

Review of the Role of the State in Private Companies. the Case of the United Railways of Yucatán from A Historical Perspective

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ABSTRACT: *The objective of this work is to analyze state intervention and the concept of public utility in companies, through the case of the United Railways of Yucatán and the constitutionalist seizure from a historical perspective. The review has made it possible to identify and discuss the change in the task of the State, which went from watchdog and guarantor of the economic sectors, to a participatory role focused on intervention. This shift allowed the State to interfere in the only railway company in the country that was established with local private capital. The intrusion generated problems in two dimensions: firstly, the detriment of the company due to government actions that sought to promote other sectors, and secondly, the problems derived from the rise of actors linked to the State who were placed in the administrative part. Therefore, it is concluded that state intervention not only affected private industrial development during the period of seizure, but that the echoes of its participation became clear in the administrative structure. Finally, the research presented has been prepared from bibliographic material, mainly from documentary sources that have been consulted in various repositories in the country.*

KEYWORDS: *Intervention, Private enterprise, Railroads, State, Yucatan.*

I. INTRODUCTION

This research reviews and analyzes the effects and consequences of state interventionism in the private sector. In this sense, the work addresses the case of the Ferrocarriles Unidos de Yucatán (FUY), emphasizing the constitutionalist seizure. To fulfill the mission, two faces that framed the process were explored. The first is related to the role of the State in the process of construction of the incipient industry at the end of the nineteenth century, and the second, analyzes the intrusion of the State in what became the main industrial business of the Peninsula in the period. revolutionary and post-revolutionary: the railways. This generated underlying problems that affected its operation, listing three important repercussions: 1) The permanent presence of the State in private companies. 2) The rise of actors in the participation and organization of the company linked to the government apparatus, whose interference in private business and the discretionary use of functions were a constant that affected the efficiency of the business. 3) Interventionism ended up displacing the business sector that was beginning to form in Yucatán, inhibiting the formation of a sector necessary for the State. Summarizing, the work addresses in a long way, but with key moments, how the different actors involved in the construction process and later with the seizure benefited or affected a capitalist-type business. The introduction of the paper should explain the nature of the problem, previous work, purpose, and the contribution of the paper. The contents of each section may be provided to understand easily about the paper.

The preparation of this article has been woven through the review of bibliographic material, but above all the review of primary sources. Allowing the presentation of two sections: The State. From promotion to seizure, and seizure. A legacy of bad practices. Finally, some conclusions are outlined.

II. THE STATE. FROM PROMOTION TO SEIZURE

The conceptual interpretations of the State are diverse; however, it is understood that it must be thought of as a political organization whose function is the exercise of structured power in a territory [1] derived from the recognition of institutions or organizations, which also they are given political and economic power [2]. These powers conferred upon it must be put into play in a series of spheres, a fundamental one being the economic field. However, this articulation between the State and the economy has not always been linear, rather it has hosted a permanent discussion about the role that it should play.

In the Mexican case, the formation of the State faced a series of political challenges throughout the 19th century that postponed its consolidation until the last third of the century. In this long journey of setbacks, the State strengthened liberal traits, which it adopted in the political field and transferred to the economic scenario with the aim of leading Mexico to modernity. Consequently, the modernizing challenge was drawn up through public policies in specific and strategic sectors, such as: communications. The idea of transportation that will connect the spaces of the country had as its background not only to generate better dialogue between distant spaces and their connection with each other, but also the pacification of the territory and of course the strengthening of the State itself. This was intended to develop a program that would resolve a pending and historical task, and whose antecedents in the railway sector were in the 1830s in several failed projects [3]. The reasons that prevented the premature construction of the modern communications system were several and have been classified by Paolo Riguzzi into synchronic and diachronic, that is, into problems of an internal and external nature [4], which were resolved until the second half of the XIX century.

To overcome these obstacles and solve the problem of communication routes, the State designed three models for the construction of railway lines: national private investment, investment through local governments, and finally foreign investment, each in different moments. In the first case, priority was given to local capital, with the objective not only of avoiding foreign capital but also of promoting national business, promoting a relationship between the State and the holders of the money, with the purpose that the articulation resulted in the creation of strategies for development models [5]. The problem was that the existing capital was scarce, and they also avoided the investment risk, moving to businesses in which they already had experience, such as agriculture or commerce. In the second case, the role of the State was directed towards a centralized vision of the economy, through direct intervention in economic processes [6]. The problem was that the local governments, to whom the mission was assigned, did not have the resources to start the projects, so they had to give up. Finally, the third model, that of foreign investment, was the one that facilitated almost the entire construction of the railway system in Mexico, except for Yucatán. And although the third model proposed was the one that was successful, in all three cases a liberal position was adopted, where the State became the guarantor through legislative instruments that provided facilities for investments.

These provisions, which were expressed in the concession contracts granted, were articulated under a concept that was key, and that had a different interpretative meaning in the Porfiriato and in the revolutionary and post-revolutionary period: public utility. For the first case, in the Porfiriato, it was used to grant: tax exemptions on imports, capital, facilitate the use of public lands or, where appropriate, to manage expropriations, as well as the prerogative of suspending military service to the workers of the companies to ensure labor for the construction and operation of the railway companies. In other words, a wide range of mobility was given to give certainty to investors, facilitating the realization of their projects, but also providing stability. In contrast, during the revolutionary period, particularly with constitutionalism, the category was used to carry out interventions in a series of companies, including railway companies, which had been built decades prior under the indicated scheme, with the difference that for the movement armed marginalized sectors had

become the central axis of political and economic discourse. Situation that coincides with what was pointed out by Jesús Silva Herzog, who stated that periods obey evolutionary processes as a social mechanism in response to reality [7], that is, in this case, the State adopted the mechanism of public utility for two different situations: industrialization and revolution.

Derived from this, the role of the State in its dialogue with companies also changed, which also meant a mutation to the concept of public utility, which is not necessarily negative. On the contrary, the problem lies in something that Antonio Crespo points out, the State is not only the bearer of decision-making powers, but is made up of human beings with needs, desires, and personal ambitions who, in the exercise of their position, will promote circumstances in their favor instead of those of the community. What can be classified as dissident and self-serving behavior [8]. This situation leads us to think about the practices that were carried out in favor of the actors, but also to question, in the tenor of the revolution, the issue of social demand, which, although it is true that it was undeniable and necessary, is also true that the bad practices that were generated from the intervention of the State must be placed among questions, and which must be interpreted through other questions, where the question begins and ends where the claim begins and ends, as opposed to the behaviors located outside of industrial discipline.

The revision of the topic allows us to expand the interpretative vision of the early decline of the railroads in Yucatan, which has been linked to the dependence on henequen, suggesting that the fall of henequen, also known as sisal, in the international market caused a domino effect in other countries. sectors of the entity. Therefore, it is proposed in this work that this classic vision should be discussed, proposing a multi-causal explanation, with the issue being in that range the worker positioning and the discretionary use of the railway company, which was detrimental to FUY.

III. THE SEIZURE. A LEGACY OF BAD PRACTICES

The seizure was a measure applied by constitutionalism during the revolution, and this consisted of intervening in companies, the railway sector being one of them, based on section X and XI of article 145 of the Railway Law. The best-known case is that of the National Railways of Mexico, however, the measure was replicated for the railways in Yucatán. In the case of the Nacionales, the disposition was made by Carranza on December 4, 1914, while that of Yucatán was made until March 21, 1915. However, there were significant differences in the decisions and processes. The first of them was the duration of the measures; in the case of the Nationals, the seizure lasted until December 31, 1925 [9]. In the situation of Yucatán, the confiscation was a brief experience, since the company was returned in 1917, but with profound changes. Secondly, the National embargo had a closer connection to the armed movement, while in the case of Yucatán, despite echoing the federal provision, it was also motivated by a state ideology led by Salvador Alvarado, who He saw the necessary intervention of the local State in the areas of the economy for the benefit of Yucatán [10]. This provision was described as inappropriate for the beginning of the 1930s by the Secretary of the Treasury Luis Montes de Oca, ensuring that Alvarado had taken over a flourishing business [11].

From this moment on, the company began to suffer the upheavals of the revolution and the seizure, creating two levels of interference: that of the State through its political decisions and that of individual actors linked to the State. In this same vein, the influence had short, medium and long term effects. For example, for the political decisions of the State within the same seizure, three important changes can be identified: the suspension of financial commitments acquired, the displacement of shareholders to the background, and the restitution of the conditioned company.

For the first case, and despite the promptness with which the Company was repaid, the problems of the English debt were not long in coming, the acquisition of which had been made in 1910 for an amount of 825 thousand pounds sterling, with the purpose of covering commitments derived from the 1906 debt, and the remainder of which would be used to launch a program of material improvements in the company with the aim of improving service. The problem was that the seizure generated a series of disorders that problematized functionality, leading in turn to a climate of uncertainty in many ways, among them the doubts of creditors.

They did not take long to express their concerns about the provision, since this measure compromised the payment of interest and the amortization of the debt. In this sense, the English lenders used diplomatic tools to express their claim, requesting the British consul in Washington to intervene. The official's reaction was immediate, since not only British interests in the Peninsula were at stake, but also the property of the English in the Mexican Railway, whose strategic route went from Veracruz to the capital of the country, so the letter written to Salvador Alvarado had the dual purpose of also reaching Carranza to request an end to the intervention of the Federal State in the case of Mexicano, and of the local State in the case of FUY [12]. The claim was legitimate, since English capital was at stake, so the request was based on two concerns: the impact on the property, which had been left as collateral for the debt, and on the other hand, there was the harm to the workers. . The response was immediate from Alvarado, who responded by arguing that the workers had not been affected and that payment of the English debt would be guaranteed [13].

Secondly, the displacement of the shareholders was another of the fundamental changes derived from the seizure, that is, although after the negotiation where the Government and the Council agreed to the return of the company, this was only a partial restitution, since that the state government carried out a series of maneuvers that allowed it not only to maintain a presence in the company, but also control over it. The way in which this stratagem was carried out was as follows. The Government of Yucatán, in a developmental vision of the Mexican southeast, founded the *Compañía de Fomento del Sureste, S. A.* in 1916, with the objective of controlling imports from the states of Tabasco, Yucatán, Campeche and Quintana Roo [14], however, The nascent company was used as an intermediary for the acquisition of FUY shares, gradually acquiring them until it owned 14 thousand, that is, 50% of those that constituted the company. The operation gave a permanent presence of the State, modifying the original formation of the railway business in Yucatán, which from the mid-1870s until 1915 had remained private. Added to this, the situation and complication became capital because the same Government was the owner of the Henequén Export Commission and the “EL Industrial” factory, which led to the State of Yucatán being classified as “a purely capitalist and commercial speculation” [15]. In short, Alvarado had articulated a project to develop the Yucatan Peninsula through the control of several organizations and whose point of gravity was henequen, the problem was that the efforts directed around sisal were to the detriment of other sectors, such as the railway, putting its profitability first in favor of the same fiber and its production costs.

Thirdly, there is the restitution of the company, which occurred on June 18, 1917. The return apparently came by mutual agreement, between the Government and the Board of Directors of the Company, however, it was the latter who carried out the arrangements. of the restoration. However, the Government's acceptance of the request was conditional, forcing the transport entity not to present claims for the damages that had been caused to the property during the time in which it maintained administration.

This negotiation, where the local government tried to distance itself from the deterioration that it may have caused, called into question the reports generated by the company during the constitutional mandate, in which it was assured that it left a balance in favor of just over 700 thousand pesos. The truth was that the positive balance was due to other factors, and not necessarily to good administration. Illustrating the situation, the positive numbers derived from the rate difference, that is, the Government during the seizure raised the existing rates that had been maintained in the years prior to the intervention, allowing it to generate a surplus [16]. On the other hand, the revolutionary movement in Yucatán did not develop in the same way as in other parts of the country, where clashes and armed groups caused significant damage to the infrastructure; in this case, the material damage was done to a lesser extent. Furthermore, this situation was covered up by the parallel event of the First World War, which allowed exports to reach their highest point on the curve, by marketing one million bales, which supported the tariff increase, generating a result in a fictitious scenario of good functioning [17]. This situation gave meaning to the Council's argument, which pointed out that the return of the company was urgent, not only for the reasons indicated, but also for other types of practices, such as the acquisition of material abroad, but which were accused of not having been carried out. under favorable conditions [18].

With all this, the return of the company involved a series of internal modifications to the deed of incorporation and the bylaws, some more important than others, but which helped change the pulse of the

company for the following years. The first reform was made to the first base of the corporate deed, where the names of the merger companies of 1902 had not been mentioned, but the amounts that each entity had contributed to the merger were stated in the fifth clause, in addition to corrections were made to the share capital. The second measure was the modification to the sixth clause of the corporate deed where the company was committed to saving money by eliminating the Advisory Council, whose headquarters were in Mexico City, and in its place a representative and an attorney were left. general. This reform was made under the argument of generating savings and limiting bureaucracy, returning to the legal structures that had been established in the 1870s, therefore, the provision meant a setback to the statutes of 1902, where the manifest objective was to count with officials who would allow the railway system to be managed with the most modern standards in the country and in the international field. As a third measure, the eighth section of the seventh base was modified, empowering the General Director of the Board of Directors to agree on extraordinary expenses for the purchase and sale of real estate, authorizing the maximum amount of 200 thousand pesos. Fourthly, the eighth clause, competent to the powers of the General Director, was modified, which were expanded, its only limitations being: not to transfer assets without prior written authorization from the Board of Directors, or “compromise or compromise in referees.” Fifthly, the ninth clause was modified, granting greater power to the Board of Directors to appoint and remove the General Director. And sixth and last, the thirtieth clause was also reformed, stipulating that the mortgage or encumbrance of assets was reserved for the general assembly of shareholders, so a unanimous vote of three-quarters would be required for decision-making [19]. In short, the last three modifications referring to the Council and the shareholders were not minor, since we must not lose sight of the fact that the State was a participant in the Council and in the actions. Situation that facilitated practices outside the company, such as the use of material for political campaigns [20].

IV. CONCLUSION

The above has allowed us to explore and analyze the role that the State has played in economic policy, identifying that its behavior has not always been linear, and that rather, the channeling of its forces depends on its context. In this sense, two facets were accentuated: the Porfirian State and the revolutionary State. The first distinguished itself by facilitating railway investment, while the second had among its characteristics its immersion in companies, at least in the field of rail. In this sense, the case of the Yucatan railways has allowed us to explore these roles and delve deeper into them, particularly for the second stage, from which some conclusions can be derived. The first of them is that the seizure framed in the revolutionary stage allowed the local State to enter a private company, such as FUY, through public utility, breaking the essence with which the company had been founded. Secondly, the seizure generated a situation that created problems in the future, in a kind of spiral, or in other words, it gave rise to vicious circles, which were encouraged by the personnel who joined due to their political participation or cronyism, but who Through government support, he took advantage to the detriment of the company's finances or its properties, as reviewed in the text. This image has been interpreted in historiography as a natural and consequential phenomenon of revolution and social justice; however, the review of the topic brings to light the effects that state intervention can cause when consensus is not generated on its effects. roles in private companies, thus affecting their properties, finances, administrative systems, among others. Thirdly and finally, I suggest that the seizure and its effects generated in the following years, not only displaced the owners and creators of the business, but also inhibited its formation process through the intervention of their space of experience, or in other words Otherwise, they delayed the formation of the business community by confiscating the only industry established in the Yucatecan territory, and to which numerous efficiency plans were applied.

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