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## Porfirio Diaz and the Railroads of Mexico

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### Porfirio Diaz and the Railroads of Mexico

When Porfirio Diaz came to power in Mexico for the second time as the head of state, a position he would hold for 35 years, the United States had more than fifty five thousand miles of railroad track in use. Mexico on the other hand had less than four hundred miles of railroad. During the term known as the *porfiriana*, Diaz would expand Mexican rails to more than sixteen thousand miles, an overall growth of four thousand percent. This paper will address how Porfirio Diaz was able to accomplish this achievement, what motivated him to do so, and the impact that railroads had on Mexico as well as Mexicans by 1910.

The manner and methods by which Porfirio Diaz came back to power as head of Mexico against Sebastian Lerdo de Tejada are not being addressed here. What does matter in the context of this work is that upon his (re)ascendancy and throughout his rule Mexico's railroads grew at a near exponential rate. In 1876, Diaz's Mexico had less than 400 miles of railroad lines, reaching from Veracruz on the coast to the capital Mexico City. This line and its branches were over ninety percent owned by a British company. During the next four year only two hundred and seventy more miles of rail

lines were laid down and in use, but attitudes, opportunities, and politics were changing for Mexico making the rapid growth of railroads a near inevitability.

An arrangement between the Mexican federal government and the state of Guanajuato established a number of regulations that assisted with and laid the foundations for the growth of Mexican rails; the minimum radius of curves, the weight of rails, the maximum grade, the gauge, completion schedules, the rate of federal subsidies, the tax exemption, the issuance of stocks and bonds, linkage with other rail lines, and the maximum rates to be charged for passengers, for freight, and for government shipments.<sup>1</sup> Additionally the condition that all companies operating railroads in Mexico had to be Mexican even if the members of that company were not.<sup>2</sup>

Railroads in Mexico needed to fill the niche of transportation that ocean travel could not. Mexico is not geographically blessed with the abundant natural waterways as its northern neighbor is. Mexican railroads grew up under the driving force of export; the Mexican goods produced and transported by Mexican rails would find homes in other countries.<sup>3</sup>

Diaz apparently had a change of view prior to and in 1880 about foreign investment which he had previously been staunchly opposed to. Mexican investors were reluctant to invest in their homeland's railroads due to the fact that while railroads returned six percent on average, opportunities to use their money in Europe and

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<sup>1</sup> Goldfrank, pgs 5-6

<sup>2</sup> Goldfrank, pg 6

<sup>3</sup> Coatsworth, pg 947

achieve double this return on their investment. At the same time foreign investors, primarily from the United States and Great Britain were lining up to invest in railroad construction in Mexico. Additionally, it has been suggested that the Mexican ambassador in Washington D.C. sent Diaz a message with the implication that if American railroads, companies, and investors were continued to be not allowed access to Mexico, the American Army would cross the border and change Diaz's mind for him.<sup>4</sup> At this time barely three decades had passed since the Mexican-American War and memories of it still ran through Diaz, members of government, and the populace at large, many of whom had lived through this period.

There were a number of concerns Mexicans had about allowing Americans access and influence in Mexican rails; that by building rail lines that connected northern Mexico with the southern United States than another wave of American 'annexation' would be initiated, that access of freight to America would by association give incentive for freight to leave the country for European markets via the eastern seaboard of the United States leaving Veracruz and other potential Mexican ports high and dry, that by the government being unable to fund further railroads on its own it would create an runaway railroad monopoly for foreign (particularly American) investors and economically cripple Mexico to the point where it would be completely financially beholden to outside interests, and that Mexico and the United States were 'natural

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<sup>4</sup> Goldfrank, pgs 6-7

enemies' and that given America and Americans the opportunity to have a controlling interest in Mexico was an invitation to the loss of independence.<sup>5</sup>

Diaz and the government did accede to outside wishes and allowed foreigners and foreign investment into Mexico under the auspices of the regulations established with Guanajuato. The concession the government and Diaz were able to gain was that those new companies allowed access to Mexico would work with and cooperate local governments and existing rail lines rather than compete with them.

One obstacle that Mexico had to come to terms with in its rail expansion was the fact that passenger traffic could not be relied upon for income. In industrial nations such as the United States and Great Britain, time was money due to the wages that workers earned. This however was not the case in Mexico. Labor was cheap, subsequently the money that time was worth to the Mexican populace was not worth nearly as much. That meant that freight and industry would guide the nation's rail system with little thought given or needed for passenger issues.<sup>6</sup>

The next four years saw close to twenty seven hundred miles of rail lines built, while four major American railroads built lines to the Mexican border to transfer the new abundance of goods of the market that was connected to the Mexican capital. Mexico's liberal government was able to parley the economic needs of lacking its own

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<sup>5</sup> Goldfrank, pgs 7-9

<sup>6</sup> Coatsworth, pgs 943-944

capital and fear of being overwhelmed by its northern neighbor into a boom that allowed it to move forward retaining its independence.

Diaz wanted to create cross-Mexico rail lines to take advantage of Mexico's narrowness in comparison to the United States and become a shorter version of a trans-continental railroad and garner some of the international freight seeking to avoid the Straits of Magellan, the Drake Passage, or Cape Horn. Unfortunately for him, the majority of rail lines built in Mexico were short trunk lines used to move crops such as henequen and sugar to processing plants or directly to ports, materials that had been mined to processing plants or to the United States for processing, and livestock from haciendas to the main lines connected to Mexico City. Many attempts were begun to create this cross country line, but disease and financial woes ended up combining to stop this goal, year after year.

Railroad lines in the north ended up being built by American interests, while in the central and southern portions of Mexico the investment money was coming from Great Britain. American interests were keen to, understandably, work with goods and products close to the American markets. What this turned into was chaotic web of individual lines connected to lines connected to the main capital lines that sprawled madly across the Mexican countryside to enable the transport of the desired products or goods. The Mexican government enabled and encouraged this form of development, as the coffers of the treasury were enriched primarily from exports, and whatever

benefitted the export process was good for the country in the eyes of the Diaz administration.

By the end of the 19th century, the Mexican government under the guidance of finance minister Jose Ives Limantour took steps to follow in the footsteps of the United States government and bring some regulations to the railroad industry of Mexico. The arrangement of governmental subsidies was changed to address the needs that the Diaz administration viewed as vital at this stage; connecting the coasts and promoting route building that would be useful for connecting existing lines that were still hodge-podged across Mexico. While the building of miles and miles of lines had benefitted Mexico, the lines were oriented north-south for the advantage of American investors, and the need and desire for a cross country line still went unfulfilled, as did a western north-south route, a connection to Guatemala, a connection to the Yucatan, a direct link between the port of Tampico and Mexico City, a connection from Manzanillo and Guadalajara, and other issues. This new directionality allowed the still indebted government of Diaz to focus their efforts while staving off the still-feared monopolization and economic control of American interests.

During the time while this was occurring, railroads across the nation were finding ways, even excuses, to merge. The two largest railroads, the Central and the National, merged. This gave the Central a badly needed infusion of capital, and the National access to important locations as well as the Central's cross country line under construction. This was orchestrated with the assistance of the Diaz government,

maintaining stock control with the country (actually with the government itself) while still under financial auspices of American interests. The Mexican owned company arranged for a New York board to be able to sit separately and hold meetings to give an aspect of control to their American investors. This arrangement worked well for all parties concerned, and the merger that took place in 1908. Financially the company profited and showed promise, growing and building additional lines, but the revolution of 1910 took its toll on profitability and before long the newly formed National Railways of Mexico (FNM) was financially insolvent.

Diaz had used the railroads as a tool. He used them to create industry, to open markets, and to institute economic operations in areas of Mexico previously untouched by the hand of modernization. It was his position behind the curtain, maneuvering, conducting, manipulating, arranging, negotiating and more. He created a Mexico that revolted before it would accept a Diaz clone but one that also had made gigantic strides towards overcoming the backwater development it had been under Spanish colonial rule and through the infancy of its independence, through the reign of Maximilian and Carlota to the time of the liberal triumph.

Diaz benefited from the relationship he engineered between the railroads, the markets for Mexican goods, the industries that were spawned by the availability of railroads to Mexican resources, and the political maneuverings he guided Mexico through in its stance with investors, the United States, and his own liberal elites. Diaz may or may not have been a tyrant when it comes to judging his political aspirations,



but his use of railroads to benefit Mexico (and himself) cannot be undersold. Where railroads are concerned, he truly was the Wizard of Mexico.

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