The American Smelting and Refining Company (ASARCO) was the largest mining and smelting company in Mexico from 1900 to 1940. As an enormous, multinational corporation, run by a powerful U.S. family, the Guggenheims, it, like the major railroad lines, had a crucial role in the system of triangular relations between the national government, state and local elites, and foreign companies that formed the backbone of Mexican politics and economics from the mid-nineteenth through mid-twentieth centuries.

In order to obtain success, foreign-owned mining enterprises in Mexico during the dictatorship of Porfirio Díaz, the Revolution, and post-revolutionary era required all of the following six elements: sufficient capital to purchase necessary equipment and pay for daily operations, competent management, a steady market for minerals or agricultural commodities, accessible transportation, a reliable workforce, and the maintenance of good working relations with local, state, and national authorities. Most companies and individuals that conducted business in this most important sector, which foreigners dominated, lacked at least one and usually more of these conditions. ASARCO was exceptional in that it had all of the required elements in abundance. Unlike other foreign

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2 The best histories of the American Smelting and Refining Company in Mexico are Horace D. Marucci, “The American Smelting and Refining Company in Mexico, 1900-1925” (PhD. dissertation, Rutgers University, 1995); R. F. Manahan, “Mining and Milling Operations of American Smelting and Refining Company in Mexico, 1899 to 1948 (Unpublished manuscript, 1948); Marvin Bernstein, *The Mexican Mining Industry, 1890-1950* (Albany: State University of New York, 1964). I have taken the historical information that is not cited in the notes primarily from these sources.
enterprises, which, for the most part, experienced little success in Mexico, ASARCO was vastly profitable.

The following chapter explores the place of the large multination corporation in the Díaz system and how its situation changed during and after the Revolution. In terms of its relations with various levels of Mexican government and elites, ASARCO, like other foreign companies and individuals, sometimes experienced rougher handling by local or state authorities. However, ASARCO stood out in that it obtained unparalleled access to the halls of power in Mexico City throughout the era and in that, despite occasional setbacks due to the exigencies of civil war, the corporation remained profitable and expanded substantially during the Revolution and its aftermath. It is also worth noting that although the company extracted enormous profits from its Mexican operations, almost continuously from 1900 to 1940, it also invested huge sums. The most important transformation that affected the company in the revolutionary and post-revolutionary years was the intrusion of strong, activist labor unions into the relationship between it and the Mexican government.

History

Meyer Guggenheim had built an empire of silver and lead in the United States, beginning in 1881. His company M. Guggenheim entered Mexican smelting in order to assure its profitability after the McKinley Tariff of 1890 raised the cost of imported Mexican unprocessed ores. The construction of the two major Mexican railroads, the
Mexican Central and the Mexican National, each completed in the 1880s was crucial, for they provided cheap transportation for bulk shipments of ores, initially directly to export markets and later to smelters located in both Mexico and abroad, and they supplied inexpensive transportation for imported mining machinery. By the end of 1891, the Guggenheims had explored the possibilities in Mexico, negotiated a wide-ranging concession for mining and smelting, and set up a new enterprise, La Gran Fundición Nacional Mexicana (the Grand National Mexican Smelting Company) in Monterrey. The company subsequently leased a number of mines in northern Mexico and established ore purchasing agencies in the states of Hidalgo and San Luis Potosí. The Guggenheims had two silver-lead smelters operating by 1893, representing an investment of approximately $US 3 million. In mid-1895 the Guggenheims completed a new copper and lead smelter in Aguascalientes. Through its subsidiaries from 1895 to 1898, the family bought up fifty-five mines in the region of the smelter, controlling over half the ore production in the state of Aguascalientes.

In a process that began in the late 1890s the Guggenheims won control of the U. S. “smelters’ trust,” the American Smelting and Refining Company. Initially through ASARCO’s subsidiary Guggenheim Exploration, the corporation began a twenty-five year buying spree in Mexico. In 1902 Guggenex expended $US 25 million in acquiring mines in northern Mexico. Indicative of the willingness of the Guggenheims to lay out large sums to buy productive mines was their purchase of the Velardeña Mining and

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4 Marucci, “American Smelting,” pp. 90-91. The family purchased the mines through M. Guggenheim and Sons, the Guggenheim Smelting Company, the Guggenheim Exploration Company, the Aguascalientes Metal Company, the Asientes Mining Company, and Solomon Guggenheim (as an individual).
Smelting Company, completed in 1904, which required an outlay of $ US 7 million.⁶ In 1905 the holdings of Guggenheim Exploration and several additional acquired mining operations transferred to the American Smelters Securities Company, another ASARCO subsidiary. ASSCO operated until 1923 when it dissolved, transferring its assets to the Compañía Minera Asarco, S.A., a Mexican company. Thus, in its first five years ASARCO and its associated companies had purchased and modernized scores of mining operations, built and bought a number of feeder railroad lines, and then reorganized them more functionally.

From 1905 until the overthrow of Porfirio Diaz in 1911, ASARCO confronted three challenges: the Monetary Reform Law of 1905, which established Mexico on the gold standard; the Mining Law of 1905; and the depression of 1907-1909. The Monetary Reform Law ended the windfall profits that had accrued to silver producers because government mints had purchased silver at high prices. The Mining Law, however, lowered taxes on silver production to compensate for the provisions of the Monetary Reform Law. New technology, in the form of the cyanide process for extracting silver ore, lowered the cost of production, helping to maintain profitability. As a consequence, the new regulations did not adversely affect ASARCO.⁷ The depression that struck in October 1907 diminished the company’s earnings and caused it to decrease production, but provided it with an opportunity to buy up cheaply additional properties. ASARCO’s main cutbacks during the depression were in employment.⁸ As the downturn eased in

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early 1909 the company began a new $US 25 million investment program in Mexico.\textsuperscript{9}

One of the new acquisitions was the National Metallurgical Company in 1910.\textsuperscript{10}

Rebellion against Porfirio Díaz broke out in November, 1910, and led to the dictator’s exile in May, 1911. The initial revolt, led by Francisco I. Madero, a large landowner from the northern state of Coahuila, was fought primarily in Chihuahua and Durango, two other northern states, areas where ASARCO had heavily invested. Under the national governments headed by Madero (1911-1913) and General Victoriano Huerta (1913-1914), who overthrew and murdered Madero, ASARCO for the most part continued its operations. In 1911 rebels raided mining camps. They also disrupted railroad transportation. It became difficult to obtain supplies for the camps and coal for the smelters. The company, however, continued to buy up mining properties, and to generate impressive profits.\textsuperscript{11} The following year the company absorbed losses from raids by a new group of rebels opposed to Madero, led by Pascual Orozco, a former ally of Madero.\textsuperscript{12} Nonetheless, ASARCO achieved record profits.\textsuperscript{13} The civil war which erupted after Huerta took power badly disrupted transportation and jeopardized the company’s employees in many areas. Heavy fighting caused ASARCO to close down many of its operations and, as a consequence, its earnings suffered.\textsuperscript{14} The company closed its smelters at Monterrey, Matehuala, and Velardeña.\textsuperscript{15} Rebel forces looted the

\textsuperscript{9} Marucci, “American Smelting,” p. 231 citing the Mexican Mining Journal (March 1909): 31.fz3
\textsuperscript{10} Wagner, Bullion to Books, p. 155. See also Bernstein, Mexican Mining, p. 99 and Marucci, “American Smelting,” p. 284.
\textsuperscript{12} Marucci, “American Smelting,” p. 279.
\textsuperscript{13} Engineeering and Mining Journal 95 (Feb. 8, 1913): 350 and (Feb. 15, 1913): 394.
Chihuahua smelter in July, causing ASARCO to evacuate the families of its American employees.\textsuperscript{16}

Although ASARCO tried its best to maintain its operations from 1910 to 1920, circumstances were often not favorable. After the two U. S. invasions, the occupation of Veracruz and Tampico in 1914 and the Pershing Expedition in 1916, for example, the company deemed the situation too dangerous for its foreign personnel and closed its mines and smelters.\textsuperscript{17} At time there was no transportation, because the warring sides appropriated the railroads. On other occasions coal, needed for both railroads and smelters for fuel, was unavailable.

According to R. F. Manahan, who compiled a valuable history of ASARCO in Mexico: “Insofar as circumstances permitted, every feasible effort was made to operate the mines; but conditions changed so frequently, particularly in the northern region, that operations were, generally speaking, sporadic.”\textsuperscript{18}

Difficulties continued through 1914 and 1915, because the company was caught in the middle between the rival factions led by Venustiano Carranza (Constitutionalists) and Pancho Villa (villistas), respectively. In mid-April, 1914, the company suspended all its operations in Mexico, ordering its American employees to leave Mexico in the wake of the United States invasion and occupation of the Mexican Gulf ports of Tampico and Veracruz.\textsuperscript{19} In spite of the civil war, there had been little damage to its plants through the

\textsuperscript{16} Engineering and Mining Journal 96 (July 19, 1913): 140.
\textsuperscript{17} Engineering and Mining Journal 97 (May 1914): 928; S.W. Eccles, “American Smelting and Refining Company in Mexico in 1916,” Engineering and Mining Journal 103 (January 6, 1917): 22.
\textsuperscript{18} Manahan, “Historical Sketch,” p. 29.
\textsuperscript{19} Engineering and Mining Journal 97 (May 2, 1914): 928.
end of 1914.\textsuperscript{20} ASARCO again closed its smelters, except its Chihuahua plant, in May, 1915.

The worst period was between 1915 and 1916, when government disintegrated and warring factions wore a bloody path through the center of the nation. The Santa Bárbara Unit did not produce milling ore from late 1915 through the end of 1919.\textsuperscript{21} The scarcity of railroad cars during this period caused ASARCO to purchase its own locomotives and freight haulers.\textsuperscript{22}

The U.S. invasion of Mexico in 1916 created a very dangerous situation for ASARCO, for the company not only had to contend with the warring armies of Villa and Carranza, but anti-American sentiment as well. In March 1916 the company again evacuated its American employees.\textsuperscript{23} By the end of the year, it operated none of its smelters in Mexico. Nonetheless, the mining division continued to purchase properties at bargain prices. By the end of the summer of 1916, most of the ASARCO smelters were back on-line; it again was making money, and even raised wages.\textsuperscript{24}

During the next four years, ASARCO gradually resumed operations, though the guerrilla activities of Pancho Villa somewhat hampered its production in Chihuahua.\textsuperscript{25} Villa notwithstanding, Chihuahua experienced a mining boom in 1919.\textsuperscript{26} ASARCO continued to seek new properties, but its executives delayed actual purchases while they ascertained the effects of Articles 27 and 123 of the Mexican Constitution of 1917, which

\textsuperscript{21} Manahan, “Historical Sketch,” p. 29.
\textsuperscript{22} Manahan, “Historical Sketch,” p. 29.
\textsuperscript{26} El Monitor, December 22, 1919, William F. Buckley Collection, 153.5, BLAC.
threatened the rights of foreign property owners. In 1918 ASARCO reorganized as a Mexican corporation, becoming the Compañía Minera de Asarco, S.A., in order to comply with recent Mexican laws.

The Mexican Constitution of 1917 nationalized subsoil rights, including, of course, minerals. It also contained a number of provisions for labor, including the eight-hour day, six day week, limitations on overtime, equal pay for equal work, regional minimum wages, employer obligations to provide housing schools, and health care, workmen’s compensation, and the right to strike.

Many units were still not on line in 1918. The company had to furnish free provisions for employees. The company estimated its total losses at $US 1.5 million, though only 20 percent of these were admitted before the General Claims Commission established by the United States and Mexico in 1923.27

In 1920 Alvaro Obregón, the leading Constitutionalist general, overthrew Carranza and won election as president and his new government negotiated a settlement with Pancho Villa, thus, establishing a measure of peace in Mexico for the first time in a decade. For ASARCO the 1920s were to be a decade of great challenges and enormous expansion. The first difficulties the company confronted were the provisions of the new constitution concerning the ownership of subsoil rights. Article 127 proclaimed all resources below ground belonged to the government. The second set of threats to the company involved the newly energetic labor unions, invigorated by other provisions of the constitution regarding labor. In addition, some of the difficulties arising from the civil wars continued, such as the shortages of railroad cars, because the government

diverted them to military operations, and shortages of coal.\textsuperscript{28} ASARCO continued to complain of high railroad rates and high taxes.\textsuperscript{29} In 1924 ASARCO announced construction projects in Mexico costing \$US 10 million.\textsuperscript{30}

Through the end of the 1920s ASARCO continued to invest large sums in equipment and new operations, in particular coal mining in Coahuila and in silver-lead properties in Santa Eulalia and Hidalgo de Parral in Chihuahua.\textsuperscript{31} The smelter in Avalos, Chihuahua, just outside Chihuahua City, became the largest lead smelter in the world.\textsuperscript{32} By 1929, however, two problems arose. There were growing signs of labor unrest and market prices for silver declined.\textsuperscript{33}

During the 1930s ASARCO experienced growing labor militancy, as well as increased pressure from the government for the company to provide minimum wages and schools and housing for its workers. With the onset of the depression in full force in 1930 ASARCO reduced the work week.\textsuperscript{34} As the decade progressed, especially after Lazaro Cardenas and his pro-labor administration took office in 1934, strikes increased and workers’ demands more extensive and insistent.

\begin{footnotes}
\item[29] \textit{Engineering and Mining Journal} 112 (July 23, 1921): 150; Ricardo E. Mora, Representativo de Asarco to Secretario de Industria, Comercio y Trabajo, February 28, 1921, Archivo General de la Nación, Ramo Presidentes, Obregón-Calles (AGN-OC), 731-O-4.
\item[33] \textit{Engineering and Mining Journal} 127 (January 19, 1929): 122-23; \textit{La Voz de Parral}, February 2, 1929.
\item[34] Francis Styles, “American Consul, Chihuahua City, “Notes on the Economic Situation in the Chihuahua Consular District, July 17, 1930, 850, U.S. National Archives, State Department, Record Group 84, Despatches from the American Consul Chihuahua City, 1930:6; \textit{El Correo de Chihuahua}, June 12, 1930, 1.
\end{footnotes}
In a letter to Porfirio Díaz in 1908, Daniel Guggenheim, President of ASARCO, admitted that “These vast mining and smelting operations were begun under the solicitation and the most favorable supervision, regulations and laws of Mexico on behalf of my family…. The laws and the administration of the laws regulating and affecting our business…were everything which I could desire….” The Guggenheims enjoyed full access to the dictator from 1891 until the Revolution forced him out in 1911.

The family, furthermore, took exceptional measures to construct ties to various levels of officials in Mexico City and the provinces, especially in the north, the location of most of ASARCO’s mines.

When the Guggenheims looked to Mexico in 1890 they discussed the possibilities with a prominent mining entrepreneur in Monterrey, Joseph A. Robertson, who had widespread links to important families in northern Mexico. They then associated with Edgar Newhouse, who accompanied Daniel Guggenheim to Mexico and used his influential contacts to further the Guggenheims’ interests. He quickly arranged for two crucial members of Díaz’s ruling circle, Emeterio de la Garza and General Bernardo Reyes to act as intermediaries with Porfirio Díaz. The President met with them and approved their concession to establish their business in Mexico.

The most common relationship the Guggenheims and their companies enjoyed with the Mexican elite was in the purchase or lease of the elite’s property by the Americans. In 1896, for example, Consolidated Kansas City, later part of ASARCO

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35 Daniel Guggenheim to Porfirio Díaz, July 24, 1908, Colección de General Porfirio Díaz, Document 33:010813.
leased three sets of mining claims in Santa Eulalia, Chihuahua, from Pedro R, Prieto, Manuel Gameros, and Federico Muller, all prominent citizens of the state.\textsuperscript{37} In 1896 and 1899 the Guggenheims purchased mining property from Martín and Pedro Elissagüe in Santa Bárbara. In 1899 they obtained the Tecolotes from Pedro and Francisco Erquicia for 700,000 pesos.\textsuperscript{38} In 1903 the Guggenheims bought several mines in Jibosa (near Jiménez) Chihuahua for $200,000 pesos.\textsuperscript{39} In 1923 ASARCO leased Las Plomosas from the heirs of Manuel Gameros.\textsuperscript{40}

Before 1910 the Guggenheims enjoyed access to the highest echelons, including Don Porfirio himself. General Bernardo Reyes, the political boss of Nuevo León, and a close ally of Díaz, granted the Guggenheims their concession for smelters in Monterrey in 1891. The only hitch arose, when Jose Y. Limantour, the finance minister, held up a tax-exemption for the export of silver bullion.\textsuperscript{41} Nonetheless, close relations with the dictator not mean that ASARCO avoided the need to maintain excellent rapport with state and local authorities as well. Furthermore, local conditions were not always optimal either during the Diaz era or the Revolution. The blessings of the central government did not always carry much weight in the provinces.

Chihuahua was a crucial case in point. Prior to 1910 the company had to pay steeply to operate. Confronted with the overwhelming political power of the Terrazas

\textsuperscript{38} Manahan, “Mining Operations,” p. 12.
\textsuperscript{39} Manahan, “Mining Operations,” p. 16.
\textsuperscript{40} Manahan, “Mining Operations,” p. 5.
\textsuperscript{41} Bernstein, Mexican Mining, p. 38; Marucci. American Smelting, p. 80.
family, which controlled state politics and whose economic empire was perhaps the most formidable in Mexico, the Guggenheims reluctantly, but gracefully gave in. After 1900 there was heavy demand for a smelter in Chihuahua City. The Terrazas family had invested in mining and smelting for decades, but was unwilling to risk the huge capital required to build a smelter. After Enrique Creel, the family’s second-in-command, became governor in 1904 he pressured the Guggenheims to construct a smelter near Chihuahua City, threatening to build a competing smelter, if the Americans refused. At the same time, the Guggenheims attempted to purchase the Maderos’ Compañía Metalúrgica Mexicana which operated a smelter in Torreón, the only Mexican-owned smelter in the country. However, despite prolonged negotiations, the deal with the Maderos did not work out. Consequently, ASARCO built the requested smelter near Chihuahua City. The cost was high, for ASARCO had to purchase the state concession for a smelter from the Terrazas and Luis Terrazas, the head of the family, sold the company a parcel of his land for the smelter. Juan Terrazas, Luis’s son, obtained the concession to operate the company store at the site.42

There were instances when local elites resisted the Guggenheims’ plans. A group in state legislature of Aguascalientes, against the expressed wishes of the governor, opposed the Guggenheims’ application, already approved at the national level, for a concession to construct a smelter in 1894 and delayed it for some time. The Guggenheims appealed to Díaz, who dispatched Emeterio de la Garza, who in cooperation with Governor Alejandro Vázquez del Mercado, negotiated with the

42 *Engineering and Mining Journal* 80 (July 22, 1905): 131 and (October 7, 1905): 658; *Mexican Herald*, February 11
legislators for approval. Shortly thereafter, the Guggenheims had to obtain land to build the smelter. This, too, required the intervention of de la Garza and Governor Vázquez del Mercado. Finally, a dispute with a neighboring landowner held up construction of a railroad spur for a year, because he claimed that the smelter and line would ruin his property. President Díaz ordered the expropriation of the land.

On occasion ASARCO cooperated with local authorities for the common good. In 1909 Dr. Charles E. Husk, ASARCO, the physician in the company-built and maintained hospital, worked with the municipal government in Santa Bárbara, Chihuahua, to stamp out a serious epidemic of smallpox.

During the wars that ravaged Mexico from 1911 to 1920, ASARCO’s local executives negotiated constantly with whatever military forces threatened its facilities. The company paid when necessary in the form of loans or taxes. There were kidnappings for ransom. Its executives complained endlessly about the disruptions, the lack of transport and coal, and the capriciousness of the different policies of the various factions. The company continued to reach arrangements with regional and local political bosses after 1920, but, in addition, had to contend with national leaders under enormous pressures to improve working conditions. The great advantage the company had was the desperate need the national government had for reconstructing the Mexican economy. Since mining was the nation’s most important industry, ASARCO had considerable leverage in its negotiations with government officials at all levels. With tens of thousands of employees, ASARCO was one of the foundations of the nation’s economic recovery.

45 Manahan, “Historical Sketch,” p. 25.
In the midst of the civil wars, there was not always agreement between the national government and the regional bosses. In early 1914, for example, the “Mexican administration” advised Villa to return one million pesos stolen from ASARCO.\(^{46}\) It was not uncommon for rebels to extort funds in the form of taxes or loans or kidnap employees, or simply rob facilities of supplies, livestock, and equipment. In 1914, Pancho Villa allowed the company to operate, but held thirty 30 employees for ransom of 35,000 pesos.\(^{47}\) According to another report, however, in 1914, while the Carrancistas took all the railroad rolling stock, Villa, with whom the company had excellent relations, allowed ASARCO transportation.\(^{48}\)

In at least one instance, ASARCO lost possession of its facilities. In 1915 Pancho Villa demanded that ASARCO reopen its Chihuahua smelter and tributary mines or he would operate them with his own forces. The company protested that the lack of transportation hampered its operations (although it was willing to restart its smelter in order to alleviate the widespread unemployment in the state). Villa took over the smelter and confiscated silver and lead ore that ASARCO was unwilling to process because it lacked technical staff.\(^{49}\)

Perhaps, the best example of ASARCO having to pay off leaders of the warring factions took place in 1919. In January Pancho Villa, who remained in the field against Carranza, raided Santa Eulalia. Villa told ASARCO’s local managers that he would

\(^{46}\) Cable from Ward Pearson, January 2, 1914, Box 4, Ferrocarriles Noroeste de Mexico.
\(^{47}\) *Engineering and Mining Journal* 97 (May 2, 1914): 928.
\(^{48}\) *Engineering and Mining Journal* 98 (July 11, 1914): 92.
destroy the company’s Chihuahua smelter and its Parral mines, unless ASARCO paid a large sum. The military Zone Commander, General Jesús A. Castro sent 200 troops to Santa Eulalia and placed a permanent garrison at the smelter. Nonetheless, Villa occupied Parral in April. Villa’s agent Colonel Baltasar Piñones informed ASARCO that the company was to pay 50,000 pesos to prevent his sacking the city. He held the staff of the Veta Grande Unit for ransom. The managers only had 3,000 pesos in cash which they turned over to Piñones, promising to pay the balance. A few days later Luz Corral de Villa, Pancho’s wife, picked up the remaining 47,000 pesos (and was kind enough to leave a receipt that Marucci found in the archives).50

Although the post-revolutionary era brought continued challenges, the company maintained a generally positive relationship with the national governments of Adolfo de la Huerta (1920), Alvaro Obregón (1920-1924), and Plutarco Elías Calles (1924-1928 and behind the scenes, 1928-1934). Difficulties in obtaining sufficient railroad transport and coal continued. In 1920 ASARCO protested to Calles, then minister of war, that it could not continue to operate, if he gave all the railroad cars to the military. It also desperately needed coal to run its smelters. The government had confiscated the coal ASARCO had sent to Chihuahua. To make matters worse, there was a shortage of dynamite in Chihuahua as well.51

The company continually lobbied for lower railroad rates and reduced taxes, both on imported supplies and equipment and on exported minerals. In 1921 ASARCO demanded that the government make its imported equipment and supplies and its exports

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of gold, lead, and zinc exempt from taxes.\textsuperscript{52} Several months thereafter, the company reached agreement with the Department of Transportation whereby the National Railways would provide better service at lower rates.\textsuperscript{53} In 1922 ASARCO reached another agreement whereby it obtained a favorable reduction in haulage rates from the Santa Rosita coal fields, in return for its spending larger amounts on bettering conditions for its workers.\textsuperscript{54} In 1924 ASARCO again protested the increase in railroad rates in conjunction with the Cámara Nacional de Comercio and the Chihuahua Cámara de Comercio.\textsuperscript{55}

Government cooperation was particularly important in ASARCO’s dealings with the resurgent mining worker unions. Often presidents acted favorably to the company. In July, 1920 the President (de la Huerta?) settled a widespread strike against ASARCO that idled 6,000 workers.\textsuperscript{56}

At the local level, as during the Díaz era, cooperation was not guaranteed and if forthcoming was not inexpensive. During the large strike in Chihuahua in 1923, the governor, Ignacio Enríquez, was supposedly disposed toward the strikers rather than the company, but the national government dispatched 200 soldiers to protect the ASARCO smelter. Enríquez solicited a loan for 300,000 pesos to be used to defray the expenses of the \textit{defenses sociales} or municipal guards which formed the basis of his support in the state. ASARCO refused. Federal troops thereupon withdrew from Parral.\textsuperscript{57} (This was at

\begin{itemize}
\item \textsuperscript{52} Ricardo E. Mora, Representivo de Asarco, to Secretaría de Industria, Comercio y Trabajo, February 28, 1921, AGN-OC, 731-O-4.
\item \textsuperscript{53} \textit{Engineering and Mining Journal} 112 (July 23, 1921): 150.
\item \textsuperscript{54} \textit{Engineering and Mining Journal} 113 (May 20, 1922): 887.
\item \textsuperscript{55} Ricardo F. Mora, Representativo General de Asarco, to Obregón, February 14, 1924, AGN-OC, 802-F-11.
\item \textsuperscript{56} \textit{Engineering and Mining Journal} 110 (August 7, 1920): 277.
\item \textsuperscript{57} Mitchell to Secretary of State, September 19, 1923, and McEnelly to Secretary of State, January 2, 1924, USNARG 84, ACCCC, Confidential, 1922-1928.
\end{itemize}
the time of the rebellion led by Adolfo de la Huerta, when generals Manuel Chao and
Nicolas Fernández were active rebels in southern Chihuahua.)

The situation in San Luis Potosí in 1924 typified the complexity of ASARCO’s
relations with the different levels of government. Governor Aurelio Manrique, Jr. took
office as governor in 1924. His policy was to encourage the organization of unions and
to support them to obtain higher wages in part through the rulings of the local Board of
Conciliation and Arbitration. ASARCO had recently purchased an unfinished smelter in
the state capital. The company hoped to finish the smelter and furnish ore from its
locally owned mines. On completion the smelter was to create 5,000 jobs. The
company, however, stopped construction in February, 1924, because of strikes against its
mines in Matehuala and Charcas. Governor Manrique, who had initially backed the
strikers, withdrew his support under pressure from local business people and the central
government. The strikes quickly failed. Both the central government and Calles, who
visited San Luis Potosí in April, gave assurances of support to the company. There was a
new strike threat at the local ASARCO mine in June. The company then announced its
plan to close the mine under strike. The national government again pressured Manrique
to withdraw his support of the union. In some instances the federal authorities were
willing to push industries to the point of government take-over, but in the case of
ASARCO the stakes were too high and risky.  

The company was not afraid to take on the Mexican government at any level. In
1926 ASARCO carried out its threat to close operations when the Supreme Court ruled
unfavorably on labor issues.  In 1932 the state of Chihuahua ended its litigation against

58 Ankerson, Agrarian Warlord, pp. 112-113.
59 El Paso Times, November 16, 1926, 1.
ASARCO in its effort to nullify contracts written in 1905 and 1909 about payments of taxes.60

During the 1920s the federal government definitively took command of relations with the mining sector. New laws prohibited the states and municipalities from imposing taxes on metal production, profits from mining, or capital invested in mineral extraction, with the exception of a small tax on ore processing. The states were to receive a part of federal tax revenues from mining. In 1924 the government instituted income taxes.61

At times the federal government seemed to favor the mining giant. During the 1935 strike, 200 soldiers guarded ASARCO facilities.62 In 1939 the government intervened to end several strikes against the company.63 Even in Chihuahua, the state government seemed at times to cooperate. Governor Talamantes mediated a strike in Chihuahua.64

Cardenas brought more militancy and deeper government involvement on behalf of workers. The profitable foreign enterprises were a logical target. But apparently even Cardenas had a price. In 1939 ASARCO lent the Mexican government $7.5 million to be repaid by deducting taxes.65

60 El Periódico Oficial del Estado de Chihuahua, November 12, 1932, 1.
61 Manahan, “A Historical Sketch,” p. 36.
63 “Resume of Conditions in Chihuahua,” March, 1939, 812.00/719, USNARG 59.
64 El Paso Times, March 25, 1939, 2.
65 William F. Blocker, Ciudad Juárez, to Secretary of State, May 25, 1939, 812.63/962, USNARG 59.
“Resume of Political Situation in Ciudad Juárez,” May, 1939, 812.00/Chihuahua/350, USNARG 59.
A Case Study of How Business Was Done

M. Guggenheim Sons “quietly acquired” in 1902 and 1903 a mining operation known as the Bonanza y Anexas. Acting for Guggenheim Exploration, its two representatives R. C. Gemmell and J. M. Ortiz, acquired sixteen claims over 400 acres about four miles from Mazapil in the northeastern part of the state of Zacatecas. The mines were located on a large ranch, the Hacienda de Bonanza. The owner, Manuel Rodríguez Orozco, in 1900 had obtained a concession from the state of Zacatecas to build a smelter on the ranch. When the owner decided to sell out to Ortiz in 1902, he agreed to sell the mines, ranch, water rights, and appurtenances. Rodríguez kept half the slag dumps. Licenciado Emeterio de la Garza, a member of president Díaz’s inner circle, represented the Guggenheims. The ranch consisted of 13,000 acres. It had an orchard, a Casa Grande, and a number of houses for workers. The operation was near the railroad. The Guggenheims transferred the Bonanza group to ASSCO in 1907 and to the Compañía Minera Asarco, S. A. in 1923.

During the most tumultuous years of the Mexican revolution, 1913 to 1916, Bonanza suspended work, but ASSCO allowed contractors to mine on a royalty basis. From 1913 to 1921, the mines produced only 83 tons per month, whereas in the 12 or so years previous they yielded 1,200 tons per month. “Because of the small scale of the operations and the contract system of production, the Bonanza unit did not suffer very serious losses.” The company claimed only $US 5,000 damages. The company then in 1920 and 1921 repaired the tramway, installed new equipment, and then actively explored and developed the mines for six years. But in 1928 ASSCO determined that the

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mines were no longer feasible for direct operation; the company removed the tramway and equipment. The company subsequently leased the mines to independents.

In order to circumvent the restrictions the Mexican Constitution of 1917 imposed on landownership by foreigners, the Asarco set up a “silent partnership,” R. E. Mora y Compañía, S. en C., to hold the 12,330 acres of ranch land. By 1930, however, the agrarian reform had expropriated one-third of the land and given it to a local community, the Congregación de Cuauhtemoc formed on the hacienda. The government did not pay (as of 1947) the bonds Asarco received as indemnity for the expropriation. In 1935 the state authorities decreed the expropriation of Asarco’s water rights (water was and is the most valuable commodity in Mexico), but the Supreme Court of Justice overturned the decree.

Here on a relatively small scale, we have an example of the strategies ASARCO and its various subsidiaries followed. The formula was to purchase promising properties, invest large sums, and smooth the way with various levels of government authorities. ASARCO, however, did not go unscathed in the rough and tumble of the Revolution and its aftermath, but by employing its enormous capital and a measure of flexibility and persistence, it was profitable.

Expansion in the Face of Uncertainty

What was extraordinary about the history of ASARCO in Mexico was how its executives transformed the wreckage of the revolution, especially the fierce civil wars between 1913 and 1920, to the company’s enormous advantage. With its huge financial
resources ASARCO went on a buying spree of Mexican mines and smelters. In 1910, Asarco acquired the National Metallurgical Company (Matehuala, Cobriza) and through that company the Tiro General Mine (SLP) and the Potosi Central Railroad. Between 1910 and 1912, it obtained a number of properties in the Pachuca region of the state of Hidalgo. In 1913 the company bought the famed Velardeña mine for $350,000. From 1915 to 1920 it purchased nearly all the productive mines in Veta Grande. In 1917 it acquired the Compañía de las Minas de Cobre de Magistral. From 1917 to 1920 it expanded its mine holding in Hidalgo de Parral, Chihuahua, one of the country’s oldest and most productive mining centers.67

From 1919 to 1922 Asarco and the other major smelters scrambled to acquire mines. They formed or expanded their exploration departments and bought new properties, concentrating mainly on those near railroads or population centers.68

The pace of acquisitions picked up after President Alvaro Obregón established a semblance of peace in 1920 after he overthrew Venustiano Carranza (1917-1920). ASARCO bought the Mexican Northern Mining and Railway Company (Parral Consolidated, Alvarado Mining and Milling in Parral, Parral and Durango Railroad Co.) and the Towne Mines, Inc. (Compania Metallurgica Mexicana, Montezuma Lead Co., Somberete Mining Co., Mexican Lead Co.), Las Plomasas, La Alfareña (Santa Bárbara, Chihuahua), Los Lamentos (northeast Chihuahua), and La Taviche (Oaxaca) in 1923 for at least $US 3.1 million.69

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69 Manahan, “A History.”
ASARCO’s ambition was enormous. The company began development in the Sierra Mojada region of Coahuila, making sixty-seven claims in 1921.70 It also bought distressed properties in other districts in the state.71 The company spent large sums in Rosita to develop coal mines.72 In 1924 ASARCO took over the Veta Grande and turned Villa Escobedo, “A crumbled mass of adobe huts…abandoned….” into a burgeoning camp with 1,500 employees.73 It built new plants in Parral, Santa Eulalia, investing millions.74 The investment continued apace through 1929.75 The company expanded further during the 1930s, despite the depression, acquiring major holdings in Cuarto Cienegas, Coahuila, Santa Barbara, Chihuahua, and Catorce, SLP.

Labor Relations

The end of the Díaz regime allowed workers considerably more leeway in attempting to obtain higher wages and working conditions. The first labor agitations occurred with a one day protest in mid-1907.76 Strikes hit ASARCO at Velardeña in 1911, where miners sought higher wages.77 Strikes spread throughout Chihuahua.78

70 Engineering and Mining Journal 111 (June 4, 1921): 963 and (June 11, 1921): 1003.
71 Engineering and Mining Journal 112 (August 27, 1921): 353.
72 Engineering and Mining Journal 113 (May 20, 1922): 887.
77 Engineering and Mining Journal 91 (June 17, 1911): 1229.
78 Engineering and Mining Journal 92 (July 29, 1911) 227.
With the great civil war ended, ASARCO confronted a new set of challenges in the form of labor unions, which became increasingly militant during the 1920s, seeking better wages and working conditions. In July 1920 the corporation endured its first post-revolutionary strike at its smelters in Aguascalientes, Matehuala, and Velardena. In response Asarco raised wages. Unskilled labor received a 40 percent increase, while others got 25 percent.79 The company, though it steadfastly refused to recognize the union, faced increased pressure from the government to extend recognition.80 In September 2000 workers at Tecolotes in Santa Barbara struck. It ended the next month with a raise of 25 centavos for unskilled workers.81 The year of labor unrest ended in October when a coal miners strike closed all the ASARCO smelters.82

The downturn in metal prices in 1921 caused ASARCO to reduce its labor force, discontinue work at its mines, and ultimately close its smelters.83 In the spring of 1923 Asarco instituted a profit sharing program with the employees of its Avalos smelter in Chihuahua, as a result of the state's radical labor law. It was an effort, too, to prevent the constant strikes that had occurred.84 Nonetheless, workers struck at the Chihuahua smelter in 1923, demanding higher wages and restoration of four workers the company had fired for organizing activities. The situation was tense enough for the government to send 200 soldiers to protect the smelter. The company settled the strike after a few days

83 Enriquez to Obregón, February 28, 1921, AGN-OC, 407-A-6; Howard Burks, Vice-Superintendent, American Smelters’ Securities Corporation, to Secretaría de Industria, Comercio y Trabajo, June 29, ANG, Trabajo 311/16; Engineering and Mining Journal 111 (March 26, 1921): 562; (January 15, 1921): 116; Luis Gutiérrez, Governor of Coahuila, to President, October 25, 1921, AGN-OC, 422- F1-C11
84 Engineering and Mining Journal 115 (April 21, 1923): 728.
on September 30. The average pay for the workers was 2.50 pesos per day. The minimum wages was 1.25 pesos with a 0.25 premium for working six days.

There was relative labor peace through 1930. The great depression and its accompanying drop in the prices of mineral ore, caused widespread layoffs. The Santa Eulalia and Santo Domingo units were the first to request permission from the local labor board (Junta de Conciliación y Arbitraje) to reduce the work week to three days. Eventually, after some heated negotiations, the company reduced the work week. No one was to toil on Thursdays. Two years later, ASARCO petitioned again to close Santa Eulalia with its 800 employees.

In San Luis Potosí at Matehuala, ASARCO followed a labor strategy very much adapted to local conditions. The company paid its workers at the same rate as in 1910: one peso a day for unskilled surface workers, 1.50-2.00 pesos for ordinary face workers, and 2.00-7.00 pesos for skilled workers, depending on their trade. The company did not fear strikes or unrest, because there were many unemployed workers in the region and because the company subsidized corn prices, selling to its workers at 35 to 70 percent discounts.

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85 El Paso Times, September 28, 1923, 8 and October 1, 1923, 10; Mitchell to Secretary of State, September 19, 1923, American Consul Chihuahua City, Confidential, 1922-28, USNARG 84.
86 Mitchell to Secretary of State, September 19, 1923, USNARG 84, Confidential, 1922-1928.
87 Engineering and Mining Journal 121 (January 9, 1926): 61.
89 El Correo de Chihuahua, June 12, 1930, 1,4.
In 1934 the company filed suit in federal court to prevent enforcement of a higher minimum wage in Chihuahua, the first such suit ever brought in Mexico.92

In July 1934 the Sindicato de Obreros y Empleados de la Región Carbonifera, struck ASARCO’s Carboniferas de Sabinas, where the ages were the highest in the country. The workers returned after two weeks.93

With the advent of the administration of Lazaro Cardenas in 1934, pressure on the company increased. Although the unions and company agreed to a pact in 1934 that set the wage scale at comparatively high rates and provided free housing and health and recreational facilities not found in Mexican-owned industry, 1935 was a tumultuous year.94 In January, 1935 there was a five hour strike at the Avalos smelter, when 2000 workers protested the company’s refusal to raise the minimum wage from 1.5 to 3.0 pesos per day; the company compromised at 2.75.95 In August there was another walk-out of 1,200 miners in Santa Eulalia, Santa Bárbara, and Parral, led by the Sindicato Industrial del Trabajadores, Mineros, Metlúrgicos y Similares.96 Strikers demands included a 20 percent wage increase, payment for the duration of the strike, and firing of the personnel manager.97 ASARCO granted wage increases to underground workers

92 Engineering and Mining Journal, 135 (February, 1934): 83-84.
93 Harold G. Wood, American Vice-consul Piedras Negras, to Secretary of State, July 12, 17, 25, 1934, 812.5045/174, 175, 178 and Samuel Sorobkin, Saltillo, to Secretary of State, July 19, 1934, 812.5045/177, USNARG 59.
94 Lee R. Blohm, U.S. Consul, Chihuahua City, to Secretary of State, August 12, 1935, 812.5041/95, USNARG 59.
97 Lee R. Blohm, to Secretary of State, September 20, 1935, and October 9, 1935, 812.5045/241 and 245.
at Parral and Santa Bárbara from 0.75 to 3.10-3.60 pesos per day.\textsuperscript{98} At Avalos ASARCO settled a month-long strike in December by paying the workers 80 percent of their pay for the strike period.\textsuperscript{99} In 1936 ASARCO suffered a series of setbacks. Cardenas ordered the company to build model homes for miners in Parral. The Mexican Supreme Court upheld the ruling of the Minister of Education that the company construct schools at its Santa Bárbara facility.\textsuperscript{100}

In 1936 two thousand employees struck the ASARCO smelter in San Luis Potosí. Again the company compensated the workers for their time during the strike, this time at 70 percent of their wages. It also raised the minimum wage between 3 and 10 percent.\textsuperscript{101}

The metallurgical workers union in 1937 walked off work for an hour on each shift at each smelter to demonstrate for their demand for a standardized collective national contract.\textsuperscript{102} The same year ASARCO ended labor conflict at Aquiles Serdán by raising the minimum wage to 3.60 and 4.00 pesos for surface and underground miners and by donating 5,000 pesos to build a recreational hall.\textsuperscript{103}

In February, 1938 workers at the Monterrey smelter struck over the discharge of 266 of 450 employees.\textsuperscript{104} A similar action occurred when the company laid off sixty at the Chihuahua smelter.\textsuperscript{105} The union and ASARCO were at odds over wages and conditions and the company fired 60 troublemakers. The union ordered the workers back

\textsuperscript{98} Engineering and Mining Journal 136 (October, 1936): 525.
\textsuperscript{99} Engineering and Mining Journal 136 (December, 1935): 626-627.
\textsuperscript{100} Engineering and Mining Journal 136 (December, 1936): 627.
\textsuperscript{101} Montgomery, San Luis Potosí, Secretary of State, December 27, 1936, 812.5045/362, and Montgomery to Secretary of State, December 27, 1946, 812.5045/362, USNARG 59; “Resume of Conditions in Mexico,” November, 1936, 812.00/30424, USNARG 59.
\textsuperscript{102} “Resume of Conditions in Mexico,” November 1937, 812.00/30520, USNARG 59.
\textsuperscript{103} Engineering and Mining Journal 138 (March, 1937): 155.
\textsuperscript{104} Resume of Conditions in Mexico,” October, 1938, 812.00/30648, USNARG 59.
\textsuperscript{105} Resume of Conditions in Mexico,” March, 1938, 812.00/30559, USNARG 59; El Paso Times, March 20, 1938, 1. 1700 went on strike.
to work. ASARCO suspended operations. Coal miners went out on strike at
ASARCO’s Santa Rosita facility in late August, 1938, with 5,000 members of the
Sindicato de Trabajadores Mineras, Metalúrgicos y Sindicatos involved. In October
ASARCO workers went out at Real del Monte. Late in the year workers at ASARCO’s
Monterrey smelter struck for six weeks.

In early 1939 the national union demanded a payment of 750,000 pesos for
workers at Aquiles Serdán, because the company had violated the collective contract.
At the Chihuahua smelter a strike ended in March, 1939 after nearly a year. Workers had
walked off their jobs to protest the layoffs of 450 employees. Workers got a raise, but the
company won more control over the number of workers. There was a brief strike at
Avalos and other facilities later in the month.

At the beginning of 1940 the national union demanded revisions to the contract,
most especially higher wages, at Avalos, Santa Bárbara, Parral, San Luis Potosí, and
Coahuila. According to the U.S. intelligence reports, by 1941 labor was very strongly
organized and difficult to negotiate with under any circumstances.

By 1937 ASARCO employed 19,000 people in Mexico with an annual payroll of
forty million pesos. The cumulative effect of union actions was quite evident for the cost
per person which had been 3 pesos in 1931 had risen to 5.65 pesos in 1937.\textsuperscript{115} Thus, during the depths of the economic depression, ASARCO’s workers’ wages rose by 88 percent. This indicates that the miners’ unions were very strong, that ASARCO was profitable and able to afford the increases in labor costs, and that ASARCO did not exploit its workers during this period.

Average Wage Cost at ASARCO, 1931-1937\textsuperscript{116}

<table>
<thead>
<tr>
<th>Year</th>
<th>Wage Cost</th>
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<tbody>
<tr>
<td>1931</td>
<td>3.00</td>
</tr>
<tr>
<td>1932</td>
<td>.....</td>
</tr>
<tr>
<td>1934</td>
<td>3.35</td>
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<tr>
<td>1935</td>
<td>3.87</td>
</tr>
<tr>
<td>1936</td>
<td>4.87</td>
</tr>
<tr>
<td>1937</td>
<td>5.65</td>
</tr>
</tbody>
</table>

Profitability

\textsuperscript{115} R. C. Tanis to Dugan, March 2, 1938, 812.504/1712, USNARG 59.
\textsuperscript{116} James B. Steward, American Consul-General, to Secretary of State, February 21, 1938, 812.504/1713, USNARG 59.
ASARCO was probably the most successful foreign enterprise in Mexico during the period from 1900 to 1940. With the exceptions of 1908, 1909, 1910, 1914, and 1921 the company netted more than one million dollars in profits each year. From 1907 to 1924, the years for which we have reasonable statistics (from the Annual Reports), the company’s net profits totaled more than $US 35 million. Compared with other mining operations this was an enviable record. However, when we evaluate these profits in relation to capital investment, we see that ASARCO had to invest enormous amounts to make these profits. In two instances, 1902 with $US 25 million in new mines, and 1924 with $US 10 million in new construction, ASARCO invested amounts equal to its profits for the time. As we well know, mining was a high risk enterprise. ASARCO was successful, because it had the capital and willingness to undertake risk.

Estimated Profits ASARCO, 1900-1940

<table>
<thead>
<tr>
<th>Year</th>
<th>Profit</th>
</tr>
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<tbody>
<tr>
<td>1900</td>
<td></td>
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<tr>
<td>1901</td>
<td></td>
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<tr>
<td>1902</td>
<td></td>
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<td>1903</td>
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<td>1904</td>
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<td>1905</td>
<td></td>
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<tr>
<td>Year</td>
<td>Value</td>
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<tr>
<td>------</td>
<td>------------</td>
</tr>
<tr>
<td>1906</td>
<td></td>
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<tr>
<td>1907</td>
<td>$1,250,000 (1.8 million)</td>
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<tr>
<td>1908</td>
<td>500,000</td>
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<tr>
<td>1909</td>
<td>500,000</td>
</tr>
<tr>
<td>1910</td>
<td>700,000</td>
</tr>
<tr>
<td>1911</td>
<td>2,000,186</td>
</tr>
<tr>
<td>1912</td>
<td>3,114,104</td>
</tr>
<tr>
<td>1913</td>
<td>1,185,153</td>
</tr>
<tr>
<td>1914</td>
<td>935,192</td>
</tr>
<tr>
<td>1915</td>
<td>1,984,977</td>
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<tr>
<td>1916</td>
<td>2,725,222</td>
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<tr>
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<td>4,069,242</td>
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<td>1918</td>
<td>2,686,239</td>
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<td>1,816,869</td>
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<tr>
<td>1920</td>
<td>2,242,199</td>
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<tr>
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<td>710,802</td>
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<tr>
<td>1922</td>
<td>2,458,695</td>
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<td>1923</td>
<td>3,465,579</td>
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<tr>
<td>1924</td>
<td>3,081,425</td>
</tr>
<tr>
<td>1925</td>
<td>Not broken out.</td>
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</tbody>
</table>
Conclusion

The American Smelting and Refining Company was unusual in Mexican business history, because it had all of the components for success, such as sufficient capital to purchase necessary equipment and pay for daily operations, competent management, a steady market for minerals or agricultural commodities, accessible transportation, a reliable workforce, and the maintenance of good working relations with local, state, and
national authorities, and it consistently earned substantial profits. Even more impressive was the company’s vast expansion through the Diaz era, revolution, and post-revolution. Its executives, led by the Guggenheim family, strategically used its enormous available capital to overcome the innumerable obstacles to conducting business in Mexico’s difficult economic environment. The company used its capital to purchase government cooperation, employ the latest technologies, hire the best people, assure transportation, obtain scarce supplies and equipment, and pay off union officials and employees, and to ride out market downturns. The Guggenheims had enough money, courage and persistence and ambition to succeed where few others did.