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127 'Report for the year 1910 on the trade of Santa Marta' 1911, Vol. XCI, Cd. 5465-131, p. 302.
128 Viloria, *Empresarios del Caribe*, p. 45; Bucheli, *Bananas and Business*, p. 150.
129 LeGrand, 'Living in Macondo', pp. 354;
130 Colby, *Business of* Empire, pp. 79-117.
131 LeGrand, 'Living in Macondo', pp. 333-68.

5.3.3 *Finances*

This subsection uses quantitative analysis to reconstruct the SMRC's finances from a fragmented data set.[132] I address why despite benefitting from an unprecedented rise in export cargo, the SMRC ran at a loss throughout the 1920s. This is a question which to date has only been asked by Viloria, who argues that from 1906 the SMRC 'always' ran at a loss.[133] The lack of clarity over the sources behind this assertion, means it is difficult to clarify the rationale behind it. The company's annual reports presented in fig. 5.16 mirror Viloria's data set for the period 1921-36, but they paint a much different picture for the period 1906-21.[134] They show that contrary to Viloria assertion, between 1906 and 1921 (except for a loss in 1919), the SMRC was modestly profitable, and it was only subsequently in the 1920s and early 1930s that the company reported substantial operational losses. Nonetheless, Viloria asks a pertinent question: 'what was the motivation for a private company to function at a loss for such an extended period of time?'[135] He favours the explanation put forward by both Díaz Granados and Brungardt that the SMRC manipulated its accounts to post a loss and avoid the 10% departmental levy on earnings, allowing the UFC to 'cavalierly declare that the railroad was losing money'.[136] Díaz Granados's argument seems to have been influenced by the nationalistic antagonism against British railway companies detailed throughout this thesis. In paralleling the contemporary political discourse, Viloria misses the importance of the UFC's intertwined

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[132] The series has been constructed using the following sources: 1906 and 1907: 'Report on the Railways of Colombia' 1910, Vol. XCVI, Cd. 4968, p. 51; 1912-36: Various SMRC annual reports titled 'Santa Marta Railway Company Report for the year ending', 1912, 1913: AGN, República, Ferrocarriles, Vol. 509, f. 446; 1914: AGN, República, Ferrocarriles, Vol. 509; f. 450, 1917, 1918, 1919: AGN, República, Ferrocarriles, Vol. 511, f. 281; 1920: AGN, República, Ferrocarriles, Vol. 511, f. 186; 1921: AGN, República, Ferrocarriles, Vol. 511, f. 303; 1922: AGN, República, Ferrocarriles, Vol. 511, f. 333; 1923, 1924: AGN, República, Ferrocarriles, Vol. 511, f. 357; 1931 and 1936: BT31/31074/24941.

[133] Viloria, *Empresarios del Caribe*, p. 45.

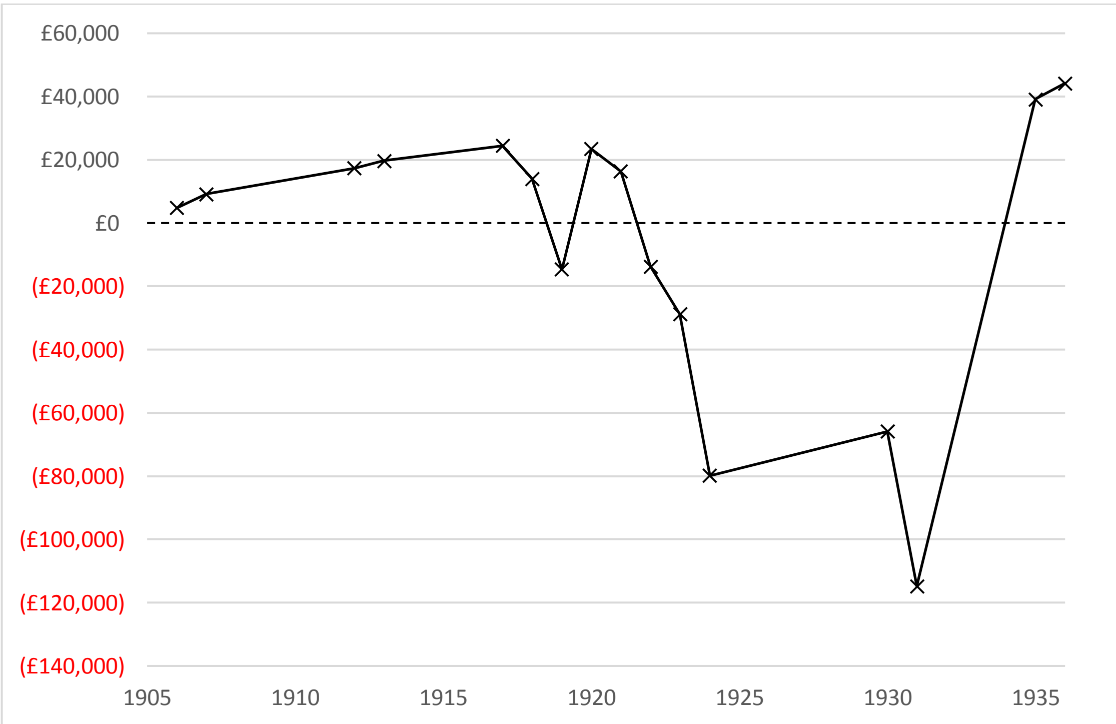
[134] Viloria's data is taken from: Manuel Díaz Granados, *Geografía Económica del Magdalena Grande (1946-1955)* (Santa Marta, Instituto de Cultura del Magdalena, 1996). Unfortunately, I was unable to revise it to ascertain what the original primary source is, because there is no copy within the British library system. Viloria, *Empresarios del Caribe*, p. 214.

[135] Manuel José Díaz Granados, 'Ciento cincuenta millones ha perdido el Magdalena en el Ferrocarril de Santa Marta', *Revista Fiscal del Magdalena*, 11, (1962), cited by Viloria, *Empresarios del Caribe*, p. 46.

[136] Viloria, *Empresarios del Caribe*, p. 46; Brungardt, 'The United Fruit Company', p. 239.

interests with the SMRC (and Fyffes). These interests explain not only why the company would wish to, but indeed, why it was *able* to run at a loss. The novel analysis presented here, argues the UFC was disinterested in the inconsequential paper profitability of the SMRC, since it provided the UFC with much greater economic benefits. Avoiding a 10% 'tax' on earnings was of little strategic interest to the UFC. This oversight is likely influenced by the belief that the UFC controlled the railway from 1901 onwards, which obscures the vital and causal connection between the UFC taking formal control of the railway, and the drastic change in its financial performance. [137] For this reason, this chapter provides a ground-breaking contribution to understanding the dynamics of the transnational business relationships forming in the banana enclave in the early twentieth century, and the importance of these to wider Colombian history.

Fig. 5.16 – Profit/loss of the SMRC, 1906-24



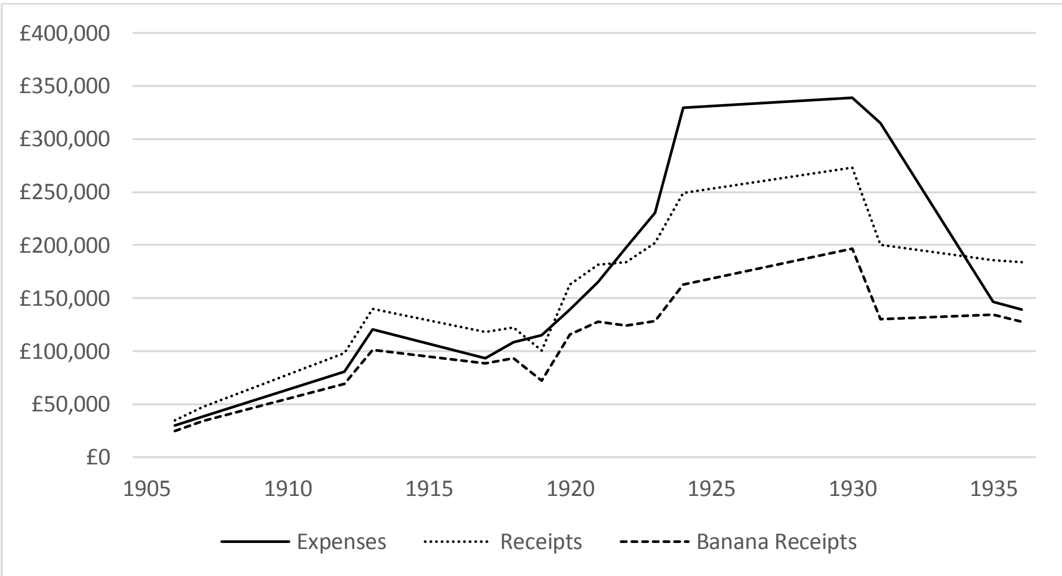
Sources: See footnote 132.

As is clear from fig. 5.17 until 1920 expenses followed the same trend as traffic receipts, but subsequently grew out of sync with the SMRC's revenues, leading to substantial losses. This

137 Viloria, *Empresarios del Caribe*, p. 45.

coincided with transition to formal (rather than proxy) control by the UFC. In the mid-1930s, expenses moved back in sync with receipts, returning to the trend evident before 1920, but by December 1935 an accumulated loss of £1,596,500 sat on the balance sheet.[138] Objectively, the SMRC had the perfect circumstances for a profitable line. The development of the banana trade meant dependable freight income, since the railway held an effective monopoly on the export trade. The bonanza which occurred around Santa Marta made many very wealthy, very quickly, so why was the opposite the case for SMRC shareholders?

Fig. 5.17 – Expenses, receipts and banana receipts of the SMRC, 1906-24

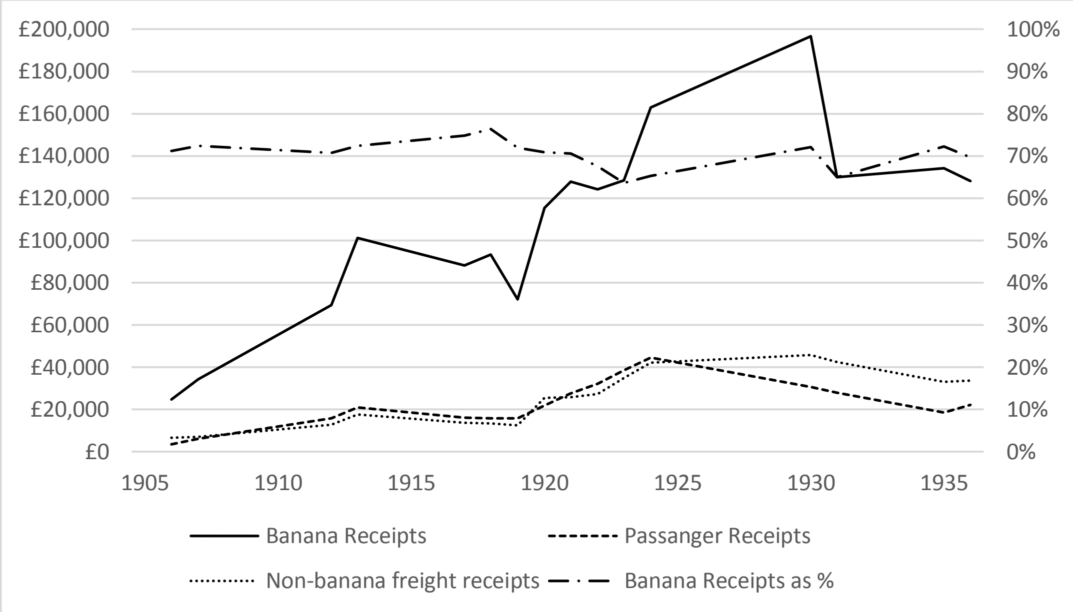


Sources: See footnote 132.

Fig. 5.18 demonstrates how the SMRC's revenues were dominated by the banana trade. During the period 1906-36, banana freight represented between 65% and 75% of total revenue, reaching a peak of 76% in 1918. As such, the SMRC's economic interests were tightly intertwined with those of the banana industry and the UFC.

[138] 'Report for the Year Ended December 31st, 1936', TNA, BT31/31074/24941.

Fig. 5.18 – SMRC Revenues split by category, and banana receipts as % of total receipts, 1906-36



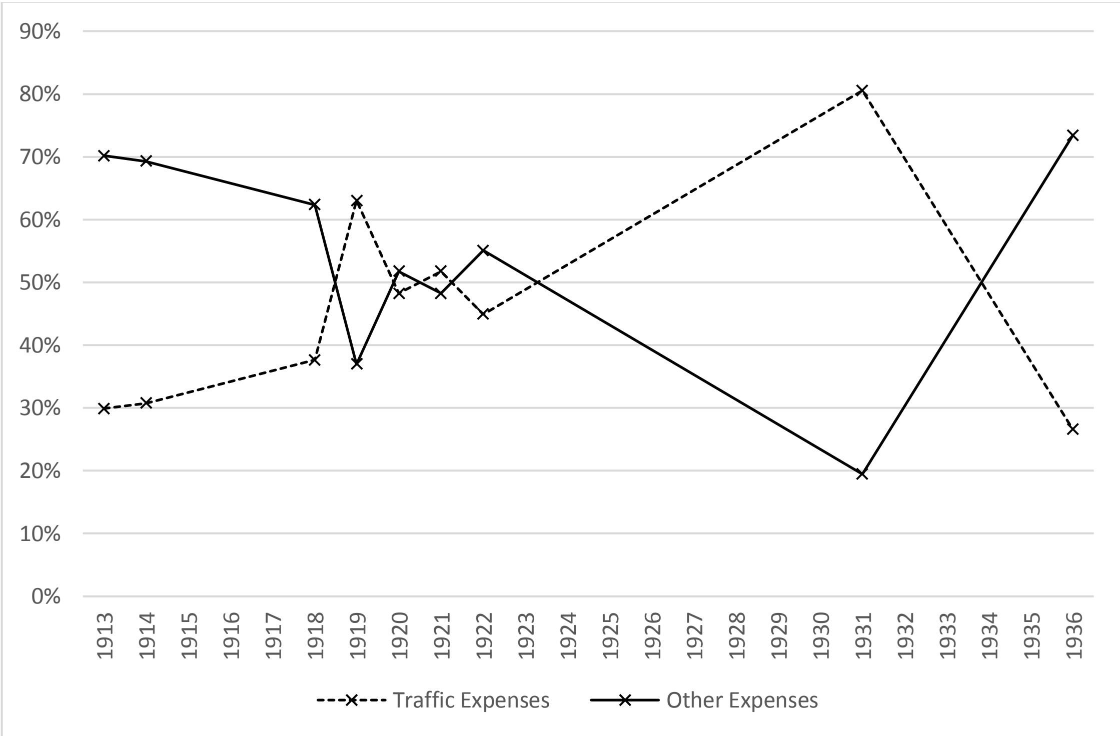
Sources: See footnote 132.

As the previous subsection illustrated, between 1922 and 1927 the UFC took formal control of the SMRC by transferring Fyffes director Edward Cecil Barker's majority shareholding into the UFC's name. This event coincides with the period of the SMRC's greatest losses. In annual reports, the management blamed these financial results on heavy rains.[139] But climatic factors had been a factor from the outset, with a 'cyclone' in 1894 causing significant damage.[140] As such, these do not seem sufficient to explain the pattern. In addition, fig. 5.19 illustrates that the increase in expenses during the 1920s was accounted for within 'traffic expenses', whereas repairs and line maintenance resulting from unfavourable climatic conditions fell under 'other expenses'.

139 'Santa Marta Railway Company Report for the Year Ended December 31st, 1922', AGN, República, Ferrocarriles, Vol. 511, f. 333; 'Santa Marta Railway Company Report for the Year Ended December 31st, 1924', AGN, República, Ferrocarriles, Vol. 511, f. 357.

140 Marshall (General Manager) to Welby (Minister Resident), 9 November 1900, Santa Marta, TNA, FO135/255.

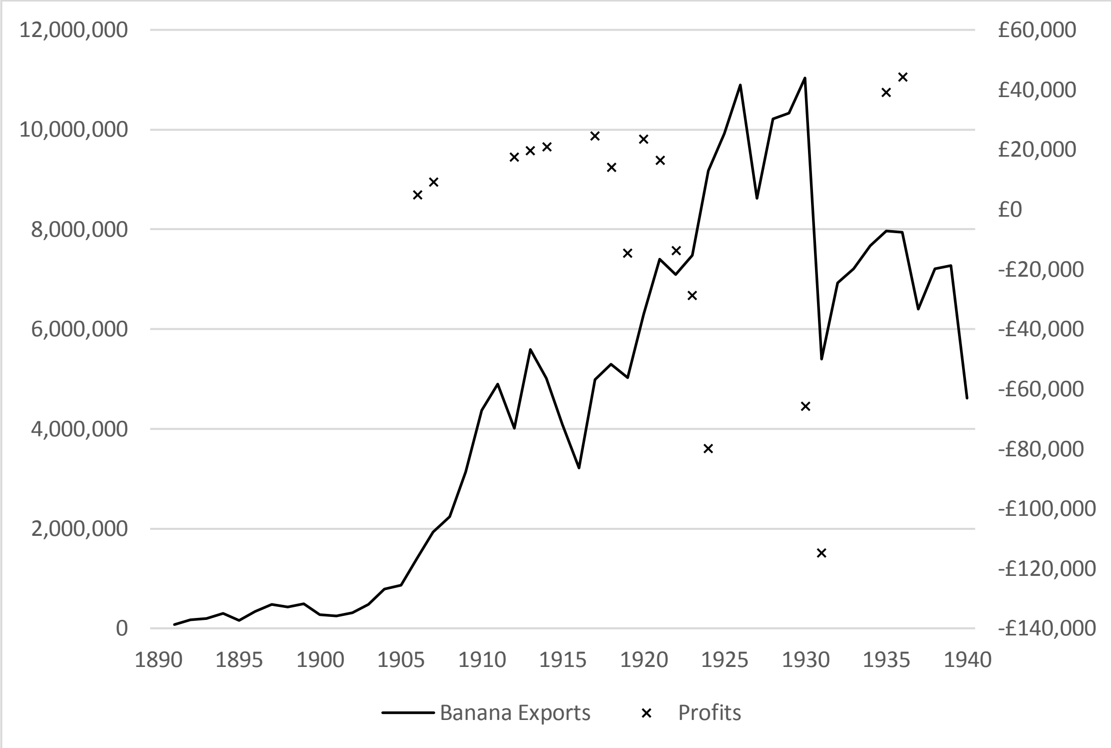
Fig. 5.19 – Proportion of 'traffic expenses' and 'other expenses' (line maintenance accounted for within other expenses) as % of total company expenses.



Sources: See footnote 132.

Fig. 5.20 illustrates a direct correlation between rising banana cultivation for export and decreasing profitability. The SMRC also experienced increasing losses during the economic boom of the 1920s yet returned to profitability during the great depression: an illogical relationship.

Fig. 5.20 – Banana exports (stems) 1891-1940, and Profits of the SMRC, 1904-1936



Sources: SMRC Profits: See footnote 132; Exports 1891-1910: see fig. 4.14; Exports 1911-1940: Adolfo Meisel, 'Dutch Disease and Banana Exports in the Colombian Caribbean, 1910- 1950' *Borradores de Economía*, 108, (1998), 1-32, (p. 14). http://www.banrep.gov.co/sites/default/files/publicaciones/archivos/borra108.pdf Accessed 29/12/2017

Bucheli argues the UFC's interdependence with the SMRC directed its expansion towards bringing new land into banana cultivation.[141] During the rapid rise in exports during the 1920s, this policy led to the SMRC and the UFC constructing branch lines into the banana plantations. A possible explanation for the SMRC's increased operating expenses, is that the SMRC was charging construction costs for these lines to the profit and loss account, rather than the balance sheet. Unfortunately, the company's statutory accounts are not detailed enough to verify this theory. However, it would explain the seemingly causal relationship between financial losses and increasing cultivation. It would also explain why the SMRC's finances recovered following the 1929 crash, when banana cultivation expansion ended, which from a standard economic perspective, seems to defy logic. This type of manipulation is not implausible, since as

141 Bucheli, *Bananas and Business*, p. 150.

Stevenson-Clarke and Bowden argue, from the 'railway mania' of the 1840s onwards, speculators agitated for 'revenue out of capital' accounting practices, which maximised dividends by capitalising expenses; long-term investors sought 'capital out of revenue', where capital investment (such a new branch) was charged as an expense to the profit and loss account.[142] Intentionally seeking a loss is of course a more extreme example, and would be illogical for a standard limited company seeking a return for its shareholders. But as previous subsections illustrated, the SMRC was not a normal limited company answerable to shareholders seeking a return. From 1912 onwards, over 70% was controlled by the UFC, first using Fyffes director Edward Cecil Barker as its proxy, and subsequently in its own name.

In 1920, Santa Marta's inhabitants were conscious of these 'connected interests'. In a petition to the Ministry of Public Works, a group of concerned citizens argued these interests made solving the 'railway question' impossible. They argued this was the most important national issue 'since Panama'.[143] In 1920 the UFC declared profits of US$44,000,000 (approx. £9,070,000) and payed a 57.8% dividend to shareholders.[144] In 1925, Fyffes, which represented only a fraction of UFC's banana interests, paid dividends of £1,250,000.[145] Bananas could be produced 'much more efficiently' in Colombia than by Fyffes's Jamaican suppliers, meaning the Colombian trade was even more lucrative.[146] The monopoly over distribution provided by the SMRC, allowed the UFC to fix prices and dissuade 'competitors from entering the market', thus ensuring the continuation of the UFC's domination of the banana region.[147] As such, the SMRC's profitability was irrelevant to the UFC, because it provided economic benefits far

142 Peta Stevenson-Clarke and Bradley Bowden, 'Difference of purpose: The usage of railway accounts in Victoria and Queensland (1880–1900), a comparative study', *Accounting History,* 23 (2017), 231-51 (p. 232).

143 Various Residents of Santa Marta to Ministry of Public Works, 22 September 1920, AGN, República, Ferrocarriles, Vol. 511, f. 90.

144 Judith White, *Historia de una ignominia* (Bogotá: Editorial Presencia, 1978), p. 35.

145 Davies, *Fyffes*, p. 123.

146 Ibid, p. 144;

147 Posada, *The Colombian Caribbean*, p. 55

surpassing the paper losses of the railway (which never surpassed £120,000 per annum). In comparison with the UFC's gargantuan profits, these figures were insignificant. The obvious solution to the SMRC's losses was raising freight charges on bananas, which Kepner and Soothill suggested were 'too low' and the cause of the losses.[148] In 1920, the Ministry of Public Works considered mandating a rise, and requested a report on the likely impact from the departmental government of Magdalena.[149] The report's conclusion was that raising freight charges would be detrimental to the lives of banana workers and cultivators, since the UFC would deduct the additional freight charges from payment to cultivators, forcing them to take the burden of the shortfall.[150] When the ministry communicated directly with the UFC over potential rises, the local manager excused himself from expressing an opinion on the matter. However, from the brash and aggressive tone of the letter, the implicit meaning was clear: the UFC would not accept a rise in freight charges on bananas.[151] Thus, without the UFC's policies, the SMRC could simply have raised banana freight charges to solve its financial problems. By keeping the SMRC working at a loss, the UFC ensured subservience to its economic interests, because it required financial support to stay afloat.

5.3.4 *War of a Thousand Days (1899-1902)*

The civil war created several issues for the SMRC's management. As with the CNRC, the war stalled construction works, in this case on the extension to Fundación.[152] The geographical and environmental problems which plagued the CNRC project had also affected the SMRC: in December of 1894 an 'unprecedented cyclone and cloud burst … entirely wrecked the first

148 Kepner and Soothill, *Banana Empire*, p. 164.
149 Anonymous to Ministry of Public Works, 11 September 1920, AGN, República, Ferrocarriles, Vol. 511, f. 80.
150 Anonymous Resident of Santa Marta to Ministry of Public Works, 6 September 1920, AGN, República, Ferrocarriles, Vol. 511, f. 81.
151 United Fruit Company to Governor of Department of Magdalena, 3 September 1920, AGN, República, Ferrocarriles, Vol. 511, f. 82
152 Marshall (General Manager) to Welby (Minister Resident), 9 November 1900, Santa Marta, TNA, FO135/255

thirty miles of [the] railway, from Santa Marta to Riofrio'. The storm carried away 'iron and timber bridges alike', and the damage to these, as well as embankments and track, resulted in a 'loss estimated at considerably over £50,000'.[153] The war compounded these capital losses. As with the CNRC, liberal rebels seized the railway several times to mobilise around the department. This interrupted operations and damaged company property. On the 9 November 1900, the local manager communicated with the Foreign Office, describing difficulties experienced during the war:

> Since [the 31st March] … the situation in this country has gone from bad to worse, particularly here on the coast. On two separate occasions the revolutionists have surprised and taken possession of some of our locomotives[.] ... The second occasion was a … complete surprise for everyone[.] ... Trains employed in the transport of bananas were seized on the 9th of October, … thus suspending entirely this export business.[154]

The letter once again demonstrates the inability of the government to provide a stable environment for British railway companies. The seizure of the railway and associated damage compounded the SMRC's capital losses.[155] It also illustrates the intertwined interests of the UFC/Fyffes/SMRC tri-company transnational relationship: the export business of the first two depended wholly on the last. These congruent interests explain the strategic alliance formed, as well as the slow process of amalgamation of the three entities from 1910 onward.[156] The opposition shown by sections of the Colombian elite, demonstrates that they recognised the threat these intertwined interests represented. The SMRC relied on the UFC's banana trade for

153 Marshall (General Manager) to Welby (Minister Resident), 9 November 1900, Santa Marta, TNA, FO135/255.

154 Marshall (General Manager) to Welby (Minister Resident), 9 November 1900, Santa Marta, TNA, FO135/255.

155 The exact dates of these events are unclear from the source material. Marshall (General Manager) to Welby (Minister Resident), 9 November 1900, Santa Marta, TNA, FO135/255.

156 The process of amalgamation ended when UFC take a controlling shareholding in Fyffes in 1910. But Minor Keith began building a shareholding in Fyffes from 1903, right at the beginning of the development of both company's interests in the Banana zone. Prior to amalgamation Fyffes and UFC dealt with the export business to their respective hemispheres. Fyffes exports to Britain and UFC's exports to the United States were almost of equal size both representing approximately 50% of Colombia's exports in 1910. Davies, *Fyffes*, pp. 122, 257; 'Report for the year 1910 on the trade of Santa Marta' 1911, Vol. XCI, Cd. 5465-131, p. 302.

more than just the cargo from which most of its revenues derived. Communication with international capital markets, the business world, and the Foreign Office, also depended entirely on the UFC's infrastructure. In a letter written in November 1900, local employee Mansel Carr wrote to the Foreign Office explaining the impact of the interruption of the banana export trade on the SMRC's operations:

> What a terrible thing this revolution is! Until quite lately I suppose this district has suffered less than any other[s] … [because] exportation of bananas … had not been interrupted. [Now] the insurgents are in possession of this section of country which embraces all the banana producing region … and the railway service … [is] suspended. Two banana steamers … had to leave without cargo so the Company will doubtless discontinue the service.
>
> These fruit steamers were … our only means of communication with the outside world, arriving punctually, every fortnight with our English and American newspapers and letters and returning to New York in seven days – as a means of getting to the States or Europe this route is far quicker than any other. We shall now have to depend on Port Colombia with the endless delays entailed by the lack of any regular mail service between here and Barranquilla.[157]

Carr was referring to the BRPC pier head. This highlights how the rudimentary internal transport infrastructure influenced Colombia's cultural, social, and economic integration. As the letter shows, when the banana steamer service was operational, the port of Santa Marta was 'closer' to the international trade centre of New York, than it was to its sister port of Barranquilla. Garner argues similar patterns occurred in Mexico, where railways linked 'regional economies more to the global economy than with each other'.[158] These connections were established and maintained to serve the interests of 'transnational capitalists,' such as Minor Keith in Colombia, or Weetman Peerson in Mexico.[159] Carr described how the central government's lack of influence transformed local political dynamics. Local political actors with an anti-foreign perspective who to Carr's mind resembled the leaders of the Boxer revolution in China, exploited the power vacuum to attack the SMRC:

157 Carr to Welby (Minister Resident), 9 November 1900, Santa Marta, TNA, FO135/255.
158 Garner, *Porfirio Díaz*, p. 180.
159 Colby, *The Business of Empire*; Garner, *British Lions*; Sklair *The Transnational Capitalist Class*.

> There is a small clique of narrow minded "Boxers" who have always, systematically made it their business to try and make trouble for this English Company – just at present these "Boxers" are unfortunately "on top" and have the willing ear of the chief of the department.[160]

Another letter from the company told much the same story:

> The … local government is chiefly composed of a small clique who has always been hostile to all foreign enterprises in the country, and in particular to this company, they may in their eagerness commit acts which lead to further trouble.[161]

When Carr made these comments at the turn of the twentieth century, the development of Colombia's anti-imperialist socio-political movement was still in its early stages. The material presented in this subsection demonstrates that British railways were a focal point for anti-foreign sentiment from early on. As subsequent subsections illustrate, this anti-foreign sentiment culminated in a violent apex with the banana massacre of 1928, with the SMRC's infrastructure serving as centre stage for the social conflict.

5.3.5 *Growing Opposition and Disputes*

As has been mentioned in previous subsections, during the *Quinquenio* Rafael Reyes implemented policies encouraging banana cultivation. At this time the railway was already serving the banana zone. Reyes's strategic interest was rapid growth of banana cultivation, which was already served by the existing policy of expanding track into the banana plantations, meaning the SMRC was not afforded the institutional support for rapid expansion extended to other British railways. But when Reyes fell, the SMRC became the target of the same growing opposition and hostility to British railways experienced in the interior. With Reyes gone, the preoccupation of national authorities became whether the original aim of linking Santa Marta with the Magdalena River would be fulfilled. The capital losses caused by climatic conditions and the civil war, meant expenditure had substantially outstripped the original budget for this

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160 Carr to Welby (Minister Resident), 9 November 1900, Santa Marta, TNA, FO135/255.

161 Santa Marta Railway Company to Welby (Minister Resident), 9 November 1900, Santa Marta, TNA, FO135/255.

task. In 1911, when the local manager put the SMRC's case before the congress, he claimed the company had already invested £1,000,000.[162] The SMRC's 1887 concession included a £400,000 government repurchase clause. He argued this clause had 'paralysed the constructive energies of the railway', since it was 'unreasonable to expect the company to invest more than £1,000,000 in a project which has to be sold for £400,000 after 30 years'.[163] The contract required the railway to reach the Magdalena River, but the obligation to sell at a substantial discount made this impractical. The SMRC argued that '[no] capitalist in the world' would willingly invest their capital in a project under these circumstances.[164] Nine years had passed since the civil war, yet little progress had been made in negotiations. Without a renegotiation, the SMRC's only means of survival was further convergence with the UFC/Fyffes. As previous subsections have detailed, this period coincides with amalgamation of these transnational businesses, and further consolidation of their economic power in the banana zone.

As has been discussed throughout previous chapters, the early 1910s saw a nationalistic reaction to foreign railway companies. This opposition was codified into government policy in the 1912 *Proyecto de Ley Sobre Ferrocarriles,* which directly contradicts Bucheli's argument that the conservative national government 'opposed nationalization'.[165] The danger posed by the interweaved interests of UFC/Fyffes/SMRC were acutely felt by commentators in the national press. During the early 1910s the SMRC was discussed in the press on almost a daily basis.[166] In August 1911 *El Republicano* argued 'we should not forget that separatism started

162 'Ferrocarril de Santa Marta – Solicitud de la Compania al Congreso Colombiano en sus sesiones ordinarias de 1911', *El Liberal*, 8 August 1911.

163 Ibid.

164 Ibid.

165 'Proyecto de Ley "Sobre Ferrocarriles"', 30 October 1911, AGN, Congreso Legislativo, Vol. 1579, ff. 39-55; Bucheli, *Bananas and Business,* p. 92.

166 'Ferrocarril de Santa Marta', *El Tiempo,* 4 September 1911; 'Ferrocarril de Santa Marta', *El Tiempo,* 12 September 1911; 'Ferrocarril de Santa Marta', *El Tiempo,* 16 September 1911; 'Ferrocarril de Santa Marta', *El Tiempo,* 22 September 1911; 'Ferrocarril de Santa Marta', *El Tiempo,* 30 September 1911; 'Ferrocarril de Santa Marta', *El Tiempo,* 1 October 1911; 'Ferrocarril de Santa Marta', *El Tiempo,* 4 October 191; 'Ferrocarril de Santa Marta', *El Tiempo,* 6 October 1911; 'Ferrocarril de Santa Marta', *El Tiempo,* 9 October 1911; 'Ferrocarril de Santa Marta', *El Tiempo,* 12 October 1911.

to germinate in Panama under the shadow of the [American] railway company', before adding that since the company's shares were traded freely, this could lead to a repeat of 'the dismemberment of our national territory'. The newspaper warned that the Panama Railway Company 'became the lynchpin of the succession movement' to protect its interests, and that 'something similar may well come to pass' on the coast. They felt the 'very security and integrity of our nation', rested on whether their proposed solution: nationalisation of the coastal railways, was implemented.[167] Views were clearly influenced by a desire to avoid a repeat of the Panamanian disaster, but they were also non-partisan: the conservative government and liberal press seemed equally preoccupied. During debates in the congress, Joaquín Campo argued that 'the SMRC has always considered that the public authorities are meek and receptive to those who come to then, even when to the detriment of the public good'.[168] In January 1912, the fears were presented by *El Tiempo* more concisely: 'expansion of the railway company … is the perfect route towards the loss of national sovereignty'.[169] The very 'survival of the nation' was deemed to rest on the resolution of the 'railway question'. Four days later they added that 'the day that the American flag flies over the pier in Santa Marta … Colombia will practically be on the road to American domination'.[170] Only a year later, these fears were vindicated when the UFC completed their hostile takeover of Fyffes, and US control of the railway was assured.[171]

Government action (or inaction) renegotiating the contract, stemmed from the same fear of the UFC further solidifying its power, which had been discussed in the press and the congress. But their inaction only made this more likely. This fear became reality in 1913, when the UFC took

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167 'Grave Peligro para la integridad de la Nacion – Necesidad de Nacionalizar los Ferrocarriles de la Nacion', *El Republicano*, 11 August 1911.

168 'Ferrocarril de Santa Marta', *El Tiempo*, 4 September 1911.

169 Ferrocarril de Santa Marta – La Prorroga del Contrato Peligros de Soberania', *El Tiempo*, 11 January 1912.

170 'Ferrocarril de Santa Marta - Replica a La Cronica', *El Tiempo*, 15 January 1912.

171 Davies, *Fyffes*, p. 122.

full control of Fyffes, and its stake in the SMRC.[172] But to assume that Fyffes or the SMRC desired this subservient relationship with the UFC is a mistake. One of Fyffes founders Arthur Stockley described the moment major shareholders learned that the UFC had achieved majority ownership as a 'body-blow'.[173] In view of this, was the criticism of the SMRC justified? As LeGrand argues, stressing the 'internal complexity' of the region, the situation was more complicated than it appears at first glance.[174] The business practice of the UFC was clearly monopolistic and exploitative, and railway infrastructure was involved, but to what extent was the railway complicit in these actions? From 1913 onwards, when the UFC seized control of Fyffes, there is evidence of control through a proxy. But before this date, the relationship seems to be one based on congruent interests. Within the circumstances which presented themselves, what other course of action could the SMRC realistically have taken but to serve the UFC's interests? By the 1920s, the SMRC was running at a loss (the reasons for which remain unclear), and as such, depended on the UFC to cover its losses to simply continue operating. The SMRC lacked the capital to expand towards the Magdalena River, which as Bucheli argues, meant their focus was opening new land for banana cultivation to increase banana freight. [175] Rather than being a willing and complicit partner in the UFC's colonisation of the banana zone, the SMRC's history (as well as that of Fyffes), illustrates how British interests were slowly 'colonised' by the UFC in the same manner as the region. This subsection has illustrated how in the first years of the 1910s, opposition grew to the SMRC in line with the wider socio-political development of nationalism against foreign investment. The next subsection details how this materialised in the form of legislative and physical agency in the face of the UFC's increasing economic power.

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172 Ibid.
173 Ibid.
174 LeGrand, 'Living in Macondo', p. 353.
175 Bucheli, *Bananas and Business*, p. 150.

5.3.6 *Resisting Foreign Control*

The SMRC's situation was significantly more complicated than other British railways. Extensions had been constructed by both the SMRC and the UFC within the banana zone. The UFC built its own network within the plantations. This led to direct confrontation between the UFC, the Ministry of Public Works, and the SMRC. The ministry argued in 1913 that the SMRC had not been granted the authority to extend the line into these new areas.[176] The UFC argued that this track was developed independently of the railway company, on privately held land, and thus did not require government authorisation. In response, the ministry ruled that the UFC and the SMRC could not 'refuse public service on any part of the network'. They justified this ruling by arguing, as Posada does, that the UFC used its branches to stop banana producers selling to anyone else.[177] The SMRC was thus implicated in the UFC's aggressive and monopolistic business practice, and public hostility from the press continued, particularly from *El Tiempo*. In February 1915, the SMRC communicated with the Ministry of Public Works, requesting they intervene to stop what they viewed as libellous attacks.[178] These included a common accusation that the railway was charging too much for its services. [179] As previous subsections demonstrated, if anything, the SMRC needed to raise its charges, but was unable to do so because of the UFC's policies. Another consistent line of attack was the lack of an extension to the Magdalena River, which the SMRC was obliged to provide. However, whilst congruent interests with banana exporters encouraged expansion into the banana lands, the lack of an expansion to the Magdalena River was influenced by government inaction to renegotiate contractual terms. This inaction was itself a manifestation of widespread political

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176 Ministry of Public Works to United Fruit, 25 January 1913, AGN, Ferrocarriles, Ferrocarril de Santa Marta, Vol. 509, f. 63.

177 Ministry of Public Works to United Fruit, 25 January 1913, AGN, Ferrocarriles, Ferrocarril de Santa Marta, Vol. 509, f. 63; Posada, *The Colombian Caribbean,* p. 55.

178 P.H. Marshall to Minister of Public Works, 22 February 1915, AGN, Ferrocarriles, Vol. 510, f. 1

179 'Santa Marta Railway Company Report for the Year ended September 30th, 1913.', AGN, Ferrocarriles, Vol. 509, f. 446.

opposition to the SMRC. Within the negotiations, the various SMRC contracts were a source of conflict and uncertainty on both sides. A letter addressed to President José Vicente Concha demonstrates that clarity regarding the legal basis of the railway, was absent even at the highest levels of government:

> Which contracts remain valid to date? Well, the contracts of 1881, 1887 and 1903 remain in force, however, the contents of the first and second are only valid insofar as they do not contradict the contents of the third. The contracts of 1890, 1893 and 1897 were declared null and void by all involved parties.[180]

Without consensus on the SMRC's legal position, the formation of a coherent government policy was difficult. When the letter was sent, the most recent iteration of the contract had been in force for twelve years, yet discussions still revolved around clarifying the legal position, rather than planning negotiations. The case demonstrates once again the problematic nature of the Colombian legal system. Amendments resulting from negotiations were enforced with a supplementary contract: anything which did not contradict the supplementary contracts remained legally valid. After many iterations, neither side was entirely sure where they stood. An archaic clause could be utilised by either side at any time to serve its interests. This happened repeatedly with both the CNoRC and the DRC. In addition, all contracts were introduced through legislation, and needed to pass through the congress and the senate. This led to lengthy debates on every contractual amendment. During the *Quinquenio*, Reyes suspended the function of both bodies, which significantly simplified the process of award of concession contracts. This explains the rapid progress in railway development during this period.

In addition to heel-dragging in negotiations, more physical forms of resistance to foreign control developed. In 1916, a populist campaign of intimidation and direct action was

180 Miguel Abadia Mendez to José Vicente Concha, 30 June 1915, AGN, Ferrocarriles, Vol. 510, f. 66.

implemented by local *ganaderos* (cattle ranchers), who mobilised large herds of cattle along the railway, causing substantial material damage to rails and sleepers.[181] This same tactic was also followed by the UFC, who led ninety-five cattle along the line in February 1917.[182] This event brings into question how absolute the UFC's proxy control of the SMRC was, because four years after it took control of Fyffes, the UFC was still intimidating the SMRC, who submitted a formal complaint to the Ministry of Public Works over the UFC's behaviour.[183] The SMRC was attacked from both sides: local people protested the perceived collusion with the UFC, which was concurrently using the same tactics to browbeat them into submission. In 1918, there were more examples of popular direct action. Large groups formed to physically attack the railway infrastructure and intimidate staff into participating in a strike. *El Nuevo Tiempo* used this event to claim railway staff were unwilling to work, and apt to strike, leading to the SMRC raising another formal complaint with the Ministry of Public Works for libel.[184]

By the early 1920s, the conflict with the SMRC had really begun to heat up, spurred on in no small part by growing resentment over the UFC's influence in Colombia. On the 21 August 1921 a telegram was sent to President Suárez which pleaded 'I beg you to consider quickly nationalising [the SMRC], if not prepare yourself Colombia, to suffer another outrage worse than Panama'.[185] On the 10 September, another frantic telegram arrived in broken Spanish addressed to the president: 'citizens municipality anxious nationalisation Santa Marta railway preventative measure possible mutilation country'.[186] Despite the growth of the UFC's influence, some still supported the expansion of the SMRC. One telegram from 'prominent

181 P.H. Marshall to Governor, 18 February 1916, AGN, República, Ferrocarriles, Vol. 510, f. 123.
182 Ibid.
183 Ibid.
184 P.H. Marshall to Minister of Public Works, 2 February 1918, AGN, República, Ferrocarriles, Vol. 510, ff. 263-5.
185 Alangel to President Suárez (Telegram), 21 August 1921, AGN, República, Ferrocarriles, Vol. 511, f. 206.
186 Restrepo to President Suárez (Telegram), 10 September 1921, AGN, República, Ferrocarriles, Vol. 511, f. 263V.

characters of different political colours' sought the extension to 'reclaim our progressive impulse'.[187] Some hoped the railway could be extended as far as Tamalameque, to 'join up with the Cucuta Railway' and lobbied the ministry in 'defence of our progress and economic interests'.[188] As was mentioned previously, plans to extend the Cucuta railway to Tamalameque 'only ever existed in the imagination'.[189]

These attempts to force through the expansion were in vain. The SMRC had been involved in an ongoing legal battle much like the CNoRC's, or the DRC's, since 1915.[190] In 1925, a negative ruling was made against them. This was part-and-parcel of the attempts of the government to limit the UFC's power, by stopping any further expansion of the railway. The judgement limited the concession 'to those sections of line which were constructed and opened to public service on October 31, 1911', and established that 'the company was, from October 19, 1920, under obligation to sell the railway to the nation'.[191] The ruling undoubtedly sought to limit the UFC's control of the extensions into the plantations, which had been constructed in the 1920s. These objectives were ultimately unsuccessful. The difference between the SMRC's experience, and that of the CNoRC, the CCRC subsidiary, the GNCRC, or the DRC, is that unlike these other entities, the SMRC had the economic and financial power of the UFC behind it. The Colombian government bullied the CNCRC, the CNoRC and its CCRC subsidiary into bankruptcy. But it was unable to accomplish this with the SMRC. The SMRC was already running at a loss, and the UFC simply bankrolled the company because of its strategic importance. The government also had no shareholding in the SMRC, as it had done

187 Goenaga to Minstry of Public Works (Telegram), 16 July 1921, AGN, República, Ferrocarriles, Vol. 511, f. 195.

188 Tovar to Ministry of Public Works (Telegram), 16 April 1921, AGN, República, Ferrocarriles, Vol. 511, f. 191; Various Residents of Santa Marta to Ministry of Public Works (Telegram), 2 June 1921, AGN, República, Ferrocarriles, Vol. 511, f. 192.

189 Pradilla, 'El ferrocarril de Cúcuta', p. 86.

190 The aim of this chapter is to focus on the transnational business interests which interfaced with the coastal railways. As a result, the SMRC's legal case is not analysed with the same degree of detail as those of the CNoRC and the DRC covered in chapters three and six. Posada, *Colombian Caribbean*, p. 171.

191 'Santa Marta Railway', *The Times*, 18 December 1925.

in the CCRC, the CNoRC, the CNRC or the GNCRC. As a result, it was powerless to force through nationalisation under the same terms as it had with these weaker British companies. The result was a compromise: 'in 1932, … a double agreement was reached: the government acquired the line but the [SMRC], under the financial control of the [UFC], leased it for thirty years'.[192] This was a good outcome for the UFC, which maintained its control of the entire transportation infrastructure of the banana zone. As such, the results for the Colombian government were nothing like the one-sided nationalisation negotiations for the CCRC, the CNoRC, or the GNCRC. But at the same time, the actions of the government, which sought to reign in the power of the UFC through these nationalisation negotiations, illustrate that it was not powerless in the face of this transnational capitalist enterprise, and that it did exhibit agency.

4.3.7 *The Massacre, the SMRC and International Context*

> José Arcadio Segundo awoke … in a silent and endless train … he realised he was laying on the dead … he saw dead men, women, and children, who were to be thrown in the sea as if they were nothing but rejected bananas.[193]

In a single paragraph, García Márquez constructed perhaps the most influential critique of capitalism in Colombian history, since it was presented through popular culture, in a manner any reader could comprehend. His novel provides a cautionary tale of the perils of a society which values material progress and economic output above all else. But as Posada argues, the idea that 'novels are truer to history than history itself' is mistaken.[194] García Márquez's representation of the banana strike and its aftermath, has created an ingrained assumption of collusion and unanimity between UFC and the SMRC. This chapter has illustrated clearly, that the historical relationship was much less clear-cut. Too much has been written about the banana massacre for this thesis to contribute anything original regarding what transpired on that day.

192 Posada, *Colombian Caribbean*, p. 171.
193 For this quotation, I have used the original Spanish, and as throughout this thesis, the translation is my own. García Márquez, *Cien años*, p. 290-91
194 Eduardo Posada, 'Fiction as History', p. 413.

However, this chapter has provided an important contribution to the developments preceding the event. That railway infrastructure was the scene of the strike action, was not a coincidence. As previous chapters have illustrated, the nationalist reaction against foreign railway companies was well advanced by the early 1910s. In addition, the movement against them materialised as a predominantly economically left-wing movement, part of the wider development of left-liberalism. The strike action was a popular manifestation of the developing reaction to foreign capital in Colombia, which had first coalesced around British railway companies. Indeed, García Márquez on some level seems to have understood this, since preceding the massacre he describes how the banana workers first action was to attack SMRC infrastructure: 'the workers … began … destroying the rails to impede the transit of trains'.[195] Holding the strike action surrounded by railway infrastructure, was a symbolic, visual, and visceral confrontation with the most obvious physical representation of foreign interests.

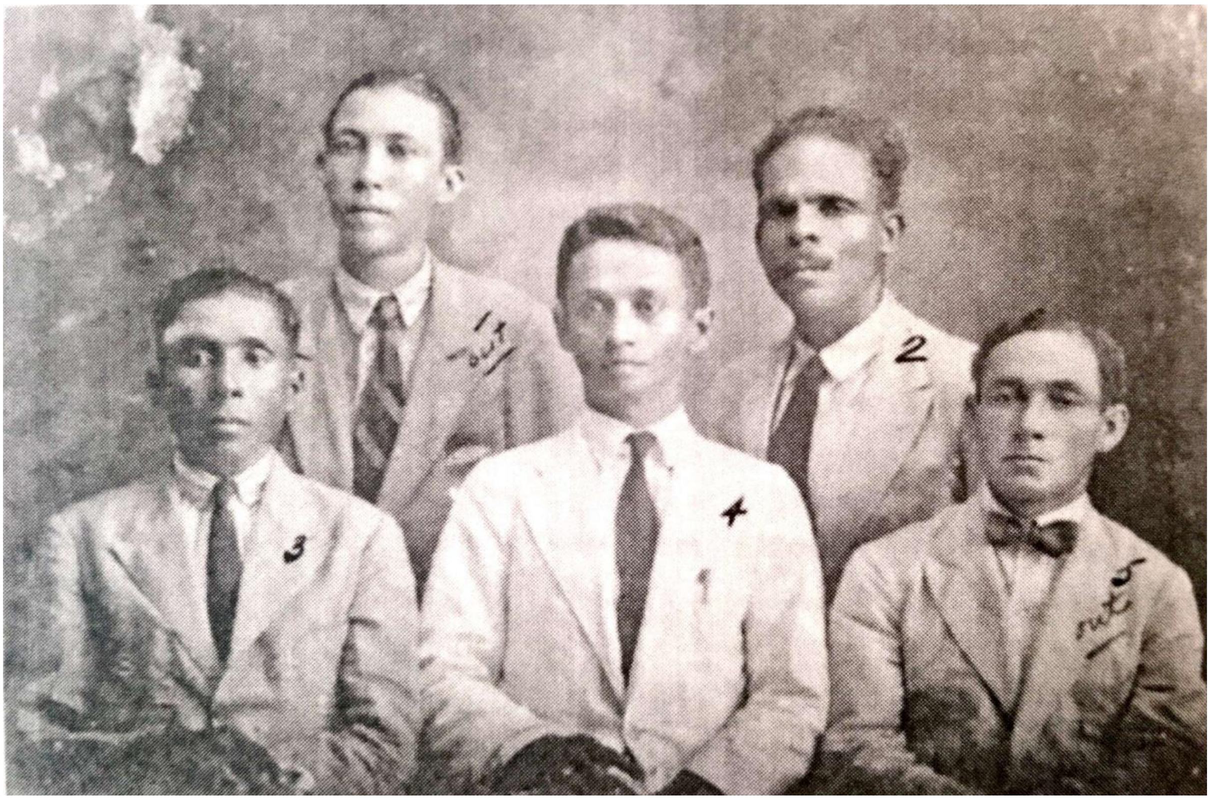
Tucker was completely correct in arguing that the UFC never dominated Colombia as 'they did in the smaller countries to the north'.[196] There was a vastly more powerful and concerted effort at a governmental level to resist the SMRC/Fyffes/UFC tri-company transnational business relationship in Colombia than Colby argues occurred in Central America.[197] The Central American countries raised sovereign debt in London to construct banana railways which the UFC used to colonise the region.[198] In the Colombian banana zone, the UFC had to take control of Britain's biggest banana importer to seize control of the transportation infrastructure, and even then, it was only controlled through a proxy. In Colombia it took the UFC until 1927 to achieve what occurred in Central America rapidly with seemingly little effort expended. The pre-existing racial diversity within Colombian Caribbean society, also

195 García Márquez, *Cien años*, p. 287.
196 Tucker, *Insatiable Appetite*, p. 158.
197 Colby, *The Business of Empire*.
198 Ibid, pp. 79-117.

meant that the company was unable to use the racial divisions described by Colby to fracture society and avoid concerted popular resistance.[199] As LeGrand argues, this diversity was accentuated by internal migratory flows during the development of the banana trade.[200] As Keppler and Soothill argued, as a result they acted 'in closer harmony with each other than … the heterogenous groups of labourers in Central America'.[201] The UFC attempted to change this by petitioning to import 10,000 West Indian labourers. But they were unable to force their will on the Colombian government.[202] The use of force was not an isolated event, in '1918 alone' the UFC utilised 'U.S. military forces put down banana workers' strikes in Panama [and] Colombia', and in 1912 the U.S. invaded Honduras to ensure the UFC would be awarded rights to 'build railroads and grow bananas'.[203] Coleman argues that an important precipitating factor in the massacre was the leader of the government troops' fear of 'class solidarity'. The photo he provides (see fig. 5.21) visibly illustrates this solidarity and determined agency against the ugly realities of transnational capitalism. As Coleman argues, and this chapter illustrates, the men were thrust into the 'centre of a struggle over local and national sovereignty', which had been developing since the British railway was built. [204]

199 Ibid, pp. 118-45.
200 Catherine LeGrand, 'Tierra, organización social y huelga: la zona bananera del Magdalena, 1890-1928' in *Bananeras: huelga y massacre 80 años*, ed. by Mauricio Archila Niera and Leidy Jazmín Torres Cendales (Bogotá: UNAL, 2009), p. 23.
201 Kepner and Soothill, *Banana Empire*, pp. 324-5.
202 Posada, *The Colombian Caribbean*, p. 210.
203 Koeppel, *Banana*, p. 64.
204 Coleman, 'The Photos', pp. 115, 131.

Fig. 5.21 – Leaders of the Plantation workers strike



Source: Coleman, 'The Photos', p. 104.

The class solidarity witnessed in the strike was a manifestation of the wider anti-foreign socio-political movement developing in Colombia since the early 1910s, which Green has covered in detail.[205] Pérez Triana's *Desde lejos* thesis, which attacked foreign railway companies, is an example of an early manifestation of this same political wave.[206] In contrast to Coleman, who views the events of the massacre through the familiar lens of victimhood, this chapter has illustrated that all levels of Colombian society offered resistance to the construction of U.S. and British empire by 'transnational capitalists' in the banana enclave.[207] The SMRC was the central conduit through which Colombian society at the elite and governmental level attempted to reign in the UFC. They were unsuccessful, and their actions to stall expansion of the SMRC strengthened rather than weakened the UFC's position. Nevertheless, the intention was clear.

205 Green, *Gaitanismo*, pp. 14-45.
206 Pérez Triana, *Desde lejos*.
207 Coleman, 'The Photos', p. 130.

As was the intention of the banana workers in 1928, or other examples of popular action presented here. The massacre occurred in the face of a rising wave of populist left-liberal nationalism opposed to foreign interests.[208] Railways, as the most visible example of foreign interests, were the first target, and attacks came almost immediately following the end of the *Quinquenio*. The Banana workers strike is a representative of this same phenomenon.

4.4 Conclusions

This chapter has demonstrated that the expansion of Colombia's coastal railways was inhibited by the interests of emergent transnational capitalism, and government resistance to it. The history of coastal railways is thus much different to those of the interior, where investment is much better conceptualised within 'gentlemanly capitalism', or a standard emerging national capitalist class. Analysis of the shareholder records demonstrates that the interests within the BRPC and the SMRC were composed of three groups with a good degree of overlap. The 'transnational capitalist class' almost entirely controlled the SMRC and had significant influence over the BRPC. The 'gentlemanly capitalist' class also had a significant interest in the BRPC. British families such as the Whelens, Jiggins, Clark, and Glass Hooper families are perfect examples of this class, and their strong connection to Britain means they cannot be considered as part of the first group. The emerging national capitalist class had a much greater interest in the railways of the interior. In the SMRC, they are entirely absent, and in the BRPC the only examples are Cisneros, Vargas, and Koppel. However, their international connections, and lack of a strong link to Colombia, mean they could easily be considered 'transnational capitalists'. Other BRPC shareholders could also fit into multiple groups. The Schiffs could be considered as 'transnational capitalists' or 'gentlemanly capitalists', and different members of the Isaac family could be considered as any of the three. However, the important factor is that

[208] Green, *Gaitanismo*, pp. 60-2

those who can be considered to be either ‘transnational capitalists’ or ‘gentlemanly capitalists’ wholly controlled the destiny of the BRPC and the SMRC. These are the only British railways where this is the case. The chapter has demonstrated that the interests of these groups dictated expansion policy. Their interests in the BRPC led to a focus on protecting the company’s monopoly, whilst the SMRC served the interests of men like Minor Keith of the UFC, or Edward Cecil Barker of Fyffes. This directed expansion away from the Magdalena River, and into the banana plantations. The Colombian government reacted to these transnational interests and terminated any future expansion of the SMRC into the interior.

The chapter has shown that the port of Barranquilla and the Colombian banana zone owe their development almost entirely to the BRPC and the SMRC. The development of the railways originated from competition between ports. The *raison d'être* of the BRPC became maintaining the primacy of Barranquilla as the Colombian interior’s gateway of trade to the world. This was achieved by protecting the company’s monopoly. The fall of the BRPC was not caused by poor strategy or mismanagement, as was the case with some railways of the interior. It was a result of systemic changes the railway could not control. The ‘Pacific route’, *bocas de cenizas* works, and the world financial crisis all combined to make the company’s infrastructure redundant. The SMRC’s original role was to provide a similar service to Santa Marta, by connecting the city to the Magdalena River, and re-establishing the city as a hub of international trade. The railway succeeded in bringing international trade back to Santa Marta, but it was a different kind to that originally imagined. The railway came just in time for Santa Marta to be integrated into the burgeoning international banana trade. The interests of this trade soon overwhelmed the railway, which came to serve banana exporters such as Fyffes and the UFC. This occurred initially because of common interests, and subsequently because of amalgamation. But this relationship was multifaceted and contradictory. The SMRC’s role was that of a strategic (and at times unwilling) business partner, rather than a complicit co-

conspirator. Ultimately, the SMRC had little choice but to acquiesce to the more powerful economic interests of the UFC. Above all else, this chapter has demonstrated that Colombia was not a victim in these encounters, it dictated its relationship with transnational capital on its own terms. The country was never dominated by these interests, and resistance to them occurred across all sectors of Colombian society.

Chapter 6. – The Dorada Railway Company

6.1 Introduction

> The company's obligation (if it exists at all), arises from the contract made on 14th July 1896, i.e. during the paper money regime; it therefore follows that such obligation, according to the preceding paragraph, is payable in Colombian currency, but in the proportion of $1.00 present day currency for each $100.00 of the money agreed in the contract, so that, instead of owing $2,000,000.00, the company only owes $20,000.00, if anything at all.[1] 'Memorandum showing how the supposed debt of the Dorada Railway co. has been increased to one hundred times its real amount', 1940.

The 'Tolima tax' referred to above is the most illustrative legal case in the history of British railways in Colombia. By the time the DRC had submitted its memorandum to the Foreign Office, the dispute had been ongoing for almost two decades. The 1938 award in favour of the Department of Tolima, played a significant role in the process of nationalisation. Unlike other British railways in Colombia, the DRC closely fits standard models of British economic imperialism. It displayed all the trappings of empire: a sizable enclave, an unassailable geographical monopoly, 'gentlemanly capitalist' and 'collaborating elite' shareholders, its own football team, and a tumultuous relationship with the national government. In many ways, the DRC's history parallels that of the Brazil's São Paulo Railway, which Platt argues '[held] a nation to ransom … for decades' and refused to expand its operations into the hinterlands to protect its lucrative monopoly.[2] On one level, the 'Tolima tax' represents the struggle between the national authorities and the monopoly of a foreign company, but it also illustrates the contractual instability within the Colombian economic environment.

The DRC was the most strategically important railway of the interior. Its monopoly depended on river rapids which separated the lower and upper Magdalena River at Honda. River steamers could not traverse this barrier, and a land link was required to bridge the gap. The Magdalena

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1 'Memorandum. Showing How The Supposed Debt of the Dorada Railway Company Has Been Increased To One Hundred Times Its Real Amount', TNA, FO 135/473

2 D.C.M Platt, 'Economic Imperialism and the Businessman: Britain and Latin America before 1914' in *Studies in the Theory of Imperialism*, ed. by Roger Owen and Bob Sutcliffe (London: Longman, 1972), p. 300; Lewis, *Public Policy*, p. 38.

River travels almost the entire length of Colombia and served as the principal highway between the interior and the Caribbean coast. Every major city in the interior was within easy reach of the river which was indispensable for trade. When a railway was completed between Arrancaplumas (on the southern outskirts of Honda) and Yeguas (22.5km upstream from Honda) on the 8 September 1884, the two sections of the river were linked by an efficient means of transportation, and the lack of an alternative route provided a strong monopoly. It was within this context that the struggle for power between the DRC, the National and Local governments, and the local populace developed.

This chapter will present the history of the DRC in six sections. The first is the origins of the railway. The second will explore finances and shareholders. The third will focus on the experience in the period of national crisis (1899-1902). The fourth will explore expansion during the *Quinquenio* (1904-09). The fifth will detail post-*Quinquenian* expansion (1909-22). The sixth and final section explores the move towards nationalisation (1923-56). I argue that the DRC is an example of British economic imperialism in Latin America in the mould of the Brazilian Sao Paolo Railway. Moreover, I argue its history demonstrates clearly that withholding institutional incentive to foreign capital did not avert construction of empire within Colombia. On the contrary, the comparison between the CNRC which received a government guarantee and the DRC, the SMRC, and the BRPC, which did not, illustrates that foreign investment which was not directed by institutional incentive, still constructed economic imperialism over monopolistic and vital trade routes. These economic interests were more difficult to control or expel from the country. The chapter illustrates that just as was the case for the SMRC and the BRPC, the interests of international capital, the strength of economic imperialism, and the lack of institutional incentive for expansion, inhibited the expansion of the railway which was essential for Colombia's economic development. I argue that the DRC ropeway demonstrates how efficient free market capitalism was at applying novel technologies where they would ensure a lucrative monopoly. However, the failure of the expansion between Ambalema and Girardot illustrates clearly that the free market was incapable of directing capital where it was most required without institutional incentive.

6.2 **Origins**

6.2.1 *Construction*

The Dorada Railway was constructed to bypass the '*saltos de Honda*', which were 'formed by rocks which cross[ed] the course of the stream', meaning 'the least deviation … would … [lead to a vessel's] destruction'.[3] As was discussed in chapter four, *hacendados* used their political influence to ensure Bogotá's rail link with the river would pass through their coffee-growing lands in south-western Cundinamarca. The barrier between the two sections of river impeded Cisneros transporting construction materials from Barranquilla to the railway terminal in Girardot. The Dorada railway project was strategically allied with the Girardot Railway, and Cisneros's *hacendado* associates.[4] Cisneros was not only a competent engineer, but also an astute businessman; a trait which attracted significant hostility from interested parties.[5] As such, he understood from early on that the trade of the surrounding regions of Cundinamarca, Tolima, Antioquia, and Cauca, with an 'agricultural, mining and trading population of 1,064,270', would provide a lucrative monopoly.[6] In addition to the necessity to move construction materials, more generally, the Girardot railway required a separate railway bridging the upper and lower sections of the river to serve its *raison d'être*, since without one, international trade would still depend on a mule trail.[7]

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3 Dawson to Davis, 10 November 1884, Report No. 115, Consular Despatches-Barranquilla, 6 Vols., III. Cited in Horna, *Transport Modernization*, p. 120.

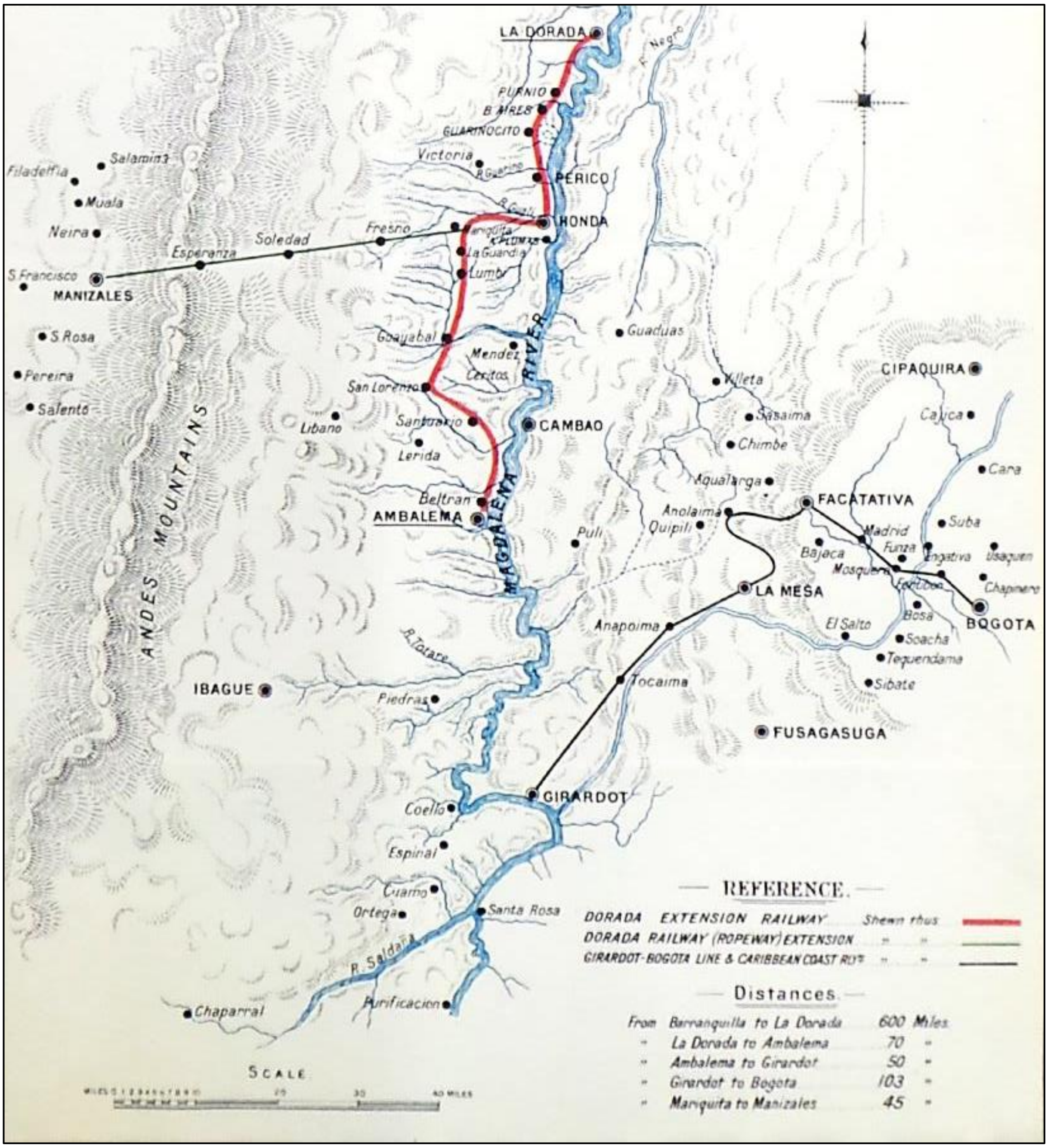
4 Horna, *Transport Modernization*, p. 137.

5 Horna, *Transport Modernization*, pp. 123-4.

6 Dawson to Davis, 10 November 1884, Report No. 115, Consular Despatches-Barranquilla, 6 Vols., II. Cited in Horna, *Transport Modernization*, p. 119; Horna, *Transport Modernization*, p. 121.

7 Hernán Horna, *Transport Modernization*, p. 137.

Fig. 6.1 – Map illustrating the DRC (Red) the CNRC (Black) railways and the DRC (Straight Black Line) ropeway. The DRC's proposed 'Girardot Expansion' would bridge the gap between Girardot and Ambalema



Source: 'Dorada Railway Prospectus' in Dorada Railway Company Report for F/Y 1921-22, Guildhall Library, Stock Exchange Reports, Box 1693.

The capital requirement was low since the railway ran along the banks of the river. the British Foreign Office estimated construction costs at just £3,420 per kilometre.[8] The railway was

[8] 'Report on the Railways of Colombia' 1910, Vol. XCVI, Cd. 4968, p. 34.

completed from Yeguas 22.5km north of Honda to Arrancaplumas just south of Honda in September 1884, financed entirely with national capital.[9] As table. 6.1 illustrates, Tomás Germán Ribón was the primary initial investor. He was part of 'a distinguished colonial family with *creole* and European links', who were 'among the first Colombians to internationalize' themselves.[10] Tomás Germán Ribón ran an import/export business centred on the French market in Paris. Other investors such as Rafael Parga, Pedro Agripino Merino, and Enrique Cortés had interests in London. The two civil engineers Francisco Javier Cisneros and Federico Parraga also provided capital, and both had connections in New York. As did Pío Rengifo, a close associate of Santiago Eder of the Manuelita sugar company.[11] The interested parties shared many of the same economic interests as those who established the Girardot Railway. Just like the Girardot Railway, the railway's *raison d'être* was serving the interests of the *hacendados* of Cundinamarca and Colombian trading families.

Table. 6.1 – DRC Shareholder List 1890

Surname	First Names	City	Occupation	Shares	Capital
Ribón	Tomás Germán	Paris	Gentleman	13,166	£131,660
Cisneros	Francisco	New York	Civil Engineer	1,813	£18,130
Parraga	Federico	New York	Civil Engineer	629	£6,290
Edmonds	Walter	Kent	Gentleman	1	£10
Merino	Pedro Agripino	London	Merchant	22	£220
Parga	Rafael	London	Merchant	721	£7,210
O'Leary	Charles	London	Gentleman (British Consul)	1	£10
De La Torre	Simon	London	Gentleman	1	£10
Zapata	Felipo	Kent	Advocate	1	£10
Rengifo	Pio	New York	Doctor of Medicine	485	£4,850
Cortes	Enrique	London	Merchant	60	£600

Source: TNA, BT31/4108/26379

Garner argues the reliance on domestic sources of capital for early railway projects in Mexico, was a result of the 'failure to meet … external debt obligations and … reputation as a pariah

9 'Report on the Railways of Colombia' 1910, Vol. XCVI, Cd. 4968, p. 34.
10 Horna, *Transport Modernization*, p. 122.
11 'Azúcar Manuelita, la pionera', *Dinero*, 17 September 2004 http://www.dinero.com/edicion-impresa/especial-comercial/articulo/azucar-manuelita-pionera/24922 accessed 10/02/2017.

state'.[12] The same was also the case for Colombia, meaning capital had to be found internally. British merchant houses in Argentina and Uruguay controlled much of the export trade, and 'when the regional economy took off in the 1870s and 1880s', they were 'perfectly placed to provide … railway investments'.[13] In Colombia, the lack of British merchants meant men like Tomás Germán Ribón filled this vacant economic niche. The lack of British merchants in Colombia led to the economic relationship with Britain taking 'a very different form'.[14] The DRC, the CNoRC, and the BRPC, were all transferred to British companies after national elites had provided initial financing. Chapters three and five demonstrated how elites formed the CNoRC and the BRPC to transfer their economic interests under the protective umbrella of British diplomatic machinery. Over time a portion of their interests were sold to 'gentlemanly capitalists', but local 'collaborating elites' maintained a strong influence, often eclipsing that of foreign shareholders. Germán Ribón and his associates did the same in 1888, establishing the DRC, and the same pattern of the gradual entrance of 'gentlemanly capitalist' interests occurred.[15]

6.3 **Finances and Shareholders**

6.3.1 *Finances*

What is immediately apparent is that the DRC was a highly profitable enterprise. The monopoly provided by the rapids at Honda meant international trade from Cundinamarca and the Upper Magdalena Valley depended on the DRC to reach Barranquilla. After the completion of the DRC ropeway in 1922 the railway also transported much of the coffee exports from Caldas. This provided a dependable revenue stream. But dependence on the export economy had

12 Garner, *British Lions*, p. 97.
13 Darwin, *Unfinished Empire*, p. 170.
14 Miller, *Britain and Latina America*, p. 243.
15 Shareholder Reports for 1890, 1895, 1913, 1920 and 1929, Companies House, Company No. 84226, Ashtead Holdings Limited [Dorada Extension Railway Limited]

drawbacks. The earnings of the railway dropped off spectacularly during the First World War, and again in 1922, when heavy rains caused the failure of a large portion of the coffee crop.[16]

Table 6.2. – The Dorada Railway Company Accounts F/Y 1905-1928

The Dorada Railway Company							
F/Y	Gross Receipts (£)	Working Expenses (£)	Net Receipts (£)	Capitalisation	Capital Costs	Return on Share Capital	Rate of Return
1905	£42,435	£20,963	£21,472	£368,290	£5,341	5.78%	5.83%
1906	£53,230	£26,122	£27,108	£492,277	£9,847	5.29%	5.51%
1907	£26,770	£27,062	-£292	£622,210	£17,760	-5.53%	-0.05%
1908	£48,410	£28,475	£19,935	£698,500	£20,428	-0.14%	2.85%
1909	£54,780	£33,688	£21,092	£698,500	£20,910	0.05%	3.02%
1910	£64,408	£29,916	£34,492	£698,500	£20,910	3.88%	4.94%
1911	£71,004	£30,275	£40,729	£690,500	£20,555	5.76%	5.90%
1912	£89,044	£34,655	£54,389	£690,500	£20,430	9.70%	7.88%
1913	£103,003	£38,118	£64,885	£748,500	£21,739	12.33%	8.67%
1914	£99,232	£44,038	£55,194	£776,200	£25,438	8.50%	7.11%
1915	£92,301	£42,641	£49,660	£776,200	£25,572	6.88%	6.40%
1916	£99,742	£39,714	£60,028	£776,200	£25,572	9.84%	7.73%
1917	£106,949	£45,568	£61,381	£773,006	£25,476	10.26%	7.94%
1918	£100,953	£53,617	£47,336	£790,200	£25,380	6.27%	5.99%
1919	£139,950	£78,316	£61,634	£790,200	£25,380	10.36%	7.80%
1920	£198,799	£127,245	£71,554	£837,700	£26,790	12.79%	8.54%
1921	£223,374	£116,444	£106,930	£855,200	£28,948	22.28%	12.50%
1922	£141,768	£91,941	£49,827	£950,000	£35,925	3.97%	5.24%
1923	£208,702	£126,928	£81,774	£847,751	£36,580	12.91%	9.65%
1924	£255,849	£142,520	£113,329	£778,081	£30,561	23.65%	14.57%
1925	£199,865	£136,249	£63,616	£756,901	£26,777	10.53%	8.40%
1926	£273,229	£157,136	£116,093	£728,531	£24,686	26.12%	15.94%
1927	£435,427	£238,931	£196,496	£970,038	£22,946	28.74%	20.26%
1928	£501,566	£271,860	£229,706	£934,653	£19,848	34.75%	24.58%

Sources: Guildhall Library, Stock Exchange Reports, Boxes 928, 974, 1021, 1067, 1115-6, 1167, 1217-8, 1267, 1318-9, 1369-70, 1420-1, 1469, 1512, 1557, 1602, 1647, 1693, 1738, 1782, 1830, 1879, 1929, 2030, 2081.

As has been discussed previously the BRPC and the CNoRC were significantly more profitable than Rippy suggests.[17] This was also the case for the DRC. His flawed interpretation is

16 'The Dorada Extension Railway Limited - Report and Statement of Accounts for the year ended 31st December, 1922', Guildhall Library, Stock Exchange Reports, Box 1738, p. 2.

17 Rippy, *British Investments*, pp. 118-9,

influenced by his source base, which provides only capital outstanding and dividends. Rippy's focus on dividends led him to suggest that British railways in Colombia were generally 'not very remunerative'.[18] This contrasts with the work of Edelstein, which combines both dividend income and capital gains.[19] Like Rippy, Lewis focusses on dividends for evaluating Argentine Railway financial performance, which he argues were 'not … excessive'.[20] The problem with a focus on dividends alone is that these are influenced by the risk-management strategies of the company directors. A moderately profitable company operating in a stable environment may well pay relatively high dividends, since it does not need to accumulate capital or build up a reserve for unforeseen circumstances. In contrast, a highly profitable company (such as the DRC) which operates in a hostile environment, may for strategic reasons not pay any dividends at all. As Casson and da Silva Lopez argue, investment in high-risk environments was dictated largely by the successful implementation of risk-management strategies.[21] The conservative dividend policies evident throughout the Colombian railway sector, is an example of a risk-management strategy conceived to enable foreign investment in a high-risk area. Fig. 6.2 illustrates that the DRC's returns on all invested capital and on share capital were significantly higher than Lewis's 6% figure for Argentine railways, Edelstein's 5.33% average for Latin American railways, or Davis and Huttenback's 5.7% average for overseas British railways.[22] As has been discussed in previous chapters these figures do not provide like for like comparisons. Nevertheless, the sources utilised here illustrate that the DRC's profitability was many times greater than the regional average, and as such the historiographical consensus which views the railway company as only moderately profitable is mistaken.

18 Rippy, *British Investments*, p. 116.

19 Edelstein, *Overseas Investment*, p. 120.

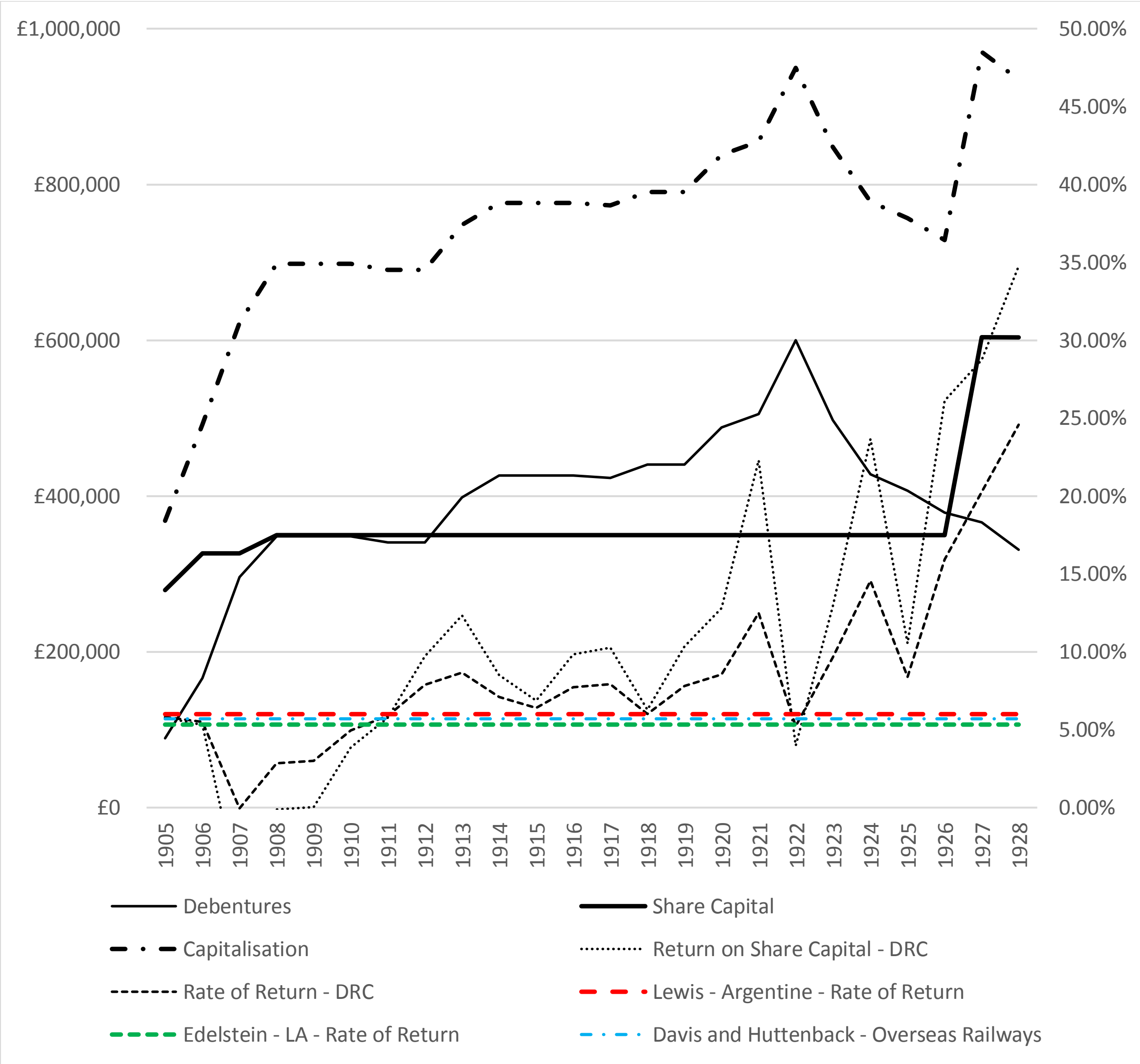
20 Lewis, *British Railways*, pp. 217-8.

21 Casson and da Silva Lopes, 'Foreign direct investment'.

22 Lewis, *British Railways*, pp. 217; Davis and Huttenback, *Mammon*, p. 107; Edelstein, *Overseas Investment*, p. 125.

The DRC was much more active within the debenture market than other railway companies. Rather than the abrupt changes in the outstanding debentures seen elsewhere, the DRC employed a flexible approach, issuing and cancelling debentures when required to finance the ropeway expansion. Once this was completed in 1922, the DRC began rapidly repaying its debentures from net receipts, rather than increasing dividends to shareholders. One reason for this was the hostile environment. As has been detailed throughout previous chapters, from 1909 onwards, companies such as the CCRC, the GNCRC, the CNoRC, and the CNRC, were browbeaten into nationalisation by the national government. Their investors often lost all or a significant portion of their capital in the process.

Fig. 6.2. – Levels of share capital, interest bearing debentures, total capitalisation, return on share capital, and return on all invested capital of the BRPC – F/Y 1905 – F/Y 1928

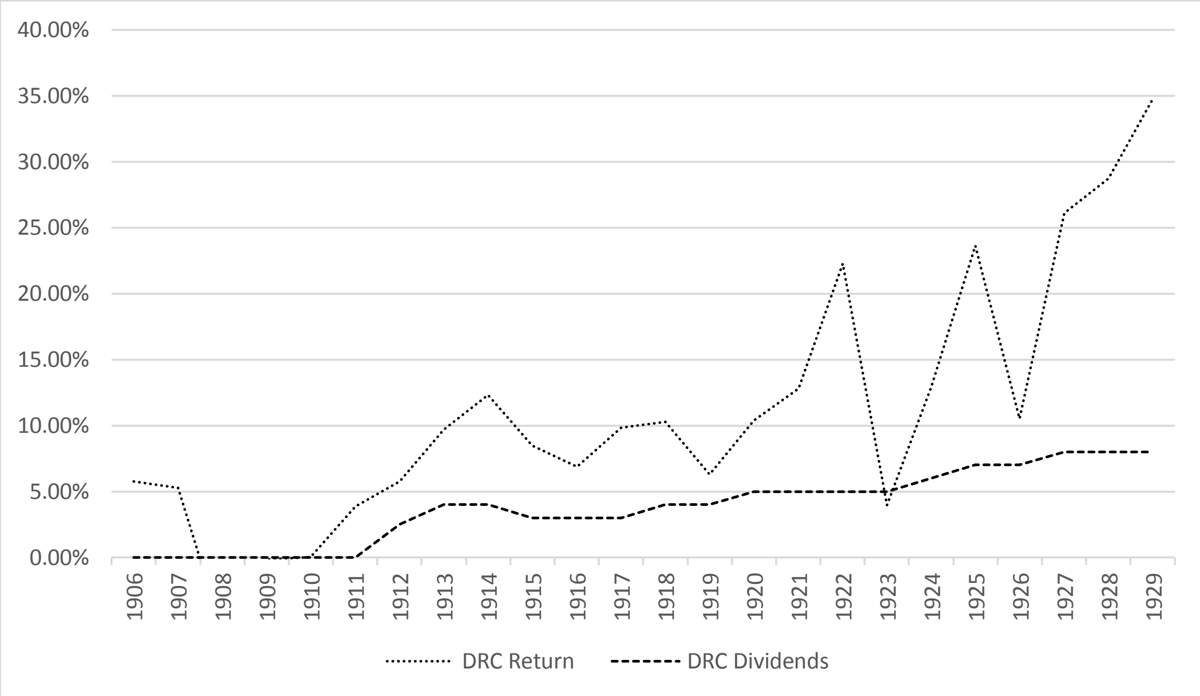


Source: See Table 6.2; Lewis, *British Railways*, pp. 217; Davis and Huttenback, *Mammon*, p. 107; Edelstein, *Overseas Investment*, p. 125.

Fig. 6.3 illustrates that (just as Rippy argued) the DRC's dividends were moderate until the 1920s, when they increased to a range between 5-8%. But these were not, as Rippy implied, indicative of a lack of profitability.[23] Fig. 6.3 illustrates that the DRC's underlying profitability was significantly higher than dividends suggest.

[23] Rippy, *British Investments*, pp. 118-9,

Fig. 6.3 – Dividends and return on share capital of the DRC – F/Y 1906 – F/Y 1929

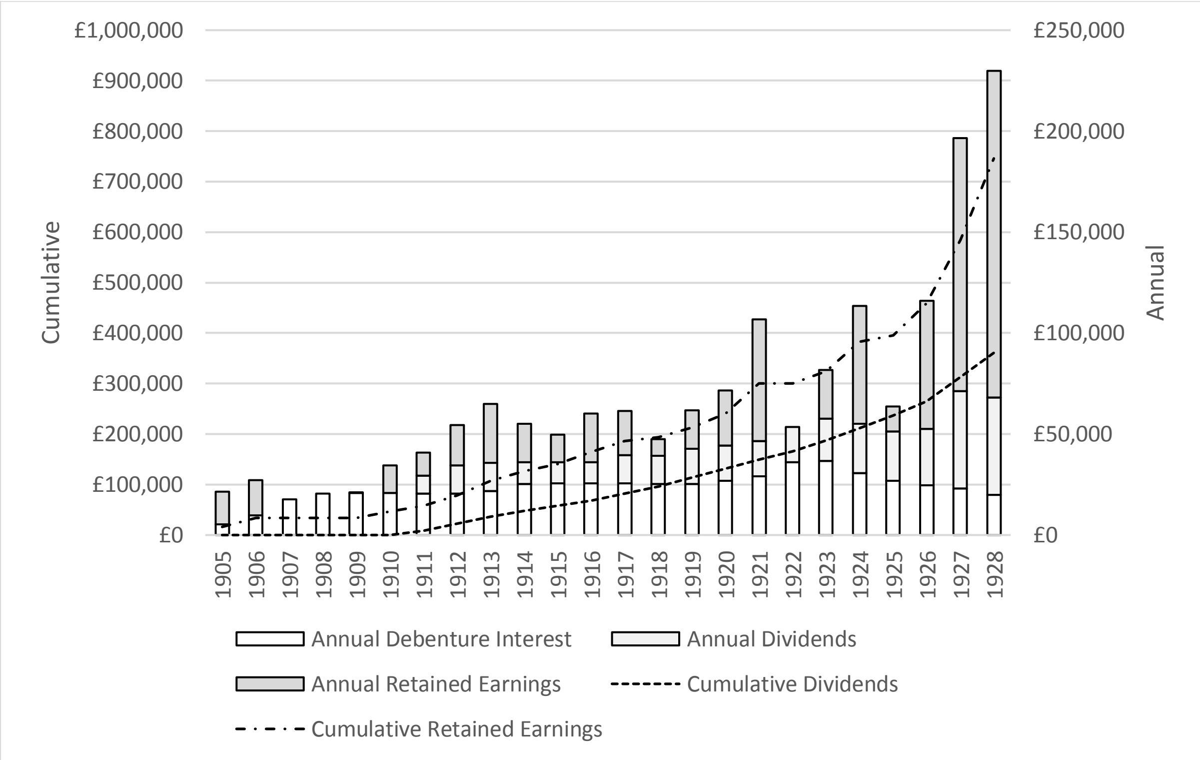


Sources: See table 6.2.

As Fig. 6.4 illustrates clearly the DRC had the capacity to pay much higher dividends if it had chosen to do so. In most years the retained net earnings outstripped the dividends paid. In 1928, the DRC paid £48,308 of dividends to shareholders, and over £120,000 into various reserve accounts and sinking funds, all to provide security to the shareholders. It could have paid a 20% dividend in 1928 with ease if it had really desired to do so. Yet within Rippy's method of analysis, the 8% dividend the DRC paid that year is considered representative of its underlying profitability.[24]

[24] Rippy, *British Investments*, pp. 118-9.

Fig. 6.4 – DRC Debenture Interest, Annual Dividends and Annual Retained Earnings – F/Y 1905 – F/Y 1928



Source: See table 6.2.

The reason the DRC did not reinvest its earnings in railway expansion is not a simple case of hoarding profits. As subsequent sections detail, the national authorities also bear responsibility for their conduct. The failure to provide an environment which incentivised reinvestment of profits, was a significant institutional failure. The DRC and the wider Colombian railway sector demonstrate that it was institutional incentive which drove railway expansion in Latin America, rather than profitability or business prospects. The DRC was amongst the most profitable in the Latin American region, yet it failed to construct a short and inexpensive length of track. In contrast, in *Porfirian* Mexico railways' earnings were generally not even enough to pay interest on bonds.[25] It is clear from the DRC's accounts that a significant portion of its cash earnings were allocated to providing security to its shareholders. Had the railway operated in a more favourable political environment, the necessity for this 'insurance' against expropriation would

[25] Kuntz, 'México', in *La expansión ferroviaria*, p. 83.

be reduced, and more of the DRC's cash would have been available for expansion. A guarantee on DRC bonds would have been necessary to entice investors into expanding operations, and ideally these would have been extended to the guarantee of shareholder's dividends offered in Brazil.[26] But as chapters three and four demonstrated, the guarantee system was delegitimised by a combination of the CNRC's finances, the Jenks, the 'Apulo works', and Torres' and Pérez Triana's attacks on the GNCRC's guaranteed bonds.

By 1928, cumulative retained earnings were £745,845, and cumulative dividends were £360,867. With the same level of institutional incentive provided in Brazil, the £1,106,712 of cash generated by the business could have been directed towards expanding operations.[27] £385,000 was invested by the DRC in the Manizales-Mariquita ropeway. The DRC could have constructed three additional infrastructure works of this kind with dividends and retained earnings accumulated between 1905-1928, without even raising any additional capital in London. The DRC's potential for expansion was not limited as the BRPC's was. From its position in the centre of the interior, the DRC could have expanded along the banks of the Magdalena south to connect with the CNRC at Girardot (approx. 75km), and north to connect with the Antioquia railway at Puerto Berrio (approx. 165km). This would have provided a direct rail link between Medellin and Bogotá. The expansion to Ambalema cost the DRC £4,600 per km, meaning the £1,106,712 of retained earnings and dividends translates to approx. 240km of new track, enough for both extensions.[28] Once the DRC had reached Girardot, it could have continued west through Ibague to connect with the Pacific railway at Armenia, opening up Bogotá to what Posada describes as the 'Pacific route' to Buenaventura.[29] As a profitable railway in a strategic position, the DRC had the potential to link up the national

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[26] Summerhill, 'Market intervention'.
[27] Summerhill, 'Market Intervention'.
[28] According to a Foreign Office report the extension was 81Km: 'Report on the Railways of Colombia' 1910, Vol. XCVI, Cd. 4968, p. 34; 'La Dorada Railway Company Report for 1907', Guildhall Library, Stock Exchange Reports, Box 1021, f. 7.
[29] Posada, *The Colombian Caribbean*, p. 160.

railway network if the right institutional incentives had been presented. This did not occur, because as the previous four chapters have illustrated, with the fall of the *Quinquenio,* the politics of railway expansion in Colombia turned strongly against foreign railway companies.

6.3.2 *Shareholders*

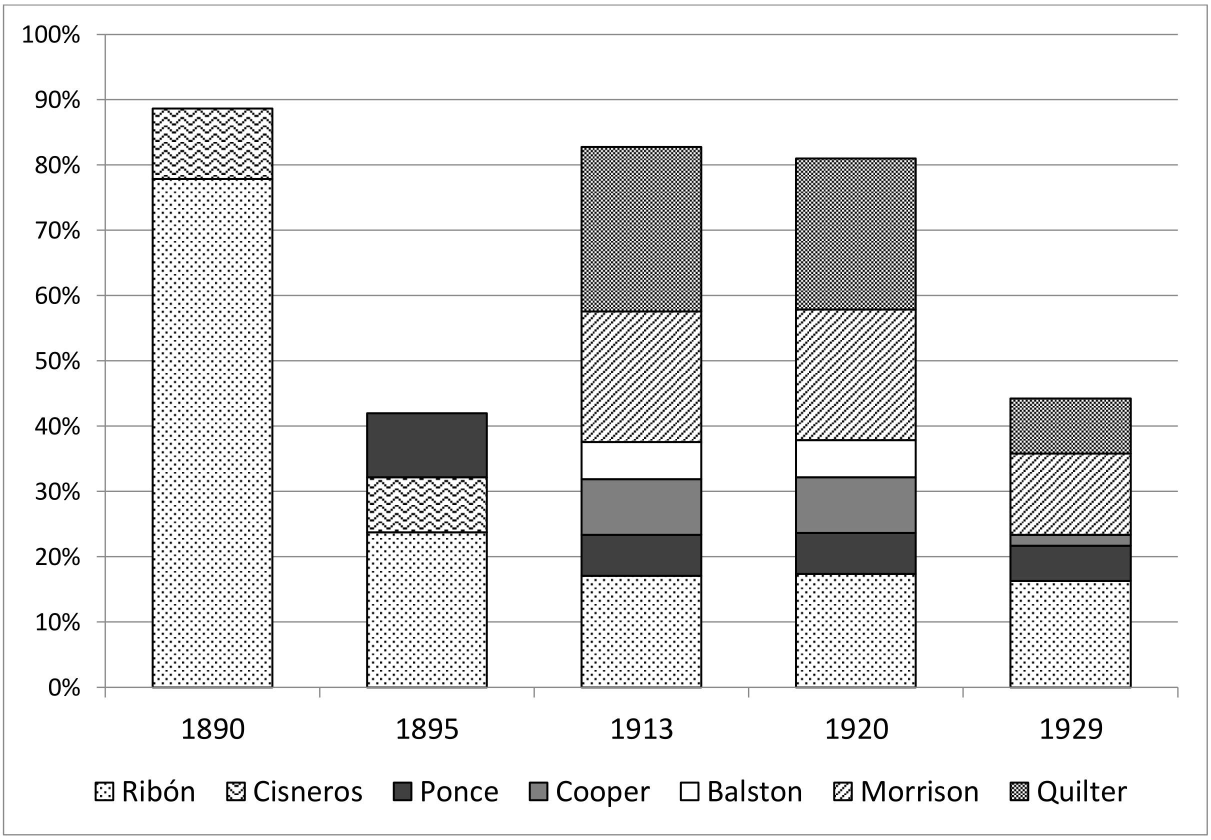
Chapter five demonstrated that the coastal railways were dominated by transnational capital. The DRC's ownership pattern follows a traditional relationship of 'imperialism', with a strong relationship between 'gentlemanly capitalists' and 'collaborating elites'.[30] As was the case with other railways established in the late 1880s, the company was initially dominated by local elites, before expanding with an influx of foreign capital. As we see in fig 6.5, in 1890, just after the railway was established, the two main shareholders were Francisco Javier Cisneros and Tomás Germán Ribón. Between them, the two men controlled slightly less than 90% of the share capital, with Germán Ribón alone controlling 78%. By 1895, the shareholding had diversified, with Germán Ribón selling shares to other local elites and British investors. The most relevant among these was Ignacio Guttierez Ponce, who served as Colombian consul in London. After Germán Ribón was awarded a concession contract in 1905 to extend the railway to Girardot, the share capital was expanded to pay for the expansion.[31] Four wealthy British 'gentlemanly capitalist' families purchased shares in the company: the Quilters, the Morrisons, the Cooopers, and the Balstons. Between them they held a controlling influence of 60% of share capital over the project. With the Germán Ribón and Ponce's shareholdings this influence rose to 83% between six families. This control was maintained until at least 1920. In 1929, through a combination of divestment and expansion of share capital, the 'gentlemanly capitalists' control had decreased to 22.5%. These British families fit Cain and Hopkins'

30 Cain, and Hopkins, *British Imperialism*, I; Gallagher and Robinson, 'The Imperialism of Free Trade'.

31 'Contrato Celebrado con el Sr. Tomas German Ribon para la Construcion de un Ferrocarril desde Honda o sus inmediaciones hasta Flandes o Girardot', *Diario Oficial*, No. 12422, 14 August 1905.

descriptions of the social class exactly.[32] They were very wealthy, heavily involved in the financial sector, and maintained country estates in the south of England. Subsequent sections of the chapter detail how the Germán Ribóns and the 'gentlemanly capitalists' worked in unison to protect the DRC's monopoly: a relationship highly characteristic of the 'collaborating elite' role understood by Robinson and Gallagher as fundamental to British economic imperialism.[33]

Fig. 6.5 – DRC major shareholders, 1890-1929



Source: Companies House, Company No. 84226, Ashtead Holdings Limited [Dorada Extension Railway Limited] Shareholder Reports for 1890, 1895, 1913, 1920, 1929.

The Quilters were an accounting and stockbroking family who accumulated great wealth in the financial markets and business world. Rather than landed gentry entering the financial sector as described by Cain and Hopkins, the Quilters were financial elites who used their immense wealth to reinvent themselves as landed aristocracy. In 1883, the patriarch Sir William Cuthbert

32 Cain and Hopkins, *British Imperialism,* I.
33 Robinson and Gallagher, 'The Imperialism of Free Trade'.

Quilter (see fig. 6.7) purchased Bawdsey Manor (see fig. 6.6), a stately home with a 9000 acre estate.[34] He entered politics in 1885 as a liberal MP, and in 1897 a baronet was created for him, cementing the family's aristocratic pedigree.[35]

Fig. 6.6 – Bawdsey Manor, seat of the Quilter Baronets

[redacted]

Source: 'The house that would not be beaten by German bombs: Grade II manor house which was Britain's first war-time radar station and survived multiple Luftwaffe attacks goes on sale for £5million' Daily Mail, 16 October 2016 http://www.dailymail.co.uk/news/article-3841570/The-house-not-beaten-German-bombs-Grade-II-manor-house-Britain-s-war-time-radar-station-survived-multiple-Luftwaffe-attacks-goes-sale-5million.html accessed 01/03/2017.

[34] Kimberly Morse Jones, 'Quilter, Sir William Cuthbert, first baronet (1841–1911)', in *Oxford Dictionary of National Biography* . [http://www.oxforddnb.com/view/article/35643, accessed 1 March 2017]

[35] Ibid.

Fig. 6.7 - Sir William Cuthbert Quilter held 8068 shares (approx. 23%)

Source: ‘in Society and a Member of Parliament’ *Vanity Fair*, 9 February 1889.

The Coopers were an accounting family who established Cooper Brothers & Co (today Price Waterhouse Coopers). The founding brothers originally worked at Quilter, Ball & Co. the accounting firm of the Quilter family.[36] The family shareholding was split between the sons of William Cooper, who was one of the founders of Cooper Brothers & Co.[37] This demonstrates the connections between the Quilters and Coopers, and the closed nature of the group controlling the DRC. A notable member of the family invested was Sir Alfred Cooper (see fig.

[36] John Richard Edwards, ‘Cooper family (*per.* 1854–1994)’, in *Oxford Dictionary of National Biography*, [http://www.oxforddnb.com/view/article/47718, accessed 1 March 2017].
[37] Ibid.

6.8), a world-famous physician who served ‘kings and princes’.[38] When he died, he left an estate totalling £14,130, of which his £3,000 investment in the railway represented a significant portion.[39]

Fig. 6.8 – Sir Alfred Cooper held 300 DRC shares (approx. 0.85%)

Source: ‘Men of the Day’, *Vanity Fair*, 30 December 1897.

The Morrisons were one of the richest families in Britain. The family dynasty was established by James Morrison, through Morrison, Dillon & Co, a business empire based on the rapid

38 D'A. Power, ‘Cooper, Sir Alfred (1838–1908)’, in *Oxford Dictionary of National Biography*, [http://www.oxforddnb.com/view/article/32546, accessed 2 March 2017]

39 Ibid.

movement of low value goods.[40] In 1857, he died leaving a fortune estimated to be between £4,000,000 and £6,000,000.[41] The relative value in 2015 represents between £344,000,000 and £516,000,000.[42] The family's wealth was such that in 1853 James Morrison purchased the whole island of Islay which has an area of 620km^2.[43] The four family shareholders were James Archibald, Hugh, Walter, and Dorothy. James Archibald and Hugh were grandsons of James Morrison, and heirs to his fortune. Walter was James Morrison's son.[44] Dorothy was a granddaughter, and the sister of James Archibald and Hugh.[45] The wealth of the family was such that both James Archibald and Hugh had separate and enormous stately homes in the South of England (see figs. 6.9 and 6.10).

40 'Morrison, James' in Sidney Lee, *Dictionary of National Biography* (London: Smith, Elder & Co., 1894) pp. 108-9.

41 Charles Jones, 'Morrison, James (1789–1857)', *Oxford Dictionary of National Biography*, [http://www.oxforddnb.com/view/article/19326, accessed 2 March 2017]

42 Calculated with historic inflation datasets at: https://www.measuringworth.com/ukcompare/relativevalue.php accessed 02/03/2017.

43 David H. Caldwell, *Islay, Jura and Colonsay: A Historical Guide* (Edinburgh: Birlinn, 2011), p. 79.

44 http://thepeerage.com/p50982.htm#i509820 accessed 02/03/2017.

45 http://thepeerage.com/p33024.htm#i330238 accessed 02/03/2017.

Fig. 6.9 – Hugh Morrison’s home Little Ridge, Fonthill Estate, Wiltshire

[redacted]

Source: http://www.fonthill.co.uk/fonthill-history accessed 13/02/2018

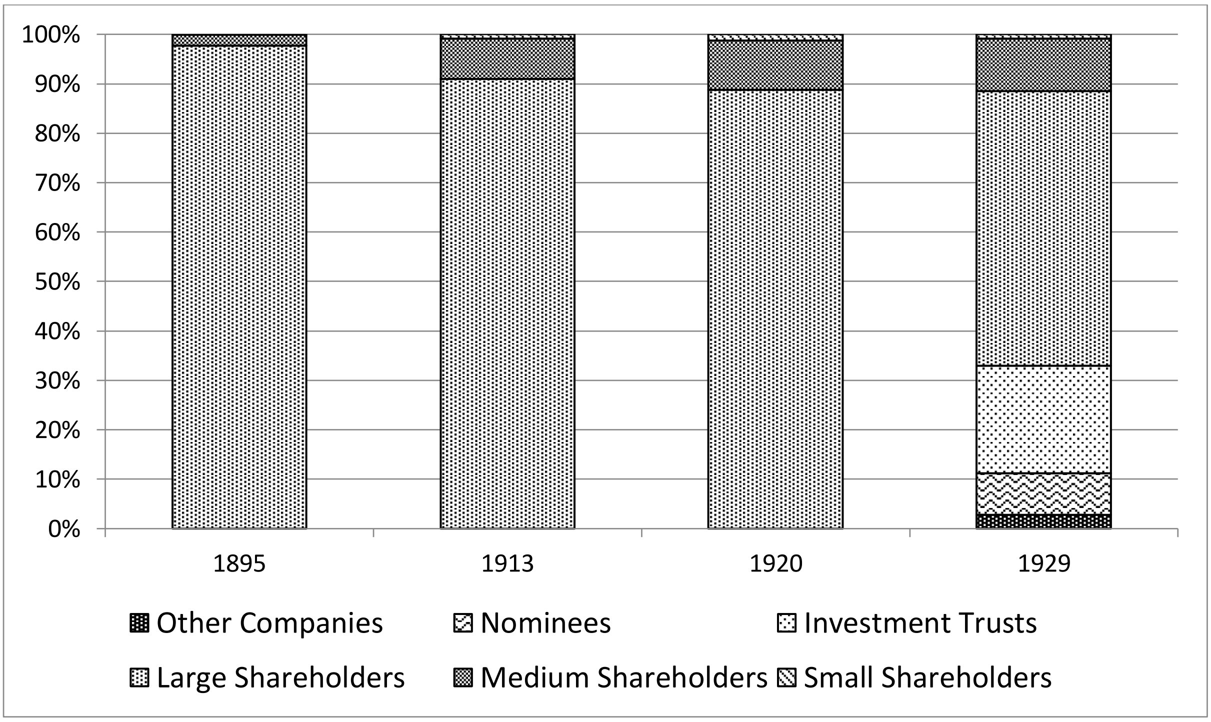
Fig. 6.10 – James Archibald Morrison’s home Basildon Park.

[redacted]

Source: https://www.nationaltrust.org.uk/basildon-park accessed 02/03/2017.

William Edward Balston held a 5.7% share in the DRC and a 1.33% interest in the CNRC.[46] As was mentioned in the previous chapter, the source of his family's wealth was a paper mill in Kent. His wealth was inherited, as the heir to the fortune created by his grandfather, William Balston.[47] This was a trait also shared by other major shareholders in the railway. They were rich, lived a privileged life in mansions as landed gentry, but their lifestyle was not based on their own business acumen. The necessity to receive a return on inherited wealth perhaps explains why the men were drawn to the railway project, since its monopoly provided a dependable annual dividend.

Fig. 6.11 – Breakdown of DRC shareholders by group



Source: See footnote.[48]

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[46] Shareholder Register for 1914, TNA, BT31/16224/62637; Companies House, Company No. 84226, Ashtead Holdings Limited [Dorada Extension Railway Limited] Shareholder Reports for 1913 and 1920.

[47] Family Tree: http://www.minotaur.org/family-tree/famg01.htm#109 [accessed 04/03/2017], History of the Mill: http://www.vintagepaper.co.uk/the-history-of-j-whatman-fine-art-paper [accessed 04/03/2017]; http://www.kentonline.co.uk/maidstone/news/campaign-to-save-historic-mill-32289/ [accessed 04/03/2017].

[48] Companies House, Company No. 84226, Ashtead Holdings Limited [Dorada Extension Railway Limited] Shareholder Reports for 1890, 1895, 1913, 1920, 1929. Throughout this thesis shareholder groups are defined in the following terms: Small Shareholders £1-£200, Medium Shareholders £201-£2,000, Large Shareholders >£2,000.

Fig. 6.11 demonstrates the DRC's concentrated ownership pattern. This contrasts sharply with the CNRC, which was dominated by medium and small investors. As has been established, the large shareholders were all part of the social class Cain and Hopkins term 'gentlemanly capitalists'. The main differences between the DRC and the CNRC's experience, was the institutional incentives received for investment, and the geography traversed. The CNRC received a full guarantee of debenture interest, whilst the DRC received no assistance at all. The CNRC's guarantee succeeded in attracting capital for what was a significantly risky investment. In contrast, the DRC's relationship with the capital market was dictated entirely by the free market.

6.4 **Crises, 1899-1902**

6.4.1 *Arrancaplumas Ferry Dispute 1899*

In the months leading up to the War of a Thousand Days, the DRC experienced its first serious problem with regionalism. The DRC operated a ferry service across the river at its southern terminal at Arrancaplumas. In December 1898, a bridge over the river was completed by the Colombian engineer Bernardo Navarro (see fig. 6.12).[49] Navarro had been awarded a concession contract for the bridge which provided a monopoly on the conveyance of goods and people across the river. He requested that the 'service of the said ferry should be done away with altogether'.[50] The DRC argued since the ferry predated the bridge by fifteen years, it should be exempt.[51] The DRC enlisted diplomatic assistance from the Foreign Office, who felt that the national government's intention was to favour national interests over foreign ones, rather than to enforce the contractual obligations.[52] This prioritisation of national business

49 'Puente navarro, 100 años de historia', *El Tiempo*, 6 January 1999. http://www.eltiempo.com/archivo/documento/MAM-877042 accessed 25/07/2017.

50 Emerson (General Manager) to Minister of Finance, 3 February 1899, TNA, FO55/389, f. 184.

51 Emerson (General Manager) to Minister of Finance, 3 February 1899, TNA, FO55/389, f. 184; Emerson (General Manager) to Villiers (Assistant Under-Secretary for Foreign Affairs), 10 March 1899, TNA, FO55/389, f. 189.

52 Anonymous internal handwritten note, TNA, FO55/389, f. 180.

interests over those of foreigners was an early example of growing nationalism against foreign railways, years before it solidified within national railway policy.[53] The dispute also illustrates the repeated problem of contractual instability in Colombia, and the negative influence it had on British railway companies.

Fig. 6.12 – Puente Navarro (Navarro's bridge) c. early twentieth century

Source: Uncategorised photo held by the Museo del Rio Magdalena, Honda, Colombia, consulted February 2018.

Within the dispute the preoccupation of the DRC's management was similar to that of Henry Jenks (CNRC) and Fletcher Toomer (GNCRC) in their respective disputes with the national and local authorities. A document outlining the DRC's objections sent to the Foreign Office stated that '[we] only ask for *justice*'.[54] This reiterates the argument made in earlier chapters;

53 Ibid. The bridge still provides an indispensable link between municipalities on either side of the river, and is a source of local pride because it was financed and administered by a local merchant. When carrying out field work and presenting a public engagement exercise at the Museo del Rio Magdalena in Honda, the importance of the monument was clear to see, as a small pamphlet produced by schoolchildren of the municipality of Puerto Bogotá, Cundinamarca, which the bridge connects with Hondá, Tolima, illustrates: http://escritoresfuturo3000.blogspot.com.co/2015/01/puente-navarro-120-anos-de-inicio-de-su.html accessed 13/02/2018.

54 Dorada Railway Co. Ld. Ferry at Arrancaplumas', TNA, FO55/389, f. 199.

namely that British economic interests expected a similar institutional environment to the one they were accustomed to working under at home. Garner refers to this same behaviour as the 'gentlemanly ethos', which 'operated on the values of 'order, duty and loyalty, honour, and obligation in business transactions'.[55] According to Cain and Hopkins, exhibiting this behaviour was fundamental to the whole concept of 'gentlemanly capitalism'.[56] As previous chapters have illustrated, 'gentlemanly capitalists' in Colombia struggled to modify their strategy to navigate what Safford described as Colombia's 'catch-as-catch-can' national business culture: cutthroat in nature, with a flexible rather than concrete approach to business agreements.[57] As such, outside of the *Quinquenio* which enforced contractual stability, 'gentlemanly capitalism' in the standard sense could not function.[58] Chapter four illustrated that by the time of the *Quinquenio*, the Jenkses had begun to modify their behaviour to better navigate the national business culture. Rather than focussing on 'gentlemanly' concepts such as 'justice and honour', Shirley Jenks was willing to engage in business practices which made him complicit in the corruption of 'collaborating elites' to grow his influence within Colombian society. As is explored later in the chapter, the DRC's 'gentlemanly capitalists' also learned to modify their approach, embracing 'collaborating elites' such as Tomás Germán Ribón, to protect their monopoly profits. The Arrancaplumas dispute is important, because it illustrates that the DRC's functionaries exhibited the same *doux* behaviour of the 'gentlemanly capitalist' class at the beginning of their interactions with Colombia's political and economic elite.[59]

6.4.2 *War of a Thousand Days*

During the war, the upper Magdalena River valley was controlled by liberal rebels, whilst Honda and the lower section were controlled by the conservative government. As a result,

55 Garner, *British Lions*, p. 11.
56 Cain and Hopkins, *British Imperialism*, I, pp. 53-104
57 Safford, 'Foreign and National Enterprise', p. 503.
58 Cain and Hopkins, *British Imperialism*, I, pp. 276-315.
59 Cain and Hopkins, *British Imperialism*, I, pp. 53-104

Honda and the railway terminal straddled the frontline of the conflict, and represented an epicentre of fighting. The following excerpt describes scenes during an attack by 1,500 liberal rebel troops in December 1901.

> The fighting in the streets of Honda … was very severe and no quarter was given … to prisoners … all were shot and their bodies were thrown into the river Magdalena. [Fighting] lasted for about four hours without cessation, and hardly a house on the south side has escaped being hit by bullets.[60]

[60] Illegible to Petty-Fitzmaurice, 21 December 1901, TNA, FO55/400, f. 211; British Vice Consul at Honda to Unknown, 11 December 1901, TNA, FO55/400, f, 217.

Fig. 6.13 – Internal view of bullet hole and external view of the '*acampamento Ingles*' railway residence in Honda as it exists today

Source: The above photos were taken at what is referred to today as the '*acampamiento Ingles*' in Altos del Rosario in Honda, February 2018.[61]

[61] The current inhabitant Don Jaime Torres commented that the building was originally erected by Cisneros with the same zinc laminate utilised for other buildings, but it was lined internally with luxurious Jamaican hardwood. When discussing the War of a Thousand Days he immediately showed me the bullet hole which had been hidden behind a family photograph. He added that a matching hole had originally existed in the external zinc sheeting but the sheet in question had been replaced long ago.

The conflict played out meters away from the DRC's infrastructure. As fig. 6.13 illustrates, the railway management's residence in Honda bears the marks of the conflict to this day. But the impact of the conflict was not limited to physical manifestations: it also influenced the DRC politically. Government requisitions of rails and other materials made maintaining the line difficult, and the DRC were obliged to provide transportation services to the government throughout.[62] In the first months of 1902, paranoia led to the national government requesting the removal of company local manager J. F. Bateman from his position, on the basis he was politically aligned with the liberal rebels.[63]

Just as was the case with other railways, the war also affected revenues. Operations were in such chaos that annual reports could not be prepared for the stock exchange.[64] In March 1904, after the DRC's operations had normalised, a report was produced for the previous four financial years, which demonstrate how depressed revenues had been by the conflict.

Table. 6.3 – Finances reported in March 1904

Year	Receipts	Operating Expenses	Profits
1900/1	£6,327	£5,703	£624
1901/2	£12,802	£7,543	£5,258
1902/3	£13,400	£6,600	£6,800
1903/4	£46,000	£18,000	£28,000

Source: 'The Dorada Railway Company - Directors Report to 31st March, 1904', Guildhall Library, Stock Exchange Reports, Box 830.

The financial impact on the DRC was not as great as on the CNRC because it was free of debt. In addition, in 1903, commerce which had been immobilised in interior was shipped to the

62 Pilditch & Smitheet to President Marroquin, 18 February 1902, FO55/412, f. 29V.

63 Pilditch & Smitheet to President Marroquin, 18 February 1902, FO55/412, f. 29V. An interesting anecdote is the fact that being married to a local inhabitant Bateman stayed in Honda the rest of his life and is buried in its cemetery. Bateman's allegiance to the liberal cause is unclear, but that of his grandson Jaime Bateman Cayón is not, who founded the guerrilla organisation M-19 which splintered from the liberal coalition behind Rojas Pinilla following the 1970 general election.

64 'The Dorada Railway Company - Directors Report to 31st March, 1901', Guildhall Library, Stock Exchange Reports, Box 688; 'The Dorada Railway Company - Directors Report to 31st March, 1902', Guildhall Library, Stock Exchange Reports, Box 737.

Caribbean, providing the DRC's finances with an immediate boost. Conflict had a greater impact on railways such as the SMRC and the CNRC, which were undertaking construction projects financed by debt. Existing railways which enjoyed strong monopolies such as the DRC, the BRPC, or the CNoRC, were less affected. As such, Colombia's political instability favoured monopolistic railways, and constrained larger-scale projects with a more developmental influence on the economy.

6.5 ***Quinquenian* Expansion, 1904-09**

6.5.1 *The Ambalema Prolongation: Successes and Failures of the Quinquenio*

In Mexico, 'the favourable treatment of overseas businessmen' was a central component of the *Porfiriato* government, and Díaz exercised 'authority over the Mexican judiciary' to specifically assist foreign interests.[65] Reyes similarly suspended the congress and the senate throughout the *Quinquenio* (1904-09), allowing contracts to be approved without waiting years whilst political debates raged within both bodies. As a result, the on 14 August 1905, only a year into the administration, a new concession contract for an extension to Girardot was issued to the DRC.[66] As has been illustrated throughout the thesis, outside of the *Quinquenio* new concession contracts or renegotiations dragged on for years, often with no resolution. The expansion was conceived to link the DRC with the CNRC, providing an uninterrupted rail connection between Bogotá and the lower Magdalena River valley. The concession was awarded to the largest major shareholder: Tomás Germán Ribón.[67] Construction was managed by S. Pearson & Sons, the famous nineteenth century civil engineering company.[68] Paul Garner's study of Weetman Pearson in Mexico demonstrates that the firm enjoyed close

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65 Garner, *British Lions*, p. 71.

66 Anonymous, *Contrato Celebrado con el Sr. Tomas German Ribon para la construccion de un ferrocarril desde Honda o sus inmediaciones hasta Flandes o Girardot* (Bogotá: Imprenta Eléctrica, 1905).

67 Ibid.

68 'La Dorada Railway Company Report for 1905', Guildhall Library, Stock Exchange Reports, Box 928, f. 3.

relations with the government of Porfirio Díaz, reminiscent of the relationship between the Jenks and political actors of the *Quinquenio*.[69] It seems likely S. Pearson & Son's role was related to Reyes's close association with Díaz, with whom he had 'the opportunity of studying under' in Mexico.[70] The firm made rapid progress, and the expansion was completed as far as Ambalema on the 27 September 1907, just two years after the contract had been signed.[71] The expansion was twice the length of the original length of track, and as such, the first three years of Reyes's Quinquenio had achieved more than the previous two decades.[72] The firm had performed admirably, and the DRC argued it represented the best section of railway in the country.[73] The expansion cost the company £372,570, representing a low figure of £4,600 per kilometre.[74]

The DRC's rapid expansion during the *Quinquenio,* demonstrates what could be achieved with a stable and receptive political environment, and access to British capital and expertise. The DRC was able to raise debentures almost at par, selling £350,000 in the capital market for £345,000, despite carrying no government guarantee.[75] This compares favourably to the CNRC, which raised government guaranteed debentures at a significant 20% discount.[76] President Reyes played a key role in facilitating this investment. As has been discussed previously, he and his finance minister had worked to improve Colombia's reputation in the exterior by renegotiating and resuming payment of the sovereign debt. The results were dramatic. Just as Garner argues was the case in Mexico, what was previously considered a

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69 Garner, *British Lions*, pp. 104-8.

70 'We published a few days ago an emphatic', *The Times*, 29 September 1905.

71 'La Dorada Railway Company Report for 1907', Guildhall Library, Stock Exchange Reports, Box 1021, f. 3.

72 'Report on the Railways of Colombia' 1910, Vol. XCVI, Cd. 4968, p. 34.

73 'La Dorada Railway Company Report for 1907', Guildhall Library, Stock Exchange Reports, Box 1021, f. 3.

74 According to a Foreign Office report the extension was 81Km: 'Report on the Railways of Colombia' 1910, Vol. XCVI, Cd. 4968, p. 34; 'La Dorada Railway Company Report for 1907', Guildhall Library, Stock Exchange Reports, Box 1021, f. 7.

75 Smithers to Reyes, 30 September 1908, AGN, Ferrocarriles, Vol. 374, f. 360.

76 'Republic of Colombia Colombian National Railway (1908) Customs Guaranteed 6% Debentures', *The Times*, 26 October 1908.

'pariah state' was now viewed by investors in London as a legitimate target for investment.[77] Commentary from *The Times* demonstrates the positive view of Reyes, and contempt for men such as Pérez Triana who had criticised the negotiations:

> General Reyes is fully alive to the fact that such enterprises can only be carried through by foreign capital ... But his policy in this respect has much opposition to overcome in the foolish obstruction of his ignorant countrymen, who fail to see the advantages, and raise the cry that the foreigners are fleecing the country for their own benefit.[78]

The original concession to Girardot was not completely taken up, mainly because the Cambao road contract was subsequently awarded to major shareholder Tomás Germán Ribón on the 18 May 1906.[79] The cart road enabled connection of the capital with the upper Magdalena valley. As a result, Germán Ribón and his 'gentlemanly capitalist' associates, were able to establish a total monopoly of transport between the capital and lower Magdalena in direct competition with the CNRC. The interplay between the cart road and the DRC, illustrates that even in the first decade of the twentieth century, a struggle between roads and railways was already developing within national infrastructure development policy. As Ramírez argues, this struggle was won definitively by the former in the 1930s.[80] Reyes attempted to intervene and entice the DRC to complete the expansion to Girardot, by offering a guarantee of interest on additional debentures.[81] However, it was not enough. The prospective revenues of the Cambao cart road were greater than those of the expansion. To ensure the railway was constructed to Girardot, a guarantee on dividends like that provided in Brazil would have been necessary. But as the first three chapters illustrated, Reyes did not even have sufficient political capital to implement guarantees of interest on bonds without members of his own administration sabotaging his efforts. Providing institutional incentive over and above this base level, was completely

77 Garner, *British Lions*, p. 97.
78 'We published a few days ago an emphatic', *The Times*, 29 September 1905.
79 Anonymous, *Carretera de Cambao Contrato Celebrado con el Senor Tomas German Ribon* (Bogotá, Imprenta de la Luz, 1906).
80 Ramírez, 'Las carreteras', in *La infraestructura*, ed. by Ramírez and Panchón, p. 66-71.
81 Smithers to Reyes, 30 September 1908, AGN, Ferrocarriles, Vol. 374, f. 359.

unrealistic. Reyes's failure to ensure the expansion to Girardot, was a major blow to the aims of his administration, since it made the direct rail connection between Bogotá and the lower Magdalena impossible. In 1915, *Revista Moderna* blamed Jenks for blocking this 'transcendental work'.[82] The reality is that the failure was determined much earlier. Reyes's government could not provide the necessary level of incentives to the DRC because of the nationalistic ire government guarantees inspired domestically. But despite this failure, Reyes provided a constructive impulse to the DRC which resulted in twice as much track laid in the first three years of his administration than in the two decades preceding it.

6.6 **Post-*Quinquenian* Expansion, 1909-1922**

The DRC was unique as the only foreign-owned railway permitted to expand its operations following the end of the *Quinquenio*. As the previous four chapters have shown, after this period government policy prioritised government control of foreign railways over the expansion of the railway network. As the CNoRC and GNCRC in chapter three demonstrated, for the national government taking control of an existing short section of track was preferable to additional track in foreign hands. With the SMRC, the government was willing to halt expansion entirely to try to limit the growth of the transnational interests associated with the railway. In view of this, we may well ask, why was the case of the DRC different? In this section, I argue the reasons are twofold. First, the DRC's profitability and the strength of its geographical monopoly meant the railway was not a realistic target for nationalisation. The national government had no financial interest in the railway, and it could not use renegotiations to financially cripple it. Second, the Manizales-Mariquita ropeway provided significant impetus to the national economy, and by opening up Caldas for coffee exportation, it was in the interests of the economically and politically dominant *hacendado* class. This goal

82 'De Bogotá a la Dorada Directamente', *Revista Moderna*, 2, 7 (1915), p. 6.

momentarily took precedent over the strong nationalist and anti-foreign currents running through Colombian politics. Nevertheless, as is explored in later in the chapter, once the ropeway was completed in 1922, this nationalist current was aimed squarely at the DRC.

6.6.1 *Expansion to Girardot: Monopoly, the Cambao Road, and Major Shareholders*

As previously mentioned, the *Quinquenian* contract awarded to the DRC authorised the railway to expand as far as Girardot. Rafael Reyes had offered a guarantee on bonds in 1908 for the section between Ambalema and Girardot, but this had not been taken up.[83] As has been detailed throughout, when Reyes 'slipped aboard a United Fruit Company boat and sailed off into exile', it brought the legitimacy of his whole political project into question.[84] *Quinquenian* contracts were viewed as artefacts of collaboration, and as such, companies which had based their expansion plans on them were thrown into chaos. As a result, the contract had to be renegotiated, taking three years before it was regranted by the Restrepo administration in 1912.[85] An expansion to Girardot was fundamentally important for the economy of the interior, and it was described by contemporaries as a 'transcendental work'. [86] It would facilitate a non-stop service between Bogotá and La Dorada, eliminating the need for costly freight transfers from railway cars to river boats at both Girardot and Ambalema.

The Ministry of Public Works lamented in 1912, that if only 'instead of extending the railway to Ambalema, it had been extended to Girardot, [the railway] would have actually served the commercial interests of the interior of the country'.[87] The 'gentlemanly capitalists' of the DRC had witnessed concession contracts awarded to other British companies, only to be repudiated at a later date, with heel-dragging in negotiations paralysing construction for sufficient time to

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83 Smithers to Reyes, 30 September 1908, AGN, Ferrocarriles, Vol. 374, f. 359.

84 Palacios, *Between Legitimacy*, p. 63.

85 República de Colombia, *Memoria del Ministro de Obras Públicas al Congreso de 1914* (Bogotá: Imprenta Nacional, 1914) p. XXXIII.

86 'De Bogotá a la Dorada Directamente' *Revista Moderna*, Vol. 2, 7 (1915), p. 6.

87 República de Colombia, *Ministerio de Obras Públicas - Memoria Congreso de 1912* (Bogotá: Imprenta Nacional, 1912) p. 51.

financially cripple the company and enforce nationalisation. That the DRC refused to enter a costly expansion in this hostile political environment, is understandable. Furthermore, major shareholders had taken a direct interest in developing the Cambao cart road, which was mentioned earlier.[88] A direct rail service from Bogotá to La Dorada would make the Cambao road obsolete, and major shareholders invested in it stood to lose out. Charles Morrison had invested £25,000, Sir William Cuthbert Quilter £25,000, Company Secretary William Smithers £5,000, and German Ribón £10,000. The cart road's total share capital stood at £80,000, and these four men controlled 81.25% of the enterprise.[89] As we saw in Fig. 6.4, in 1913, the Morrison, Quilter, and Ribón families also held a controlling share of the DRC. The company accounts for 1913 paid lip service to other shareholders, suggesting that the 'directors are studying the question' of whether the expansion was desirable.[90] However, as the 1908 letter to Reyes from company secretary William Smithers demonstrates, a decision to focus on the Camboa cart road had been taken by major shareholders years before.[91] Circumstances in which a railway company refused to expand to protect a monopoly were not unique to Colombia. In Brazil, Lewis argues the Sao Paulo Railway Company also refused to expand its operations beyond the existing monopoly.[92]

A central thread running through the thesis has been the inability of 'gentlemanly capitalists' to adjust their business strategy to navigate what Safford refers to as the 'catch-as-catch-can' national business culture: a cutthroat economic environment with a pervasive lack of contractual stability. [93] As was illustrated earlier in the chapter the DRC's administrators displayed this same characteristic behaviour in the ferry dispute. However, the Girardot

88 Anonymous, *Carretera de Cambao Contrato Celebrado*.
89 Smithers to Reyes, 30 September 1908, AGN, Ferrocarriles, Vol. 374, f. 355.
90 'The Dorada Railway Company - Directors Report to 31st March, 1914', Guildhall Library, Stock Exchange Reports, Box 1319.
91 Smithers to Reyes, 30th September 1908, AGN, Ferrocarriles, Vol. 374, f. 359.
92 Colin Lewis, *Public Policy*, p. 38.
93 Safford, 'Foreign and National Enterprise', p. 503.

expansion – or lack thereof – illustrates that over time the 'gentlemanly capitalists' learnt to shed their *doux* ethos. In the 1890s, the DRC's management had argued '[we] only ask for *justice*', yet during the 1910s they meted out *injustice*, by refusing to complete a key piece of infrastructure, reminiscent of the Sao Paulo Railway, said to have held 'a country to ransom'.[94] In 1938, *El Tiempo* similarly accused the DRC of having 'extorted a third of the country for many years'.[95] This modification in strategy seems to have been a result of the close interactions with local 'collaborating elites' such as Tomas Germán Ribón. This same change of strategy was apparent in chapter four, where Shirley Jenks and the management of the CNRC played a complicit role in the fraudulent activity of the 'Apulo works', to ensure the success of their business dealings. Shirley Jenks attempted to construct a similar monopoly as the DRC's by combining his interests in the CNRC, the Cartagena Railway, and Magdalena River navigation companies. He was attacked by contemporaries for this action, but they exaggerated his impact on the economy.[96] As chapter five illustrated, the Cartagena Railway's 'war of rates' was generally unsuccessful, because of the strength of competition in the form of the BRPC. Thus, despite Shirley Jenks' reputation as an agent of imperialism, he never influenced or impeded national railway strategy to the same extent as the owners of the DRC. For this reason, the DRC represents a much more clear-cut example of economic imperialism.

It could be argued that this contradictory behaviour was simply indicative of hypocrisy, and that Cain and Hopkins's argument of a *doux* British imperialism based on 'gentlemanly capitalism' is spurious.[97] However, this thesis has demonstrated that British businessmen initially exhibited an ethos based on the concept of *justice*, similar to the nineteenth and early twentieth century concept of gentlemanly behaviour. Furthermore, ample examples have been

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94 D.C.M Platt, 'Economic Imperialism and the Businessman', p. 300; 'Dorada Railway Co. Ld. Ferry at Arrancaplumas', TNA, FO55/389, f. 199.

95 Una Empresa Afortunada, *El Tiempo*, 17 January 1938.

96 Fischer, 'Empresas de navegación', pp. 1010-11; Ferrocarril de Santa Marta – La Prorroga del Contrato Peligros de Soberania', El Tiempo, 11 January 1912.

97 Cain and Hopkins, *British Imperialism*, I.

provided to illustrate how this approach, which was perceived locally as naivety or weakness to be exploited, was a significant factor in the repeated failure of British railway enterprise. Indeed, we can go right back to the very opening of this thesis, with the case of W.J. Kelly to illustrate how the naïve and *doux* attitude of British businessmen was an impediment to railway investment from the very start.[98] By the 1910s, the 'gentlemanly capitalists' had begun to overcome this inherent naivety, and to form an inherently successful and profitable enterprise; this is highly significant. They had come to learn that a 'gentlemanly' ethos was not conductive to business in Colombia, because national elites refused to follow the 'rules of the game' of British imperialism. The experiences of the CNoRC, the CCRC, and the GNCRC, had shown that efforts to develop the infrastructure of the country would be exploited to weaken the position of British interests, and to nationalise them. The lack of stable 'rules of the game', which North argues are indispensable for sustained economic growth, explains why railway expansion was so sluggish in the post-*Quinquenio* period.[99] The failure of British private investment meant Colombia had to wait for the state-led '*danza de los millones*' expansion policy of the 1920s, to make further progress on the rail network.[100] But from the perspective of public policy, this was not a problem, but rather an *achievement*. Whereas policy in Argentina and Brazil focussed on *ensuring* expansion of private railway companies, post-1909 Colombian policy focussed on *avoiding* expansion, and seizing control of foreign railways.[101]

The failure of the Girardot extension was the most influential institutional failure in the history of Colombian infrastructure development, and the case underlines the necessity of institutional incentive to corral investment to where it was most required. As Summerhill argues, even in 'a pure price system' uncertainty, and worries over expropriation, 'mean that infrastructure

98 'Albany Fonblanque's despatch No. 12', 24 November 1865, TNA, FO135/88.
99 North, *Institutions*.
100 Donald S. Barnhart, 'Colombian Transportation Problems and Politics, 1923-1948' (PhD Thesis, University of Chicago, 1953), p. 61-7.
101 Miller, *Britain and Latin America*, p. 156; Summerhill, 'Market Intervention', pp. 547-9; Lewis, *Public Policy*, 29-30.

investment may languish at levels much lower than are warranted by prevailing conditions'.[102] The history of the DRC is a perfect illustration of how Summerhill's theoretical observation played out on the ground in Latin America. There was no place or point in time where such a small amount of foreign capital would have had such a huge impact on the Colombian economy, yet the rail link between Ambalema and Girardot was not completed. The model chosen to overcome this problem, was the state-led expansion policy followed in the 1920s, rather than the institutional incentives for foreign investment applied in Brazil, Argentina, and Mexico. In the context of Latin America, it is fair to say the latter was much more successful in terms of railway development.

6.6.2 *A Clash of Cultures: Locals, Workers, and Enclaves*

The decision of large shareholders to reject expansion to Girardot contributed to a growing crisis of transportation.[103] Bogotá depended on the upper Magdalena River for its links to the outside world. Colonisation of sparsely inhabited areas of the interior, intensive agricultural practices, and the exploitation of land on hillsides had led to silt deposits inhibiting river navigation. Soil erosion had been a problem since the Colonial period, but the scale of population and cultivation spurred on by the coffee exportation boom brought the upper section of the river to a crisis point:

> The bad passes [on the river] get more appalling with every passing day, and since improving them has been tried many times, experience suggests it is not possible. I make these comments on the basis of recent and repeated personal experiences. Grave accidents have occurred to four separate boats on the last four voyages on the Alto Magdalena.[104]

These transportation problems cut off the DRC's supply of coal and firewood, effectively paralysing its operations.[105] The crisis also stoked resentment and hostility from the public. The

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102 Summerhill, 'The Development of Infrastructure', p. 295.
103 'El Problema de los Transportes', *El Tiempo*, 11 June, 1919.
104 Dr. Gabriel Gonzalez, 'El Ferrocarril de la Dorada y el problema de los transportes', *El Tiempo*, 9 November 1919.
105 'Lo que pasa en el ferrocarril de la Dorada', *El Tiempo*, 2 June 1919.

local reaction was similar to what Lewis argues occurred when the São Paulo Railway refused to extend its line into the coffee growing hinterlands.[106] A conference was organised with the Colombian Society of Agriculturalists, attempting to allay the public's fears. The DRC's representative argued they were keen to extend the line and blamed negotiations with the national government.[107] But as was established earlier in the chapter, the DRC's large shareholders were unwilling to support the project because of their personal interests in the Cambao Road. The company's hope that the conference would abate public anger was misplaced. The conference occurred during a period of heightened tensions between the local population and foreign railway companies, which saw strikes on the CNRC, the CNoRC and the Colombian Southern British registered railway companies.[108] An aspect of the conference which further enraged the public, were comments made by a local Colombian representative of the DRC Dr Gabriel Gonzalez:

> One of the major hurdles the company faces in order to provide a good level of service is the lack of suitable, competent and *trustworthy* personnel. It is a disgrace and is painful to acknowledge, but it is a fact which is demonstrated daily within government and commerce. Other than in a few rare cases, sufficiently skilled, trained and efficient personnel simply cannot be found for the diverse destinations and employments [within the company].[109]

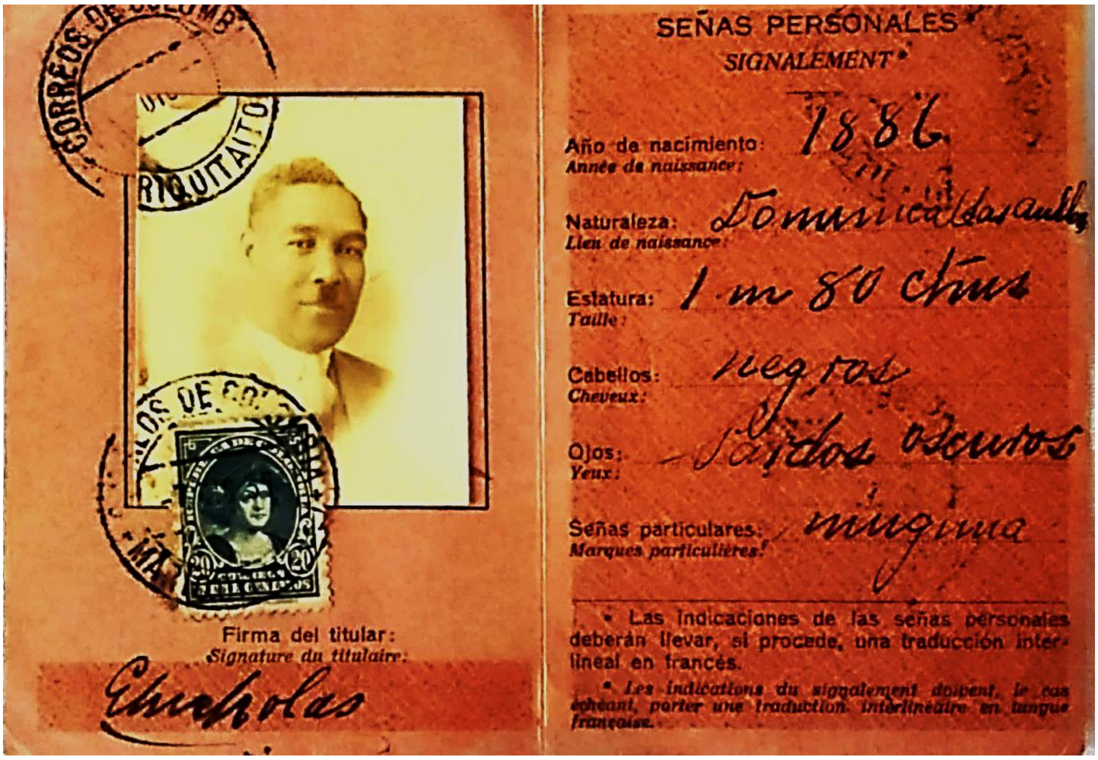
The public viewed these comments as an insinuation that they were backwards, corrupt, incompetent, and ultimately incapable of maintaining modern technology. The backlash led to the issuance of a public apology in *El Tiempo* two weeks later.[110]

The reference to *trustworthy* personnel alludes to the same 'catch-as-catch-can' national business culture which Safford argues led to the murder of the British manager of the salt mines of Zipaquirá, when he 'refused to permit workers to steal salt'.[111] Safford has also argued that

106 Lewis, *Public Policy*, p. 38.
107 'El Ferrocarril de la Dorada y el problema de los transportes', *El Tiempo*, 9 November 1919.
108 'La Huelga Ferroviaria de Hoy', *El Tiempo*, 22 November 1919; 'La Actitud de los Ferroviarios de Bogotá' *El Tiempo*, 21 November 1919; 'La Huelga en el Ferrocarril de Girardot' *El Tiempo*, 21 November 1919.
109 'El Ferrocarril de la Dorada y el problema de los transportes', *El Tiempo*, 9 November 1919.
110 'Los Empleados Del Ferrocarril de la Dorada' *El Tiempo*, 22 November 1919.
111 Safford, 'Foreign and National Enterprise', pp. 503, 513.

Colombia had developed a viable technological elite during the nineteenth century.[112] The development of this elite did not seem to assist British railway companies, which continued to depend on foreign engineers and technicians. This remained the case for the DRC right up to nationalisation in 1956, even for relatively low skilled work. Various British engineers also provided an important contribution to the development of the local environment. By 1932, there were four separate British owned businesses in Mariquita and Honda. One belonged to the descendants of J. F. Bateman, the DRC manager who has been removed from his post during the civil war.[113]

Fig. 6.14 – The ID card of Eduardo Nicholas, the Trinidadian warehouse manager



Source: The ID card is held by Eduardo's son Don Carlos Nicholas and was consulted in a field trip to Mariquita in February 2018.

112 Frank Safford, *The Ideal of the Practical: Colombia's Struggle to Form a Technical Elite* (Austin: University of Texas Press, 1976).

113 José Ernesto Ramírez, 'Ingenieros ingleses en el norte del Tolima', *Boletin Cultural y Bibliografico*, Vol. XLIII, No. 71-72 (2006), 139-64, (p. 141).

Staff brought in from overseas included Eduardo Nicholas (see fig. 6.14) a Trinidadian-British technician who worked as a warehouse operative, and local manager Leslie Frost.[114] After studying in London Nicholas joined the railway in 1912 at the age of twenty-four. In 1956, he was charged with the final handover of the railway and British enclave to the Colombian government.[115] Frost entered the GWR's Swindon workshops as an apprentice at sixteen, spending five years learning the railway trade before moving to Colombia to work for the BRPC. After six years working in Barranquilla, he returned to Britain for a short period, before taking a position in British Sudan where he spent five years. On the 18 November 1935, he took up a position at the DRC as manager of the ropeway, in which he remained until nationalisation.[116] This requirement for foreign expertise created an enclave dynamic, and the families of employees spent decades living in 'enclaves' in Mariquita and Manizales, creating a significant parallel community.[117] It seems likely the enclave itself enabled the DRC to attract expertise, since living in the mansions within (see fig. 6.15), offered a lifestyle railway workers could never aspire to enjoy at home.

114 Stephen Smith, *Cocaine Train: Tracing My Bloodline through Colombi*a (London: Abacus, 1999) p. 108.
115 Ramírez, 'Ingenieros ingleses', p. 146.
116 Smith, *Cocaine Train*, pp. 23, 108.
117 Smith, *Cocaine Train*, pp. 23, 108.

Fig. 6.15 – The Enclave Houses No. 1 (top) and No. 2 (bottom) Both J. H. Blackett and Lesley Frost spent time living in the No. 1 mansion

Source: Photos taken during field trip to the enclave in February 2018.

A British community existed in Mariquita since the early 1820s, when the Colombian Mining Association sent Cornish miners to reopen the Santa Ana mine. This British mining presence persisted throughout the nineteenth century.[118] The DRC constructed British-style country mansions and houses for employees in Mariquita, for which standalone refrigeration and sanitation systems were developed.[119] As fig. 6.15 illustrates clearly, the DRC attempted to

118 John Cordy Jeaffreson, *The Life of Robert Stephenson, F.R.S.* (Cambridge: Cambridge University Press, repr. 2014 [1864]), I, pp. 65-78; Powles, *New Granada*, pp. 19-25.

119 Óscar D. Moreno Martínez, 'The longest ropeway in the world. A case study of the British technological influence in Colombia' (unpublished MSc dissertation, Imperial College London, 2013), pp. 29-30.

recreate the 'gentlemanly capitalist' lifestyle in Colombia, and the compound would not have looked out of place in Kenya, South Africa, or Southern Rhodesia. Moreno argues inhabitants of the zone viewed the technologies on display as exotic as the ice brought to Gabriel García Márquez's fictional Macondo.[120] The enclave even had an Anglican church and graveyard (see fig. 6.16).[121] Throughout Latin America, British railway companies preferred to employ a cadre of foreign engineers and technicians, although in places such as Buenos Aires, the numbers were far greater, and the community generally existed as a 'suburban middle class'.[122] Brown argues these communities left an enduring mark on Latin American culture: 'British railway workers … were … significant in the adoption of association football'.[123] Many of the first football clubs in South America were established by British railway workers, and the DRC maintained its own team (see fig. 6.16).[124] In 1927 locals from Honda beat the DRC British railway workers in an impromptu match: the news was met with national pride, jubilation, and a write up in the most prestigious national newspaper.[125]

120 Moreno, 'The longest ropeway'; García Márquez, *Cien Años*, pp. 9-11.

121 Moreno, 'The longest ropeway', pp. 29-30.

122 David Rock, 'The British of Argentina' in *Settlers and Expatriates: Britons Over the Seas*, ed. by Robert Bickers (Oxford: Oxford University Press, 2010), pp. 18-44 (p. 19).

123 Matthew Brown, 'British Informal Empire and the Origins of Association Football in South America'. *Soccer & Society*, 16 (2015), 169-82 (p. 178).

124 A perfect example is Charles Miller, a railway worker who is deemed to have brought football to Brazil: Josh Lacey, *God is Brazilian: Charles Miller, The Man Who Brought Football to Brazil* (Stroud: Tempus, 2005)

125 'El Equipo Honda de Futbol Derrota a Los Ingleses de The Dorada Railway', *El Tiempo*, 20 December 1927.

Fig. 6.16 – The DRC football team (above) and a burial at the Anglican graveyard in the enclave (below)

Source: The photos are held by Eduardo's son Don Carlos Nicholas and were consulted in a field trip to Mariquita in February 2018.

The crisis of transportation, and the suspicion the enclave dynamic created, led to a rapid deterioration of the DRC's relationship with the local populace and government. By 1923, the relationship had broken down, and *El Tiempo* published the following at the behest of patrons of the DRC's services:

> The railway's service worsens with each passing day. Today we left Honda one hour late, and it took two more to travel the twenty kilometres … The railway shamelessly abuses the public, harming their interests substantially … Such odious and damaging conduct by this foreign company.[126]

On the 23 October 1923, exactly one month after the article was published, the departmental government of Tolima launched a legal case against the company. This dispute is explored in detail later in the chapter.

6.6.3 *The Manizales-Mariquita ropeway: Success of the Free Market*

The Manizales-Mariquita ropeway was a unique development for the Colombian economy. Pérez Ángel's *Colgados de las nubes* presents an important analysis of the economic contribution of the ropeway to the economy of Caldas, and Moreno's recent study of the ropeway's construction and implementation is a significant step forward in highlighting the international and imperial dimensions of the project.[127] However, its experience as a British company remains unknown, and its impact on wider economic development has not received the attention it deserves from the national economic historiography. I argue that the system was well suited to Colombia, because it was adaptable to mountainous terrain and required less capital investment per km. In this subsection I argue the system quickly became a profitable and self-sustaining enterprise. The ropeway was the first transport infrastructure which crossed the cordilleras between eastern and western Colombia, and as such, completely reconfigured the economic interconnectivity of the interior. By linking the DRC to the city of Manizales, the railway was able to transport coffee from Caldas for export. The coffee trade guaranteed a dependable income stream, meaning the ropeway did not burden the parent company or dilute the income of the large shareholders.

126 'Las Deficiencias del Ferrocarril de la Dorada', *El Tiempo,* 23 September 1923.
127 Gustavo Pérez Ángel, *Colgados de las nubes* (Bogotá: Bancafé, 1997); Moreno, 'The longest ropeway'.

Work on the ropeway commenced in 1913, and the Manizales station was inaugurated and opened to traffic on the 3 February 1922.[128] In 1913, 199,000 sacks of coffee were produced in Caldas, representing approx. 20% of national production.[129] The DRC had to overcome severe technical challenges to access this lucrative market, but British investors were seldom fazed by engineering challenges, as long as the economic environment provided stability and opportunity for profit. The first major challenge was the project's scale: when completed the ropeway would be the longest in the world.[130] The second challenge was logistics. Construction works began in 1913, but they were quickly interrupted by the First World War. The costs of materials and transportation was increased, and the British government had placed wartime restrictions on manufacturers and exports.[131] Railways had made transporting materials to the capital more straightforward, but Caldas remained remote and inaccessible. Transportation of construction materials relied on traditional mule trails, and muleteers were forced to improvise:

> The transport of driving wheels … 2.6 meters in diameter, and of voluminous steam engines required the skill of old muleteers who built pallets for four or more oxen … rolls of various kilometres [of cable] were carried … with the help of 20 mules tied together … by complex harnesses created by local muleteers.[132]

The DRC combined traditional and local logistical ingenuity with modern engineering expertise. Sir Douglas Fox and Partners were the consulting engineers for the project, who brought a wealth of experience of tropical infrastructure development. They helped build the Rhodesian railway system, many South African railways, the Angolan Benguela railway, the South Indian Railway, the Southern Sao Paulo Railway in Brazil, and the Central Argentine

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128 'Se inauguró solemnemente la estación del cable aéreo de Manizales', *El Espectador*, 3 February 1922; 'The Dorada Railway Company - Directors Report to 31st March, 1914', Guildhall Library, Stock Exchange Reports, Box 1319, f. 1.

129 Bejarano, 'El despegue cafetero', p. 169.

130 Moreno, 'The longest ropeway'. Today the ropeway's 71.63km length is still 80% of the longest in history. Manizales Ropeway Length: 'The Dorada Railway (Ropeway Extension) Company - Directors Report to 31st December, 1922', Guildhall Library, Stock Exchange Reports, Box 1738, f. 1; Longest Ropeway in World History was 90km long: E.G.A Widén, *The ropeway Kristineberg-Boliden: A record ropeway construction* (Stockholm: Nordströms linbanor, 1943).

131 'The Dorada Extension Railway Company - Directors Report to 31st December, 1916', Guildhall Library, Stock Exchange Reports, Box 1469, f. 5.

132 Pérez Ángel, *Colgados*, p. 109, cited in: Moreno, 'The longest ropeway', p. 28.

Railway.[133] Attracting foreign capital was dealt with by Quilter & Co, the family firm of one of the DRC's major 'gentlemanly capitalist' shareholders. They offered £150,000 of debentures at a 7.5% discount. Nominal interest was 6%, which represented an effective interest rate of 6.5%.[134] The DRC's implementation of the ropeway, illustrates how its 'gentlemanly capitalists' were able to attract British capital and engineering expertise with ease. The logistical, geographical, and engineering challenges, led to the project going over budget.[135] Yet once the ropeway opened to traffic, it quickly became remunerable. Peak capital investment hit £385,000 at the end of 1921, representing £5,375 per km.[136]

Table. 6.4 – Comparative analysis of capital expenditure of CNRC, CNoRC, BRPC and DRC railways and the DRC Ropeway per km

Railway	Capitalisation	Length	Capital/Km
CNRC	£2,480,000	132km	£18,788
CNoRC	£480,000	47km	£10,213
BRPC	£300,000	17km	£17,647
DRC	£698,500	116km	£6,022
DRC Ropeway	£385,000	71.63km	£5,375

Source: See Tables 3.1, 4.2 5.1, 6.2, 6.5 and 'Report on the Railways of Colombia' 1910, Vol. XCVI, Cd. 4968.

As table 6.4 illustrates, ropeway expenditure was significantly lower than other British railways, and slightly lower that the DRC's existing track. However, with closer inspection, the project looks even more advantageous. Ropeways travelled in straight lines across terrain. Railways had to take advantage of existing topography, skirting mountains and meandering through valleys to minimize gradients. Ropeways thus requires less km to cover

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133 Ralph Freeman, 'Fox, Sir (Charles) Douglas (1840–1921)', *Oxford Dictionary of National Biography*, [http://www.oxforddnb.com/view/article/37428, accessed 9 April 2017]

134 'The Dorada Extension Railway Company - Directors Report to 31st December, 1912', Guildhall Library, Stock Exchange Reports, Box 1267, f. 5.

135 'The Dorada Extension Railway Company - Directors Report to 31st December, 1915', Guildhall Library, Stock Exchange Reports, Box 1421, f. 5.

136 'The Dorada Railway (Ropeway Extension) Limited, Report and Accounts, 31st December, 1921', Guildhall Library, Stock Exchange Reports, Box 1693, f. 6.

the same distance. As such, in real terms, the comparative cost per km of the ropeway was significantly lower than simple calculations presented in table 6.4 suggest.[137] To give some context, the CNRC constructed 132km of track between Girardot and Facatativa, which in a straight line is approx. 75km. This gives a figure of 1.75km of railway required for each 1km travelled in a straight line. Applying this ratio to the ropeway gives a real cost per km of only £3,064 per km. With these factors considered, ropeways represented, or as Pérez Ángel has argued, *represent* a viable alternative or addition to Colombian transportation infrastructure.[138]

Table 6.5 – Ropeway Company Financials F/Y1920-28

Dorada Railway (Ropeway Extension) Company									
F/Y	Gross Receipts (£)	Working Expenses (£)	Net Receipts (£)	Capitalisation	Interest Bearing Debentures (6%)	Balance after Capital Costs	Cumulative Profits after Capital Costs	Debenture Interest	Rate of Return
1920	£48,934	£32,638	£16,296	£339,044	£109,044	£11,903	£11,903	£4,393	4.81%
1921	£51,808	£39,051	£12,757	£385,000	£155,000	£1,650	£13,553	£11,107	3.31%
1922	£64,759	£40,330	£24,429	£385,000	£155,000	£9,044	£22,597	£15,385	6.35%
1923	£98,763	£51,086	£47,677	£385,000	£155,000	£34,167	£56,764	£13,510	12.38%
1924	£97,848	£53,581	£44,267	£337,500	£107,500	£34,457	£91,221	£9,810	13.12%
1925	£114,569	£65,248	£49,321	£324,371	£90,000	£42,688	£133,909	£6,633	15.21%
1926	£92,870	£65,956	£26,914	£287,000	£57,000	£21,884	£155,793	£5,030	9.38%
1927	£65,866	£62,522	£3,344	£287,000	£57,000	-£734	£155,059	£4,078	1.17%
1928	£69,232	£62,239	£6,993	£287,000	£57,000	£2,618	£157,677	£4,375	2.44%

Sources: Guildhall Library, Stock Exchange Reports, Boxes 1557, 1602, 1647, 1693, 1738, 1782, 1830, 1879, 1929, 2030, 2081.

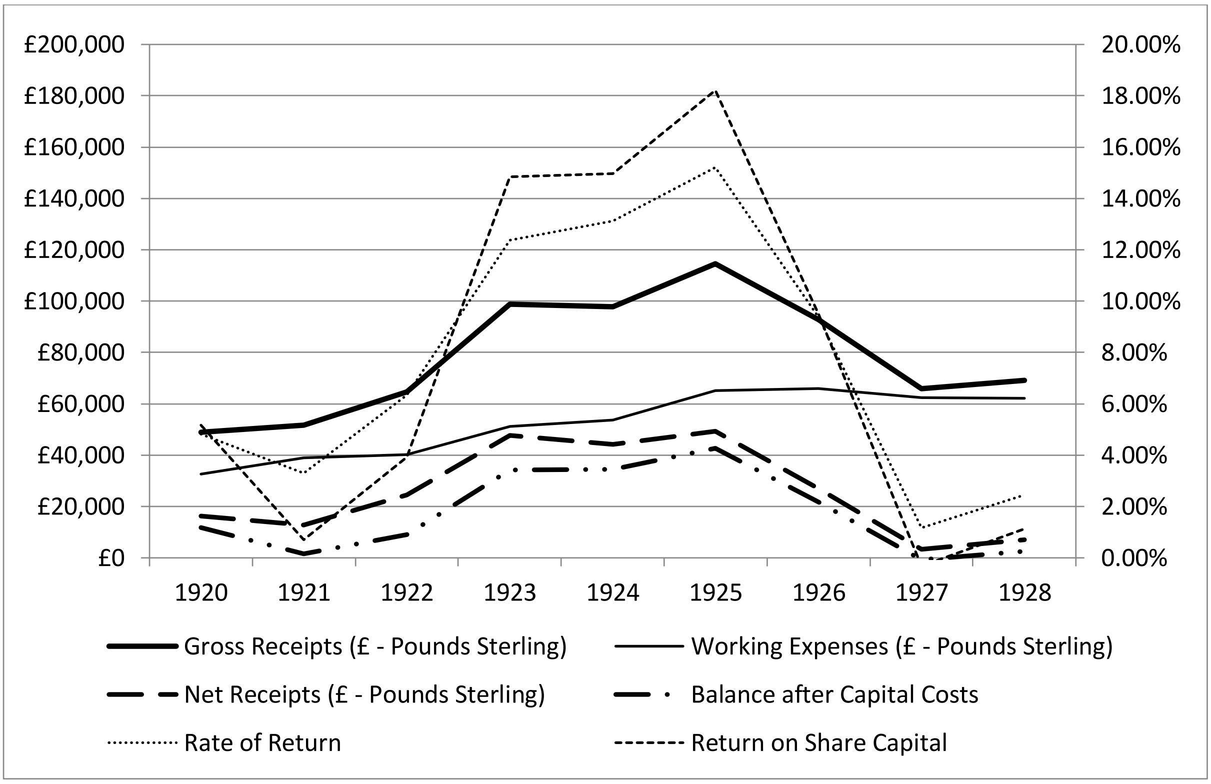
Fig. 6.17 demonstrates how quickly the ropeway became remunerable following its completion in 1922. The return on all capital increased from 3.31% to 15.21% in the space of four years. By the mid-1920s, operational profitability outstripped debenture interest

137 It is not possible to ascertain the exact km necessary for a railway following the route of the ropeway, since it would require a topographical and engineering survey. Nevertheless, we can be certain it was significantly greater than the straight line taken by the ropeway.

138 Pérez Ángel, *Colgados*, pp. 205-7.

many times over: in 1925 operational profitability was £49,321, whilst debenture interest was only £6,633. The £42,688 remainder was available for dividends, further capital investment, or paying down of debt.

Fig. 6.17 – Profitability and rate of return on capital of the ropeway



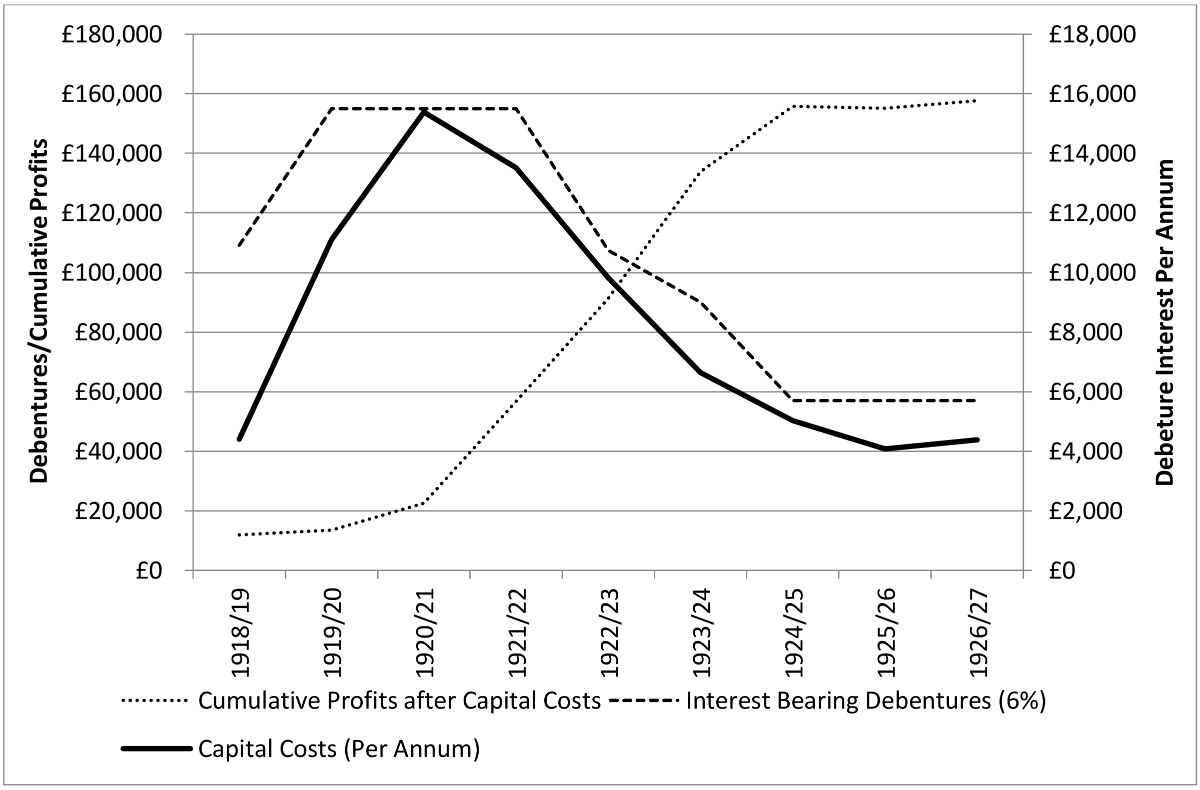
Sources: See table 6.5.

As fig. 6.18 illustrates, the DRC used the majority of retained earnings from the ropeway to pay down debt. Between 1923, when interest bearing debt was at a peak of £155,000 and 1926 the ropeway paid off £98,000, or 63.22% of its outstanding debt. This conservative management served the company well, because in 1927 a direct rail link between Buenaventura and Armenia in Caldas was completed, opening up what has been defined by Posada as the 'Pacific route' for Caldas's coffee exports, and leading to a dramatic drop in revenues and profitability.[139] By 1930 this had been extended as far as Pereira, and Buenaventura's status as the principal port of departure for the coffee of Caldas was assured. The ropeway continued

[139] Posada, *Colombian Caribbean*, p. 160; Hoffmann, 'History of Railway Concessions', pp. 77, 82-4.

serving coffee production surrounding Manizales, but it had lost its monopoly over transporting Caldas's coffee, which had been the economic rationale of the project. Because of this the dramatic change in the freight did not financially cripple the enterprise. When the company's revenues and profits collapsed, annual interest on debentures had fallen to only £4,375. Losing a large portion of the coffee freight from Caldas was a blow, but existing intra-departmental trade was still sufficient to service the ropeway's diminished debt levels, without becoming a burden on the DRC shareholders.

Fig. 6.18 – Debt levels and profitability of the ropeway (current prices)



Sources: See table 6.5.

As coffee freight decreased it was compensated by a rising trade in salt. By 1928, the ropeway transported more salt from Zipaquirá across the cordilleras to Manizales than coffee from Caldas to Mariquita, whereas in 1924, three times more coffee than salt had been transported.[140]

[140] 'The Dorada Railway (Ropeway Extension) Company - Directors Report to 31st December, 1928', Guildhall Library, Stock Exchange Reports, Box 2030, f. 8; 'The Dorada Railway (Ropeway Extension) Company - Directors Report to 31st December, 1924', Guildhall Library, Stock Exchange Reports, Box 1830, f. 8.

Opening up the 'Pacific route' forced the Ropeway to adapt its business model, but it was not a fatal blow to operations. The ropeway illustrates how efficient the free market was at applying novel technology, but also that in the absence of institutional incentive, attracting British capital depended on geographical monopolies. The ropeway opened a new productive area to the world economy, but when it faced competition in the form of the Pacific Railway, its business model collapsed. This general reliance on the free market as the primary means of directing capital, is the reason most British railways in Colombia monopolised an existing trade route. Without institutional incentives, Colombia had to cede control over vital trade links to foreign interests to attract investment, and as a result, capital was not applied in the interior where it was most required.

6.7 **Towards Nationalisation, 1923-56**

6.7.1 *The 'Tolima Tax'*

This thesis has illustrated that contractual disputes were pervasive within Colombian railway history. But the 'Tolima Tax' was the most severe and protracted dispute experienced by a British railway company.[141] The 1881 concession contract was awarded by the sovereign state of Tolima, before the centrist *Regeneración* reorganised the country.[142] The contract stipulated that during the eighty years during which the concession was valid, a $0.05 levy was payable to Tolima for every 150kg transported by the railway. By December 1891, $40,477 was outstanding, and both parties agreed for this to be paid in instalments, with the last being due on the 1 July 1895. On the 23 September 1893, a further contract was signed which agreed to pay the DRC a subvention of $40,477 (wiping out the debt).[143] The department also agreed to

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141 A testament to the severity of the dispute is the fact the Foreign Office collected at least 12 volumes of material on the case (it is possible there was originally more and only a portion has been stored in Kew).

142 Report presented by author described by FO as a 'Company Manager' (possibly General Manager J.H. Blackett but unconfirmed) named 'The Dorada Railway Company Limited A Short Summary of the Tolima Lawsuits', TNA, FO 135/473.

143 Ibid.

renounce all future claim for the 'tax', providing the expansion to Conejo (La Dorada) was completed and wooden bridges were replaced with iron ones.[144] Local conditions precluded the completion of expansion works by the date stipulated, but another contract was signed on the 14 July 1896 which amended terms. Debt accrued up to the 1 March 1898 would be written off as long the extension to Conejo (La Dorada) was completed, and the bridges were replaced. In addition, the levy would only apply to import and export cargo in future.[145] The extension to Conejo (La Dorada) was completed, and the department of Tolima confirmed the tax would be rescinded as long as Iron bridges were completed by 1 July 1899, and an extension towards Girardot was initiated. As has been discussed elsewhere, at this time the Colombian peso was depreciating in value rapidly. The real value of the $0.05 tax was diminishing, and the department was keen to make the most of the dispute before the value of the levy became insignificant. Construction works were subsequently paralysed by the War of a Thousand Days, and once again the efforts to fulfil the terms proved impossible. During the war, the railway was commandeered by the national government, and by its end, the government owed the DRC $51,191.63 for services rendered and damages inflicted.[146] Following the war the expansion towards Girardot was initiated, fulfilling all of the government's terms. On the 23 January 1906, the governor of Tolima sent the following telegram confirming the annulment of the tax:

> To the Minister of Public Works, Bogotá,
> I am in receipt of your communication of the 8th instant No. 22, in which this office has advised that The Dorada Railway and this Department are quit of all obligations one to the other ('en paz y salvo').
> Yours, etc. (Signed) FELIX A. VELEZ M.[147]

Upon receiving confirmation from both the national and departmental governments that the tax had been rescinded, the company 'considered the question of the Tolima tax as settled for all

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144 Ibid.
145 Ibid.
146 Ibid.
147 Velez to Minister of Public Works, 23 January 1906, in 'The Dorada Railway Company Limited A Short Summary of the Tolima Lawsuits', TNA, FO 135/473.

time'.[148] The levy was forgotten for nineteen years. But on the 29 October 1923, the department of Tolima launched a legal case to charge it for decades of freight movements. Based on the deterioration of the DRC's relationship with the government and local populace, it seems likely the case was related to the popular perception that the company worked against the national and public interest. *El Tiempo* certainly felt the case centred around a struggle over imperialism, arguing in the run up to the supreme court's ruling, that the company had 'extorted a third of the country'.[149]

The inflation which occurred during the 'paper money regime' of the 1890s, complicated the case.[150] Rafael Reyes introduced a gold backed peso through the *Ley 59 de 1905* to run in parallel with the *papel moneda* until emissions of bills could be redeemed. The exchange rate would run at one hundred paper pesos per gold peso.[151] The litigation demanded payment in gold pesos, at the same nominal rate as the levy had been defined in the 1881 contract. The DRC argued this had resulted in the debt increasing by a factor of 100, from $20,000 to $2,000,000.[152] This was the equivalent of over £400,000, and 42% of the entire share capital. The arguments of both sides had some merit, and ultimately, as was generally the case in Colombia, the dispute came down to interpretation. The sum claimed by the department was in line the original real value of the levy. But the DRC maintained, with some justification, that since the levy was defined nominally at $0.05 per 150kg, and during the 1890s the *papel moneda* had been the legal tender, it should have been paid in paper pesos (representing an enormous discount in real terms). The dispute rested fundamentally on the interpretation of *Ley 59 de 1905*. The Department of Tolima argued the law established that debts which had been

148 Report presented by author described by FO as a 'Company Manager' (possibly General Manager J.H. Blackett but unconfirmed) named 'The Dorada Railway Company Limited A Short Summary of the Tolima Lawsuits' FO 135/473.

149 'Una Empresa Afortunada', *El Tiempo*, 17 January 1938.

150 'Memorandum. Showing How The Supposed Debt of the Dorada Railway Company Has Been Increased To One Hundred Times Its Real Amount' FO 135/473

151 Ibid.

152 Ibid.

established prior to the paper money regime should be paid at par in gold pesos. The question of interpretation was what *established* the debt. Was the debt *established* in 1881 when the contract was signed, or was it *established* at the point the debt was charged (on an annual basis). These legal disputes over terminology were common, and they exhausted British entrepreneurs who were not used to these constant reinterpretations of contractual obligations. Whether the DRC's argument was valid or not, is less important than the fact that – just as was the case with the CNoRC – rights to levy the DRC's receipts had already been relinquished in the contract of 1896, as well as in writing by the Department of Tolima in 1906.[153]

This dispute was the result of several factors. The first was the fracture between local and national politics. The national government did not explicitly support the Department of Tolima's claim, and the Supreme Court was outside of their remit. The Department of Tolima could selectively apply clauses handpicked from the many iterations of contracts, whilst ignoring others. The litigation was similar to the one launched by Cundinamarca against the CNoRC. Chapter three explored how during the *Regeneración* and the *Quinquenio* the right to charge the levy to the CNoRC were repeatedly waived in contracts and agreements, only to be charged retroactively later. In the case of both the DRC and the CNoRC the problems stemmed from the institutional changes implemented during the *Regeneración*. This illustrates that Nuñez was not entirely successful in his aims: departmental governments maintained a degree of sovereignty over railway companies, despite efforts to centralise political power in Bogotá. For companies operating in Colombia, nothing could be taken for granted: clauses from contracts signed decades ago could suddenly re-emerge as serious problems. Both the DRC and the CNoRC endured contractual conflict which continued for two decades without

153 Velez to Minister of Public Works, 23rd January 1906, in 'The Dorada Railway Company Limited A Short Summary of the Tolima Lawsuits', TNA, FO 135/473; 'Memorandum. Showing How The Supposed Debt of the Dorada Railway Company Has Been Increased To One Hundred Times Its Real Amount', TNA, FO 135/473.

resolution, stemming from clauses in the 1880s concession contracts. The DRC won the first court case launched in 1923, but a later Supreme Court appeal was launched in 1936 which subsequently ruled in favour of Tolima.[154]

The Department's case focussed on proving that the transported cargo was greater than figures in the DRC's accounts. They completely avoided addressing why the clause – which had been declared null and void by both the national and local governments – should be enforced.[155] This focus on cargo discrepancies was utilized to foment anger against the DRC, by insinuating the scale of its profits had been hidden. This perception was easy to manipulate when many already felt 'foreigners are fleecing the country for their own benefit'.[156] Furthermore, Deas demonstrated that Colombians had complained about the DRC's terrible provision of services from the 1890s onwards.[157] Financially punishing the DRC, was therefore viewed as a justified action, and *El Tiempo*, who had accused the DRC of 'extorting a third of the country' earlier in the year, celebrated the supreme court's ruling in these terms in August of 1938.[158]

Ultimately, the litigation was understood by all parties to be a struggle over imperialism. The Foreign Office conceded to President Eduardo Santos in 1940, that the DRC was 'very Colonial in character'.[159] Despite famously opposing the concept of informal imperialism in Latin America, Platt conceded that in Brazil the Sao Paulo Railway held 'a country to ransom'.[160]

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154 'The Dorada Railway Company Limited A Short Summary of the Tolima Lawsuits', TNA, FO 135/473.

155 Letter: Velez to Minister of Public Works, 23 January 1906, TNA, FO 135/473; Appeal Proceedings: Anonymous, *El Tolima y The Dorada Railway Company Limited* (Ibagúe: Imprenta Departmental, 1936).

156 'We published a few days ago an emphatic', *The Times*, 29 September 1905.

157 Deas cites a contemporary source which his footnote suggests graphically described the poor state of the railway's services. However, it is not possible to find a documentary source from the information given in the footnote. Several emails were sent attempting to find details of the original source to no avail. Malcolm Deas, '"Weapons of the Weak"?', p. 176.

158 'Pagara Fuerte Suma Al Tolima Por Ferrocarril de la Dorada', *El Tiempo* ,11 August 1938; 'Una Empresa Afortunada', *El Tiempo*, 17 January 1938.

159 Paske-Smith (Minister Resident) to President Santos, 10 February 1940, TNA, FO135/473.

160 Platt, 'Economic Imperialism and the Businessman', p. 300; Dorada Railway Co. Ld. Ferry at Arrancaplumas', TNA, FO55/389, f. 199.

The available evidence suggests the DRC did something similar in Colombia.[161] Just as Pérez Triana had done in his famous speech to The Hague, President Santos went as far as to evoke Shakespeare's Shylock, arguing the DRC's continued existence 'was like demanding a full pound of flesh from Colombia'.[162] By this point, the 1938 supreme court ruling had forced the DRC to concede that they were going to lose the railway, and needed to focus on obtaining the best possible terms in nationalisation negotiations.[163] Nationalisation did not occur until 1956, eighteen years after the supreme court's judgement. However, as the Foreign Office's correspondence with President Santos illustrates, it is fair to say that at this point the die had already been cast. The DRC's nationalisation represents the end of the strongest example of informal economic imperialism in Colombia, and the fact its demise coincides with the Suez crisis, is highly symbolic of Britain's imperial decline. The negotiations have been preserved within twelve volumes in Kew, and their contents are highly indicative of the feeble nature of Britain's once mighty diplomatic machinery. The Colombian government drove a hard bargain in these negotiations, and the Foreign Office were powerless to assist the DRC, who in 1956 were forced to accept a rather insulting payment of coffee with a market value of US$1,000,000 for the railway and enclave.[164]

6.8 **Conclusions**

The DRC illustrates, just as previous chapters have, that contractual disputes were the norm in Colombia, rather than the exception. These were often caused by the multiple iterations of contracts which were conflicting and contradictory. The DRC's 'Tolima tax' case demonstrates the impact of the local/national political power dynamic more clearly than other British railways. The DRC experienced two completely different relationships with government on a

161 'Una Empresa Afortunada', *El Tiempo*, 17 January 1938.
162 Paske-Smith (Minister Resident) to President Santos, 10 February 1940, TNA, FO135/473; Pérez Triana, *La doctrina drago,* p. 117.
163 Paske-Smith (Minister Resident) to President Santos, 10 February 1940, TNA, FO135/473.
164 Lennox to Barstow, 12 January 1956, TNA, FO371/120152.

national and local level. Local opposition was understandable and influenced by the lack of convergence between shareholder and national interests. The failure to expand to Girardot contributed to a transportation crisis. However, the shareholders were simply following their own interests. Ultimately, it was the place of the national government to ensure a convergence of these interests through institutional incentives and legislation. Rather than induce the DRC to continue expansion, the increasingly hostile environment meant the company became more focused on protecting the monopoly, and less disposed to invest in expanding operations.

The DRC's experience reiterates how indispensable institutional incentive was for expansion. The railway's history illustrates that the market in of itself was unable to allocate capital to where it was most required. In Brazil, institutional incentives were required to open up the hinterlands of the interior to the world economy, and in Argentina, the success of the Central Argentine – which opened up the Pampas – was dependent on a guarantee of 7% returns on investor capital granted in 1862.[165] A section between Girardot and Ambalema was short and inexpensive, but it was not in the interest of large shareholders. To entice investment, the government needed to offer sufficient institutional incentives to compensate for losses in the competing Cambao cart road. This did not happen, and the expansion was not built. In contrast, the history of the DRC ropeway illustrates how efficient the market was at innovation and the introduction of new technology when it facilitated the construction of a strong transportation monopoly.

Of all British railways in Colombia the DRC most closely fits the 'gentlemanly capitalism' model, and on every level, the railway exhibited all the hallmarks of economic imperialism. The DRC (much like the BRPC and the SMRC) illustrates that without institutional incentives or regulation, foreign capital migrated towards existing trade routes and geographical

165 Summerhill, 'Market Intervention'; Lewis, *British Railways*, p. 10.

monopolies. Whether serving the international trade of the interior (BRPC and DRC), or the burgeoning banana trade (SMRC), these railways became dominated by powerful international political actors. The interests of these were seldom congruent with those of the country, and the companies' energies were focused on the maintenance of monopolies, rather than on the expansion of operations. As such, the threat railway bond guarantees were perceived to pose to national sovereignty, was ultimately beside the point. As the DRC, the BRPC, and the SMRC all illustrate, institutional incentives in the form of bond guarantees were not necessary for Colombia to lose sovereignty over the conduits of its international trade. If anything, the railways financed with guaranteed bonds (CNRC and GNCRC) were the least imperialistic in Colombia, because institutional support was counterbalanced by concessions made by the companies during negotiations. In contrast, the DRC, the BRPC, and the SMRC all wielded significant economic power, and their influence endured much longer than that of the CNRC, despite the desire of the national government to nationalize them from the early-1910s onwards. It was easier to control the actions of a company which depended on financial support than one which was entirely self-sufficient. The economic power behind the DRC, the BRPC, and the SMRC meant the national government had little or no leverage.

The DRC illustrates the necessity for state intervention in the railway sector. The Colombian government decided to direct development through state ownership, rather than institutional incentives and legislation. The history of the DRC and other British railway companies in Colombia demonstrates that this decision ultimately retarded the expansion of the national railway network. The reason Colombia failed to build an expansion from Ambalema to Girardot, connecting the DRC and the CNRC, had nothing to do with geography, lack of capital, lack of expertise, or any of the explanations posited by the national historiography for the retardation of the national railway network. The expansion did not happen because the state did not provide sufficient incentive for private capital. With regards to Argentina, Lewis argues that ‘whether Argentina could … have financed railway construction from domestic sources is a sterile debate’.[166] Colombia provides a concrete example of the result of a Latin American country putting this debate into practice. Colombia consciously spurned British investment in the post-*Quinquenio* era. As a result, little progress on a national railway network was made until North American capital came on stream in the 1920s. Colombia missed out on the positive developmental aspects British railway investment provided Argentina, Chile, and Brazil, yet still had to contend with the worst aspects of British railway imperialism in the form of the BRPC, the SMRC, and the DRC. Colombia’s anti-imperialist stance ultimately led to the worst of both worlds.

166 Lewis, *British Railways*, p. 215.

Chapter 7 - Conclusions.

> The protection that the lack of internal communications within our national territory has provided us, has made us indifferent … towards the wider world, … with the candid belief that … no-one could possibly cross the sacred borders of *la patria* [to threaten our sovereignty]. … Well, we have had the first painful lesson demonstrating that things cannot go on as before. Our territory has been mutilated and we have been betrayed. Santiago Pérez Triana, *Desde lejos*, 1907.[1]

This thesis has provided a novel interpretation of Colombian economic, social, and political history during the first three decades of the twentieth century, illustrating that not only were British railways relevant to Colombian political, social, and economic history, they were fundamentally central to it. The whole of Colombian society displayed agency against the construction of economic imperialism through the conduit of British railway companies. As Pérez Triana's above quotation illustrates clearly, the reaction against foreign interests was influenced heavily by the loss of the department of Panama, which brought the question of sovereignty to the forefront of national politics. The process was particularly visible in the Banana enclave, where British and North American interests in the Banana export trade became increasingly intertwined. Nationalisation of British railways dominated the national debate at the very pinnacle of society. The issue was frequently discussed in *the* national newspaper *El Tiempo*, in Presidents' speeches, and in debates within the national congress; it was felt that the sovereignty, identity, and even the survival of '*la patria*', hinged on successfully bringing British railways under public ownership.

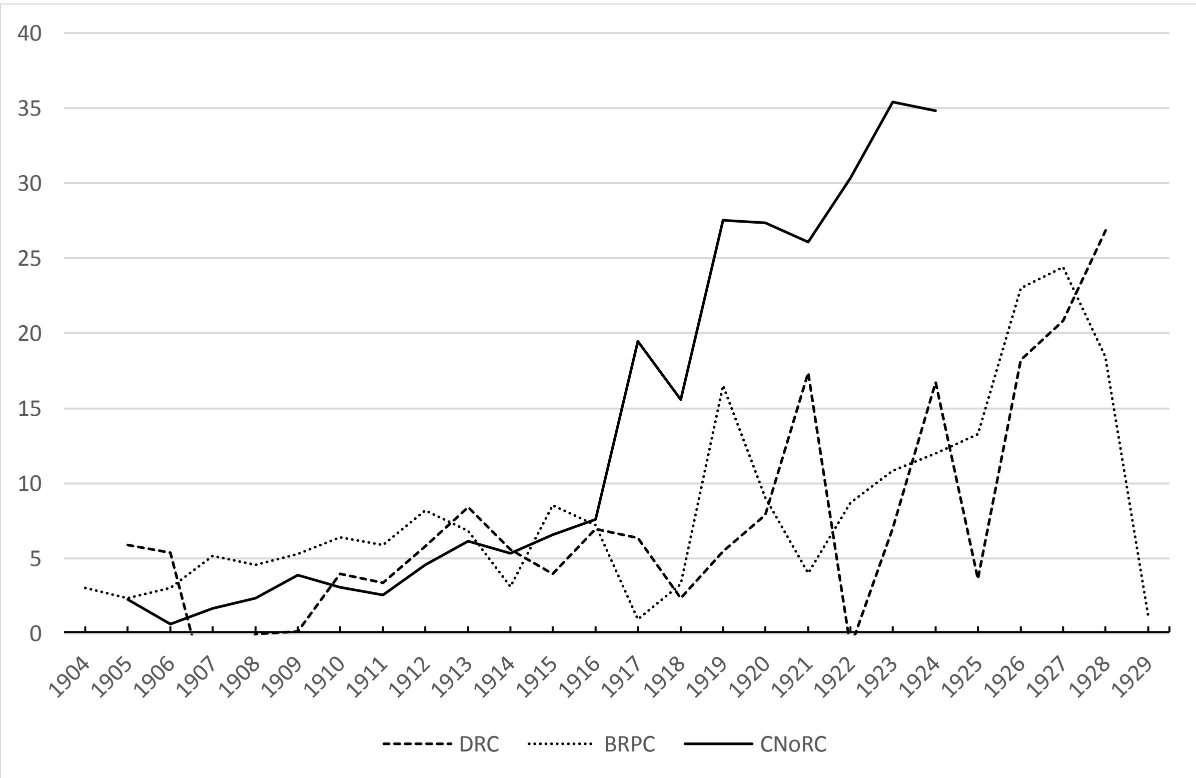
7.1 **Profitability**

This thesis has proven conclusively that not only were British railways profitable, but in some cases, they were amongst the most profitable in the Latin American region. This overturns the idea that railways were unsuited to Colombian terrain, and consequently a waste of resources.

[1] Pérez Triana, *Desde lejos*, p. 50.

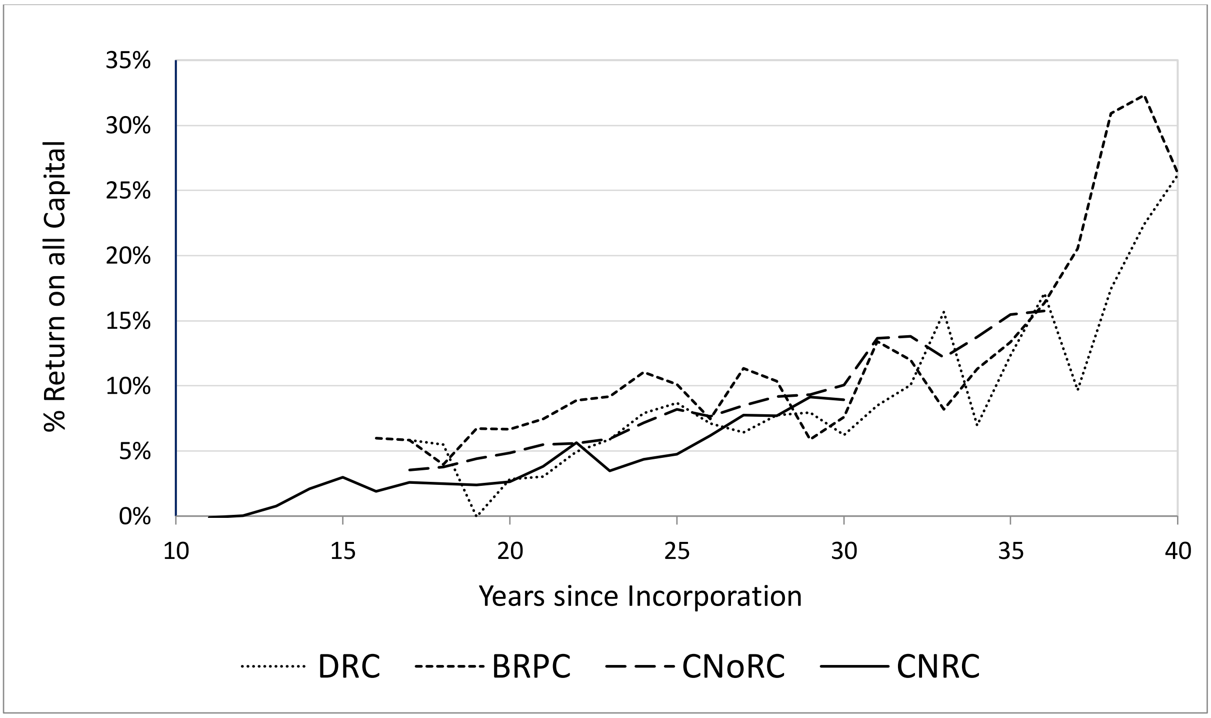
But these conclusions have more wide-ranging implications for international historiography. Fig 7.1 illustrates the enormous discrepancy between the profitability of, and the nominal dividends paid by the DRC, the CNoRC, and the BRPC. By the 1920s, profitability of the companies was between ten and thirty-five percentage points higher than annual dividends, which for the DRC and the BRPC stood at 8%. But the DRC, the CNoRC, and the BRPC were not simply exceptions to the general level of profitability of the sector. Fig. 7.2 illustrates that when taking consideration of the years since incorporation, profitability increased at a similar rate across the sector. But as the fourth chapter demonstrated, despite the rapid growth of revenues, the local environment made it difficult for companies to withstand the long gestation period inherent to the railway sector.

Fig. 7.1 – Percentage point gap between return on share capital and nominal dividends 1904-1929, CNoRC, BRPC, DRC



Source: tables 3.1, 5.1 and 6.2.

Fig. 7.2 – Percent return on all capital of the DRC, the BRPC, the CNoRC and the CNRC following incorporation



Source: tables 3.1, 4.2, 5.1 and 6.2.

The low nominal dividends paid by the DRC, the CNoRC, and the BRPC represented a form of risk-management strategy: revenues which could have been paid as dividends were accumulated in sinking-funds as a hedge against political risk. The level of dividends paid by British railways in Colombia led Rippy to argue they were not particularly profitable.[2] Casson and Da Silva Lopes argue that effective risk-management is a determinant of successful investment in high-risk areas.[3] As such, it is likely similar discrepancies between nominal dividends and underlying profitability may well have occurred in other high-risk regions. Dividends have been utilised throughout international historiography as the principal gauge of profitability within the railway sector.[4] In view of the significant variance identified here, where railways operated in high-risk environments, and their dividends have been used as the

2 Rippy, *British Investments*, pp. 118-9,

3 Casson and da Silva Lopes, 'Foreign direct investment'.

4 Rippy, *British Investment*; Lewis, *British Railways*; Summerhill, 'Market Intervention'; Edelstein, *Overseas Investment.*

principal measure of financial performance, the profitability of British overseas railways may well need to be re-evaluated. Casson has argued that insufficient source material exists to provide a detailed view of free-standing companies.[5] This thesis has shown the opposite to be true: accounting records illustrate the everyday experiences, as well as the return provided to investors in significant detail. This case study has thus presented a workable way forward for the business history of British overseas investment and free-standing companies.

7.2 Nationalism and Liberalism

British railways were a symbol of power, sovereignty, national progress, and solidarity. As such, nationalisation policies transcended economic, financial, or even political considerations. This thesis has shown that the lack of expansion of the network was not a failure but rather a conscious choice to forge the national destiny independently. Colombian elites decided to forego the developmental advantages offered by railways, to ensure Colombia would remain the master of its own destiny. Colombia did not play the role of victim in its interactions with foreign capital, but rather agency was displayed at all levels of society against the construction of economic imperialism, and it entered the world economy on its own terms.

Colombia's decision to go it alone might be seen as admirable, although in hindsight, misguided: the decision to spurn British investment significantly retarded railway development, and ultimately, it did not avoid British economic imperialism within the railway sector. Nationalism forced British interests to entrench their position by protecting the geographical monopolies established during the *Regeneración* and *Quinquenio*. In this sense, Colombia ultimately received the worst of both worlds: unassailable monopolies which were difficult to dislodge, yet little of the developmental advantage British investment had provided

5 Mark Casson, 'An Economic Theory of the Free-Standing Company', in *The Free-Standing Company in the World Economy 1830-1996*, ed. by Mira Wilkins and Harm Shroeter (Oxford: Oxford University Press, 1998), pp. 99-128 (p. 100).

in Argentina, Brazil, Chile, or Mexico. From a strictly developmental perspective, Colombia would have been better off embracing British investment, but as the events on the Panamanian isthmus or within the banana enclave have demonstrated, more was at stake than simply economic development. Colombia did face a threat to national sovereignty, of this there is no doubt, and national politicians were right to recognise the situation as such.

The thesis has demonstrated that the growth of economic nationalism was connected to the evolution of Colombian liberalism. The precipitating event was the loss of Panama, which demonstrated to many that liberalism, in its traditional form, was incompatible with the national reality. Colombian elites increasingly understood that they could not play host to foreign interests without endangering national sovereignty. This fact was further underlined by the growing influence of the intertwined interests of the UFC, Fyffes, and the SMRC in the banana zone. The alliance between British and American economic imperialism demonstrated to the political elite how precarious national sovereignty was in the face of transnational capitalism. Colombian liberals were forced to confront the reality of liberal capitalism, or what Mayall terms the 'liberal world order'.[6] Their response was to reject economic liberalism in favour of economic nationalism, integrating this within a Latin American re-interpretation of liberalism, leading to left-liberalism and *Gaitanismo*.

7.3 **Political Economy and Public Policy**

The thesis had demonstrated that British companies were inextricably linked to the ebb and flow of national and regional politics. The *Quinquenio* (1904-09) was almost universally beneficial for British companies. However, in the years that followed, the environment rapidly deteriorated when the nationalisation policy inspired by *Desde lejos* solidified within national politics.[7] As such, expansion was dictated primarily by changes in national political economy

[6] Mayall, *Nationalism and International Society*, p. 70.
[7] Pérez Triana, *Desde lejos*.

and public policy. But the changing environment was not just a national issue, but part of a wider regional political movement. Panama lit the touch paper of Colombian nationalism in 1903, but from a regional perspective, the 1902 British blockade of Venezuela was equally important. These events created regional solidarity against imperialism. As a result, a concerted effort to collectively influence international institutions was made through the Drago doctrine conference at The Hague convention of 1907. It is no coincidence that Santiago Pérez Triana, who was so influential in the rise of nationalistic public policy towards British railways domestically, played an influential role putting forward Latin Americans' case at The Hague, since both were part of the same regional political phenomenon.[8]

Uruguay's anti-imperialist railway policy during *Batllismo* (1911-15), was accompanied by 'a new wave of anti-foreign economic nationalism between 1909 and 1914' in Argentina, mirroring the changes witnessed in Colombia.[9] But these countries had already constructed substantial networks, whilst Colombia's nationalistic movement occurred when only a small and rudimentary railway network had been established. Anti-imperialism had no real developmental influence on Argentina or Uruguay, but in Colombia, it ended the prospect of a large-scale network developed with British capital. Wright presents Argentine economic nationalism as an afterthought, worthy of study, but not a factor of causation for the nature of the national railway network.[10] Because of the focus on Argentina, Brazil, or Mexico, the historiography has failed to recognise the inhibitive effect rising nationalism had on railway expansion elsewhere in Latin America. The thesis has demonstrated that the spread of economic nationalism throughout the region, suffocated Colombia's attempts to develop its transportation infrastructure, illustrating the profound influence of national politics on infrastructure development. Colombia implemented institutional incentives for foreign capital

[8] Rausch, *Santiago Pérez* Triana, pp. 75-84.
[9] Wright, *British Owned Railways*, p. 103.
[10] Wright, *British-Owned Railways*, pp. 89-109.

during the *Quinquenio*, but these were fleeting. The short-term successes of the *Quinquenio*, and the abrupt cessation of expansion which followed, illustrate that railway construction was dictated primarily by public policy, rather than geography.

7.4 The Market versus Institutional Incentive

This thesis suggests that the market was an inadequate mechanism for allocating capital to where it was most needed in the periphery. There is a clear distinction between the CNRC, whose debentures received government guarantees, and the DRC, the SMRC, the CNoRC, and the BRPC, which were dictated entirely by the free market. The institutional incentive provided to investment in the CNRC, ensured the completion of a vital infrastructure project. In contrast, the DRC, the BRPC, the CNoRC, and the BRPC all constructed monopolies to syphon off profits or support secondary economic interests. Preoccupation with protecting these monopolies took precedence over expanding the railways, and as such, the companies worked at cross purposes to national interests. Ultimately, the reliance on the free market as the mechanism to allocate capital, meant investors gravitated towards monopolisation of vital trade routes which served their own economic interests. Chapter four illustrated that applying institutional incentives enabled a convergence of national interests with those of the CNRC's shareholders, ensuring the completion of the project.

The DRC provides the perfect example of the free market's failure to allocate capital to where it was most needed. The Girardot-Ambalema expansion would have enabled direct rail transportation from Bogotá to the lower Magdalena River, and provided a significant developmental impulse to the national economy. There was a fundamental conflict of interest between major shareholders and the country, and without the state to cajole capital, shareholders acted in their own interest. Thus, in opposition to the central thesis of neo-liberalism, the thesis demonstrates that Adam Smith's invisible hand was insufficient to ensure the necessary capital was employed to open the interior to the world economy. Without institutional incentive, capital gravitated towards railways with limited developmental benefit for the country's economy. Indeed, with the DRC, the BRPC, and the CNoRC, British capital only arrived once a railway serving each geographical pinch-point had already been established, meaning in each case, the benefit to the national economy was nil. The CNoRC and the DRC, were both induced into expanding operations during the *Quinquenio* (1904-09), but this developmental impulse disappeared with the fall of the regime. The DRC's ropeway provides an important exception, and it illustrates the efficiency of the market in implementing new technology where economic incentive existed. Yet it also demonstrates that without institutional incentive, raising capital depended on the potential for the establishment of a geographical monopoly. With no direct competing trade route between Caldas and the Magdalena River valley, the ropeway offered the construction of a lucrative monopoly. Without this prerequisite, British investors were simply unwilling to risk their capital in a high-risk environment.

The literature has shown that guarantees were indispensable to railway development throughout the Latin American region.[11] This thesis has shown this was equally true in Colombia, and that the collapse and delegitimisation of the system, was a significant factor in the lack of expansion. This conclusion has never been articulated by the national historiography, which has largely attributed the lack of railway expansion to geography, rather than political and institutional factors. From a theoretical perspective, this brings the experience of Colombia in line with countries such as Argentina, Brazil, and Mexico, where the system was influential to the rapid expansion experienced during the age of high imperialism (1870-1914). Colombia provides an example of the result of the failure to implement the necessary

[11] Miller, *Britain and Latin America*, p. 133; Lewis, *British Railways*, pp. 97-123; Lewis, *Public Policy*, pp.35-8; Summerhill, *Order*.

institutional prerequisites for attracting British capital. Had the policies of Reyes's *Quinquenio* continued, Colombia's experience would have more closely paralleled that of Argentina, Brazil, or Mexico.

7.5 **Conflict**

This thesis has shown how profound the impact of the War of a Thousand Days was for railway companies. It was particularly acute for the CNRC: chapter four demonstrated conclusively that the war was almost entirely responsible for the eventual bankruptcy of the enterprise. Economic viability was compromised by delays. In addition, the interest incurred during these delays led to additional interest-bearing debt, substantially increasing the breakeven level of the enterprise. The counterfactual presented in chapter four demonstrated that the impact of the war was greater than the geographical challenges faced. But even when physical damage to company property was limited (as with the BRPC), the war interrupted operations. Geographical problems had a technical solution. In contrast, conflict was a risk which could not be managed. Political risk could also be managed by cultivating relationships with 'collaborating elites'. But how could a railway company overcome the destruction of its property, or a long-term hiatus to construction works, during which interest on debentures had to be paid with capital which had been earmarked for construction? Colombia was uniquely cursed by this problem, since its most destructive period of civil conflict came during the period of greatest flows of capital investment. Argentina had been historically blighted by conflict because of its 'perennial constitutional problem'. But these problems were resolved by 1880 when the federalisation of Buenos Aires established 'internal order … until 1929'.[12] Likewise, in Mexico, Díaz's policies ensured the country was open to business throughout the *Porfiriato*

[12] Lewis, *British Railways*, p. 44; Fleming, 'Profits and Visions', p. 76.

(1876-1911). By identifying the role of the civil war, the thesis has highlighted another significant factor inhibiting Colombia's railway expansion in comparison to other countries.

7.6 Credit Worthiness

This thesis has illustrated the importance of Colombia's creditworthiness in determining capital flows into the railway sector. It has shown that the *verdad de la deuda* doctrine acted as an impermeable barrier to investment up until the Holguín-Avebury agreement of 1905. As a result, Colombia entered the twentieth century far behind other countries in the region in terms of railway investment. Where British investment had occurred, it seized control of existing railways benefitting from strong geographical monopolies (e.g. DRC and BRPC, both incorporated in 1888). The thesis has demonstrated that Rafael Reyes and Jorge Holguín revolutionised Colombia's creditworthiness overseas, opening the country up to large-scale investment for the first time since independence. Colombia's creditworthiness was maintained in the decades following the *Quinquenio* (1904-09), but the increasingly hostile political environment arrested further investment in the sector. As such, the thesis has demonstrated how important Reyes's rehabilitation of Colombia's credit overseas was to its long-term economic history.

7.7 Contractual Instability

One theme which repeats throughout the thesis is the issue of contractual stability, or more precisely, the ill-defined and precarious basis of property rights. This led to every railway surveyed experiencing repeated contractual disputes. North has established a theoretical basis for the economic impact of unstable property rights. [13] This thesis has illustrated the practical reality of foreign enterprise operating under these conditions. The uncertainty which affected the railways had two causes. The first was the frequently ambiguous wording of contracts. The

[13] North, *Institutions*.

second was multiple reiterations of contracts, with conflicting and contradictory clauses. The impact varied from extreme (the DRC's and the CNoRC's disputes with the departments of Tolima and Cundinamarca), to minor (the dispute over the date of the option of nationalisation on the BRPC). Yet in both cases, the disputes influenced expansion plans. The BRPC delayed construction to await a decision on the ruling over the buy-back clause, whilst the hostility of departmental government halted any further expansion of the DRC and the CNoRC. Meanwhile, the repudiation of the GNCRC's *Quinquenian* concession contract (spearheaded by local political actors) resulted in the collapse of the entire enterprise. Henry Jenks's investment in the CNRC was also dogged by contractual disputes from the outset, beginning with the disagreement with Mainero y Trucco, and culminating with the controversy over of the Apulo works. Finally, the SMRC's legal dispute illustrated that even the upper echelons of the national government were unsure as to the particular legal basis of the company. As such, this was a consistent problem for British railways companies, which was universally detrimental to investment and expansion.

7.8 Imperialism, 'Gentlemanly Capitalists', and Transnational Capitalism

The analysis of shareholder registers and the interactions of 'gentlemanly capitalist' company officials and local 'collaborating elites', has provided a detailed view of a key intersection of British economic imperialism in Colombia. The shareholding patterns evident in railways established by the *Regeneración* era subvention system, were dominated by four groups. The first was a small group of wealthy British investors, atypical of the 'gentlemanly capitalist' concept, who controlled a significant share of the enterprise. As chapter six illustrated, this enabled control of the DRC's expansion policy. The second group was made up of local elites, generally with ties to the import/export business, and often with direct interests in the coffee trade. As chapters four and six illustrated clearly, the nature of their interactions with British 'gentlemanly capitalists', mean they can be considered as 'collaborating elites'. But as chapters three and four demonstrated, they were never truly subservient to these British interests. They dominated the CNoRC's shareholding, and as the 'Apulo works' illustrates, even when elites did not directly control the enterprise, they successfully co-opted it to serve their own economic interests. The third group were transnational capitalists, who seized control of the coastal railways. They directed the BRPC's company policy towards protecting the geographical monopoly, allowing them to continue extracting monopoly profits, to the detriment of national interests. Meanwhile, the transnational capitalists of the UFC and Fyffes took control of the SMRC to support secondary economic interests in the banana trade. The final group was what I have termed throughout as middle-class capitalists. The thesis demonstrated how they were drawn to the CNRC project by the government guarantee. They were unable to wield the same absolute control as occurred with the DRC, the SMRC, or the BRPC, because they did not represent a concentrated and cohesive block. Ultimately, this thesis has illustrated that not only did British economic imperialism exist in the late nineteenth and early twentieth century Colombian railway sector, it was in fact central to national political and economic life. This conclusion contrasts strongly with Deas's argument that British railways were largely irrelevant to Colombian history, and that British economic imperialism did not exist.[14] The Colombian political elite were quick to recognise the threat to national sovereignty these British interests represented, and their decision to halt these incursions, ultimately ended the expansion of the network.

7.9 Business Culture

The thesis has illustrated that British 'gentlemanly capitalists' initially struggled with Colombia's 'catch-as-catch-can' business culture, representing a significant challenge to their early endeavours.[15] However, as chapters three, four, and six illustrated, with time British

[14] Deas, 'Weapons of the Weak'.
[15] Safford, 'Foreign and National Enterprise', p. 503.

entrepreneurs and administrators came to adapt to (and even thrive in) this foreign business culture. The business culture was an important factor in the contractual and generalized instability the companies dealt with. Reyes's *Quinquenio* was successful in attracting investment because his authoritarian regime could enforce the necessary stability at a national level. The thesis illustrates that 'gentlemanly capitalists' struggled in Colombia, because British imperialism (as defined by Cain and Hopkins) depended on a dictator such as Reyes (Colombia) or Díaz (Mexico) to enforce order, or else the strong national elite which 'publicly defended' British enterprise that Wright describes in pre-1914 Argentina.[16] In absence of either of these factors, British 'gentlemanly capitalists' had to abandon their gentlemanly ethos in order to succeed. Doing so depended on strong relationships with 'collaborating elites', like the ones forged by the Jenks family. In some cases, such as the CNRC and the DRC, British entrepreneurs were successful in adapting to the new environment. In others, such as the GNCRC, they were wholly unsuccessful, which led to the ruin of the enterprise.

7.10 **Regionalism**

Many authors have argued the struggle between federalism and centrism influenced the economic development of Colombia.[17] This thesis has shown the impact at the micro-level through a detailed empirical study. It has uncovered a repeating pattern of competing forces. Railway companies' interests tended to converge with either the local or national political forces, seldom with both. This was because of the dynamics of political power in Colombia, which despite the centrist *Regeneración*, was yet to definitively consolidate under centrism or federalism. Local and national political actors continued to vie for power, and the railway companies represented an important conduit for this internal struggle. This explains the

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16 Wright, *British-Owned Railways*, p. 89.
17 Safford and Palacios, *Colombia*; Correa, *Moneda y Nación*; McGreevy, *An Economic History*; McFarlane, *Colombia*; McGuiness, *Path of Empire*.

differing experiences throughout the country. With reference to the CNRC, the CNoRC, and the GNCRC, although these railways experienced complicated interactions with local political actors, organised political opposition was generally national in nature. Cundinamarcan elites supported the CNRC, whilst *santandereanos* supported the GNCRC, and both regions competed with one another for the limited national fiscal resources. In both cases, national popular opposition to the projects emerged, but whilst opposition to the CNRC was largely organic, chapters three and four illustrate that opposition to the GNCRC was largely contrived by Cundinamarcan elites. Organised political opposition to the SMRC and DRC was generally local, although the transnational nature of the SMRC led to intense national interest. The BRPC is perhaps the only railway where national and local interests converged, since the railway serviced both the coast as well as most of the interior. As such, the BRPC experienced little of the organised political opposition which had befallen other British railways.

7.11 **Final Considerations**

Regional economic historiography focuses on geography, the resources lottery, and international trade as the primary progenitors of economic development and infrastructure development.[18] Political factors have generally taken a less prominent role, with a few notable exceptions.[19] Lewis and Summerhill demonstrate the indispensable role institutional support of railway expansion played in Argentina and Brazil.[20] Bignon, Estevez, and Herranz have shown a strong positive correlation between international trade and infrastructure development, yet they were unable to explain why railway expansion in Colombia did not match the growth

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18 Safford, and Palacios, *Colombia*; Safford, 'El Problema de los Transportes'; Gallup, Gaviria, and Lora, *Is Geography Destiny?*; Vincent Bignon, Rui Esteves, and Alfonso Herranz-Loncán, 'Big Push or Big Grab? Railways, Government Activism, and Export Growth in Latin America, 1865–1913', *The Economic History Review*, 68 (2015), 1277-305.

19 Lewis, *British Railways*; Lewis, Public Policy, Deas, 'Weapons of the Weak?'; Summerhill, *Order*; Summerhill, 'The Development of Infrastructure'.

20 Summerhill, *Order*; Lewis, *British Railways*; Lewis, *Public Policy*.

of the export economy.[21] This thesis explains this variance: railway development did not expand in sync with exports because of the inhibitive effect of insecure property rights and the hostile political environment. As such, the empirical analysis implemented here has introduced a new dynamic into the historiography, explaining the Colombian experience within the regional context.

Fundamentally, this thesis has demonstrated that the main impediment to railway expansion was national politics, and the unstable local environment. ‘Collaborating elites’ such as Pérez Triana (CNRC and GNCRC), Dávila (CNoRC), Gérman Ribón (DRC), or Koppel (BRPC) successfully co-opted foreign investment when it served their interests, and they agitated politically for an end to expansion when it did not. As such, whilst the ‘gentlemanly capitalists’ provided most of the capital, the ‘collaborating elites’ were often more influential in the success, or otherwise, of the enterprise. This illustrates that just as Cain and Hopkins argue, in the informal empire, British economic imperialism depended on the consent of the host society (at the elite level). When consent was revoked, capital migration and expansion of British companies quickly ended. The brief period of a receptive and stable political economy under the *Quinquenio* (1904-09) saw expansion of British capital and in the railway sector. But once the Colombian elite turned against British railways companies, expansion ended abruptly.

[21] Bignon, Esteves, and Herranz, ‘Big push or big grab?’.

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