

Enrique Cárdenas Sánchez

MANUEL ESPINOSA
YGLESIAS

An Essay on his Intellectual Life History





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Don Manuel
Espinosa Yglesias
(1909-2000)

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YGLESIAS

*An Essay on his Intellectual
Life History*



Translated by
Christopher Follett



CENTRO DE ESTUDIOS ESPINOSA YGLESIAS

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Manuel Espinosa Yglesias:
An Essay on his Intellectual Life History

Introduction

The Centro de Estudios Espinosa Yglesias is devoted to research into and discussion of matters of overriding national importance. Its mission is to generate ideas to enrich both informed debate and the decision-making process on subjects of outstanding significance for Mexico's socioeconomic, educational, legal and political life, with the aim of training specialists, informing and influencing public opinion, and enabling the public authorities to take better decisions in favor of Mexicans. This mission is inspired by the life and thought of Manuel Espinosa Yglesias which, despite the passing years, retains its validity and considerable relevance to the present times. Throughout his life Don Manuel took an active part in the debates on matters of great concern for his country, from both a business and a philanthropic point of view. Manuel Espinosa Yglesias was incontestably one of the most outstanding Mexican businessmen of the twentieth century. From the 1930s onwards he was engaged in building up the country's most important film-exhibition company and also took part in the production of hundreds of films, some of which attained world-wide fame in their time and continue to be

shown today. In the mid fifties he joined the financial sector, creating a bank of national coverage, which was soon to become the biggest in Mexico and the most important in Latin America. In the process he also became one of the country's most important philanthropists, involving himself in promotion of the arts and the search for the country's roots, in education and health. That position opened up for him a privileged access to the political and economic elite of his time, as well as considerable social esteem. Throughout the years he offered diagnoses and perspectives on matters of concern to business, employment, the accumulation of capital and economic growth. He also made known his opinions on certain key sectors of the economy, on education, philanthropy, the rule of law and politics. Although the nationalization of the banks in 1982 despoiled him of his business interests, his voice continued to be listened to with attention until his death on June 9th, 2000.

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This essay is the first specific output of the Centro de Estudios Espinosa Yglesias. Its aim is to explore the evolution of Manuel Espinosa Yglesias' thought so as to provide an ideological basis and support for this institution and a guide for its development. A better knowledge of Don Manuel's intellectual life will enable the Center to discover its roots, give it strength to grow and an orientation to help it steer its course towards the desired horizons. The continuing relevance of Don Manuel's thinking makes it a potential source of vigor and validity for the day-to-day activities of this new institution.

To establish a research center bearing the name of an individual implies a relation between the person and the institution. To fail to promote awareness of that person's ideology would be an unpardonable omission, since it would leave empty of meaning the relation between the institute and the man whose name it bears, his importance, his contribution to the development of the country. In this case the relationship certainly exists since the institution owes its very origin to Don Manuel: it was his own daughter, Amparo, and his grandchildren Amparo, Julio and Manuel Serrano Espinosa who made the decision to set it up, baptize it in his name and thus to contribute to the development of his ideas and wishes from an individual perspective. Likewise the Center's financing comes out of the re-

sources of the Espinosa Rugarcía Foundation, or ‘Fundación ESRU’, which in turn is financed out of the legacy which Don Manuel left for philanthropic purposes.

8 This essay presents a sketch of the intellectual life of Manuel Espinosa Yglesias. As is naturally the case, Don Manuel’s thinking evolved throughout his life, and was determined by his own personal and family circumstances, as well as his development as a businessman. In order to understand the genesis of his ideas will first be necessary to scrutinize the origin and nature of certain features of his personality and the way in which his character was formed. In the nature of things, this exploration will be partial and may seem little more than a succession of anecdotes, but it will help to shed some light on his essential nature as well as his particular beliefs and attitudes. But this is not a psychological essay, nor does it intend to pry into his personal or family life. Only some of the values dealt with here are of that nature and for the most part have to do, rather, with public life. This essay addresses, therefore, Manuel Espinosa’s thinking as a businessman, as a banker, and as a public figure with a statesman’s vision, one who observed his country and the world with wisdom, moral authority and a clear vision.

The first section of the essay considers the origins of his values and character. On the basis of certain episodes of his life, speeches, interviews and conversations with the press carefully conserved by his daughter Amparo through the course of many years, those principal ideas, and the way in which they evolved, become clearly visible. It is likewise enough to give a superficial review of his life in business—which was extremely long and productive despite being cut short prematurely and against his will by the nationalization of the banks—in order to become aware of the evolution of his economic, political and social thought.

The second section of the essay presents the beginning of Don Manuel’s business career. It began at the age of twenty on the death of his father, who left him a small but respectable business in the film industry, then in its infancy. He worked for almost thirty years in cinema. He had a thorough knowledge of it, innovated, learnt how to handle business from the bottom up and in day-to-day management, and ended up representing the industry in various forums.

He achieved all this out of his own effort, dedication, intelligence, and with the support of certain other persons, especially that of Guillermo Jenkins, who gave him other experiences to draw on and introduced him to new ideas. Don Manuel's astuteness, audacity and ambition to grow enabled him to advance from the administration of a small business to development of an enormous corporation. He made his fortune in the film business and became its most outstanding protagonist. 9

His eyes set on the future, he began a new activity in banking and climbed to another platform, one that permitted him to advance from a local or regional perspective to a national and even international vision. He progressed from a business circumscribed to a particular industry, fascinating as it was and in vertiginous ascent during its early years, to a branch of the economy with national impact and multiplying effects on all the other sectors. His importance as head of the Banco de Comercio, one of the country's biggest banks, brought him into visibility as a public figure, although of course he was already well-known for his work in the film industry. This step, which is explored in the third section of this essay, meant for Don Manuel a qualitative advance which gave him access to other spheres of life not merely economic but also political. He became one of the most prominent representatives of private initiative. When speaking, he did not do so generally on his own behalf, but in representation—whether formally or informally, but nonetheless real—of the private sector. This experience opened up for him a horizon and perspectives that would soon lead him further, to a position of even greater influence with both national and international presence.

And so the businessman became a statesman without portfolio yet wielding public power. And as such he participated in various national debates on matters of great importance for the Mexican economy. The moment was propitious; those were times of key importance when, on a number of occasions, decisions were made regarding the direction the country was to take. There was discussion of the promotional role of the state, opening up to foreign investment and credit, fiscal discipline and the struggle against inflation. Populist rhetoric was fertile soil for discussion of economics and the opposing of different ideas, although in a rather closed po-

litical ambience. On the other hand, the 1970s was a period of rapid growth for Bancomer, and its different sections were fused, making it a modern full-service bank. The Centro Bancomer was built and the horizon looked very promising. There were efforts to conquer new markets and incursion were made into other countries, with the result that Bancomer became the most important bank in the Spanish-speaking world.

10 However, at the very pinnacle of success, once again the threat that had come upon him years before—when the government had taken over the film industry, freezing prices and favoring the state monopoly in the production and distribution of films—raised its head. That business had become less attractive, and gradually with the passing of the years Don Manuel had abandoned it, transferring his interests to the banking sector and eventually becoming the owner of Bancomer, or its majority shareholder. This was due in part to the fact that the other main shareholders threatened the government with abandoning the bank and, as we shall see below, ended up doing so. The authorities, refusing to be intimidated, supported Don Manuel in his consolidation as general director and majority shareholder. His daughter Amparo believes, at least as a hypothesis, that the same logic led to his finally losing the bank. But who would have imagined in the early 1950s that 27 years later those same arguments would be used against him? Who would have thought that ‘now indeed’ the Government would feel ‘cornered’ and that Don Manuel, together with the other bankers, would be separated from his business and ‘sent off field’ in this way? The nationalization took him by surprise. Nevertheless, it was with his own very particular serenity that he took the blow.

Shortly after that, in the philanthropic area, he received a further setback with respect to the Universidad de las Américas. He was determined not to yield; for years he tried to recover something of what had been his, but now, inexplicably, he could not obtain it. He attempted to reacquire some of the businesses that had belonged to the bank at the moment of nationalization: the government refused to let him do so; and when he tried to return to Bancomer (or to acquire some other bank) during the reprivatization process, the result was the same. His only success was in regaining control of the Uni-

versidad de las Américas, which from that moment on enjoyed his determined supported. He invested a substantial part of his energy in the UDLA and in the establishment of the Museo Amparo and other charitable works, spearheaded by the Jenkins and Amparo foundations.

The nationalization of the banks did not modify his vision of business and the economy. Rather, as is emphasized in the fourth section of this essay, one consequence of his expulsion from the world of banking was that he obtained complete freedom to express himself as and wherever he wished. No longer an official representative of organizations such as Bancomer or the Bankers' Association, Don Manuel saw his liberty increased, and felt free to level severe criticism at the government on account of the nationalization and other matters. Later on, the presidential elections of 1988 brought to light the fragility of the political system, its vices and shortcomings, which he also analyzed very critically. Finally, once again, the process of reprivatizing the banks demonstrated many of the problems of the system and the enormous consequences of this for individuals, organizations and society in general. Then, Manuel Espinosa Yglesias made fully explicit his vision of the Mexican state, its political system and the characteristics that define it. It is not clearly understood what Don Manuel thought about the Mexican state before privatization. What is clear is that at that time he stressed the importance of democracy, of adequate laws and the belief that the law must apply to all, including the highest authorities. He insisted on the importance of the division of powers and the existence of adequate mechanisms permitting any one of the branches of government to control the abuses of the other two. II

With the passing of the years he dealt with many other matters from his business perspective. He spoke (and did) much in the field of education (especially higher education), in those of health (with the building and financing of the Clínica Monte Fénix), tourism and culture (excavation of the Templo Mayor and the construction and upkeep of the Museo Amparo), among other things. Intellectually, he was a liberal, a man ahead of his times as regards his outlook on the world and the role of women in society, on the importance of the democratization of the corporate ownership and the rights of

bank customers. This liberalism found expression also in his view of the economy, but never manifested itself in fanatical or doctrinaire attitudes. He believed in the market as the prime instrument for allocation of resources, and yet felt the intervention of the state to be justified in special cases. For example, he accepted the use of economic policy to direct efforts towards the most socially beneficial activities, especially those which would generate most employment. Even subsidies were acceptable in exceptional circumstances. Nonetheless, in the end he believed that each of society's actors had its role to play; there should be respect and commitment, hard work and responsibility, obedience to the law and equilibrium of powers in order to avoid abuses on the part of the authorities.

12 The concluding part of this essay considers the 'agenda of pending matters and proposals' which Manuel Espinosa bequeathed to all Mexicans. This is something that reveals itself to be of utmost interest and deserves emphasizing: at the end of his life and without explicitly designating his agenda as such, Don Manuel selected a number of matters that in his opinion were the most important and left them as a legacy of tasks to be performed. The first research agenda at the Center was nourished to a considerable extent by this 'last will and testament'.

This evaluation of his thought enables a foundation to be consolidated on which to create the Centro de Estudios Espinosa Yglesias (CEEY). This new institution structures and establishes its ideological framework and its research agenda inspired by Don Manuel's life and thought, with the further enrichment of the ideas and perspectives of the patrons of the Fundación Espinosa Rugarcía, who have been responsible for setting it up. For while Don Manuel did not make any specific decision to establish a center for study and research such as this, his daughter Amparo and his grandchildren Amparo, Julio and Manuel Serrano Espinosa did make such a decision. Heirs to his social conscience and to his deeply-held interest in Mexico, the patrons of the foundation have chosen this way to follow in his footsteps and likewise to preserve his memory and his enormous contribution to the Mexico of the twentieth century.

Finally, I must point out that the writing of this essay would not have been possible without the tremendous task represented by the

collection, organization and care of information from periodicals, other documents and personal interviews in which Dr. Amparo Espinosa Rugarcía has been engaged over many years. That wealth of information formed the basis for this essay. At the same time, the friendship and support which Amparo has offered me have always been a fundamental stimulus for the carrying out of this work, and I am deeply grateful to her. 13



*My father—may a son's pride be forgiven—
was an extraordinary man. Throughout my
life I have sought to imitate him and keep his
memory fresh; he has always been an example
and an inspiration.*¹

I. The source of his character and features of his personality

The values each person professes are fundamental for his day-to-day development since they set the guidelines for his behavior. It is not only a matter of moral values, but of beliefs, attitudes, ways of being, outlook on life and regarding an individual's place in this world. Seen thus, the totality of values and the character of a person constitute the basis for understanding his ideology and permit us to enter into his way of thinking in practice. A person exercises or lives his values not abstractly but concretely, and this is what marks the features of his personality. In general, an individual adapts his particular concept of a value to his personal life, and this is how he lives it. In other words, everybody 'defines' or possesses his own conception of his value, even 'adapting' it according to the circumstances he observes or that it is his fortune to live through. In some way, the totality of these values defined or altered by the individual are reflected in the features of his personality. Normally, these features and the forging of the character are acquired in the milieu in which

1 Manuel Espinosa Yglesias, 'Mi colaboración al pensamiento de México', in Carlos Véjar Laclave and Amparo Espinosa Rugarcía (eds.), *El pensamiento contemporáneo en México*, Mexico, Porrúa, 1974, p. 152.

one spends one's first years and undergoes one's first experiences.

Manuel Espinosa Yglesias was no exception: his basic values were acquired from his parents in the first instance, and even from his grandparents. Dr. Ernesto Espinosa Bravo died when Manuel was only twenty, yet the boy was deeply influenced by him; he had considerable respect for him, always saw him as an example and an inspiration, and tried to bring him to mind as much as possible.² His mother was also a model for him, above all in her austerity and simple way of living. Although she was born to a very wealthy family, Doña Guadalupe Yglesias had undergone a degree of penury after her brothers dilapidated the family inheritance; this experience bred in her the habit of looking after everything she had, from the food in the larder kept under lock and key to her canny sense of precaution in withdrawing from the bank the deposits she had in gold pesos just before these were demonetized in July 1931, thus avoiding what would have been an enormous reduction in the family fortune.³ Don Manuel, as was recognized by many in his lifetime, lived in an austere manner as regards personal matters. He always limited himself to a single house and traveled in a single car, although he had several others reserved for service. Only out of medical necessity, when he was 87 years old, did he buy a house in Cuernavaca where he spent most of the week, and an apartment in New York. His parents nourished him with the sense of honesty and justice, of the ethics of individual work and a realistic attitude towards life. From them he learned the importance of saving and forethought as well as perseverance in the attainment of one's aims.

Manuel Espinosa Yglesias' father, Dr. Ernesto Espinosa Bravo, had a sense of honesty that went much beyond what is implied by observance of the law. On the subject of a long-term loan taken out before the Revolution and which

2 Ibid.

3 It was surely her previous experience that gave Don Manuel's mother a presentiment of the danger of the collapse of the banks that loomed during the Great Depression. She therefore withdrew her deposits and hid the coins in the valences of the curtains in her house. She thus prevented a considerable loss of value in the family savings, since the banks only paid 30 per cent of the face value of deposits in gold after the demonetization (*ibid.*, p. 151 and Roberto Vallarino, 'Don Manuel Espinosa Yglesias. Biografía', Mexico, 1992, pp. 10-11 y 22-23).

represented a burden upon his estate, Don Manuel asked his father why he had paid it in gold and not in the banknotes issued by the revolutionary government which had a much lower real value.⁴ His father replied: 'that would have been a way of defrauding my creditors, I always pay my debts in the same coin in which I contract them'. In view of his son's insistence that he could have paid legally with those banknotes and afterwards, when his own situation had recovered, have made up the difference in gold as a moral debt and without pressure, Dr. Ernesto Espinosa replied: 'A good payer is not interested in securities. If I were to die and you, my heirs, failed to pay, it would be unfair that you were to be better off at the expense of my creditors'.⁵ Something similar happened when

16 the Variedades theater, which was owned by the Espinosa family but was rented out to a certain Mr. Jennings, was set on fire as a consequence of the political opposition that Dr. Espinosa represented for the governor José Sánchez. Both Don Manuel's father and public opinion in Puebla agreed in understanding that this was an act of intimidation against Don Ernesto's political activities. But in spite of the fact that his lawyer suggested that it was legally possible to make the building's tenant pay for its rebuilding and the heavy costs involved, Dr. Espinosa preferred to pay them himself. It did not seem correct to him, even though legal, to make the lessee pay since the fire was a consequence of his political convictions that set him in conflict with the state governor. This sense of honesty towards others, beyond what was legally binding, had a strong impact on Don Manuel.⁶

The defense of his own convictions was also a value that his father inculcated in Don Manuel. For Dr. Espinosa, maintaining convictions was a very costly matter, since the fire almost meant bankruptcy for him. Only his integrity and determination to assume risks enabled

4 The Revolution led to the hoarding of gold and silver coins and their substitution in circulation by banknotes issued by the provisional governments. After the conflict, these banknotes lost their value, although in principle they could still legally be used. See Enrique Cárdenas Sánchez and Carlos Manns, 'Inflación y estabilización monetaria en México durante la Revolución', in *El Trimestre Económico* 56, no. 221, Mexico, 1989.

5 Manuel Espinosa Yglesias, 'Mi colaboración...', *op. cit.*, p. 153.

6 Roberto Vallarino, *op. cit.*, pp. 6-9.

him to recover from this blow. He also received death threats and even underwent a kidnapping—although this was for strictly economic motives—but he refused to be cowed. The death threats were serious since in those times the inspector of police, one Camarillo, was known to have murdered several local deputies. It was he who threatened Manuel Espinosa Yglesias' father. Fortunately President Álvaro Obregón sent troops to impose order in the state and the threats ceased.⁷ Those of us who knew Don Manuel know that he defended his points of view, even when they went against public opinion or historical stereotypes. For example, he was practically the only businessman of importance who defended the entry of foreign investment in the 1960s, when this was generally opposed by both the government and the business community, though for differing reasons. Another example was the vehement defense he made during the 1970s and 1980s of the preferability of entering into partnerships with foreign investors rather than depending on creditors. He even coined the phrase: 'Better partners than creditors', which was contrary to national policy. He defended this idea for more than forty years, at times when the country was deeply indebted, and always against the general opinion.⁸

Together with his defense of his ideals and convictions, Don Manuel also noticed in his father the insistence on standing up for his rights. As he himself said: 'My father's idea was not let the strong have their way, always to stand up for his rights and be friendly towards the weak'.⁹ And Don Manuel constantly defended his rights and often did so to the risk of his fortune and personal prestige. When he finally obtained the majority shareholding in the Banco de Comercio—after enormous efforts and long years of work—he claimed his right to assume manage-

7 *Ibid.*, cap. 1, p. 6
y Manuel Espinosa Yglesias, 'Mi colaboración...', *op. cit.*, p. 155.

8 See the section 'From businessman to public person with a statesman's vision', below.

9 Manuel Espinosa Yglesias, 'Mi colaboración...', *op. cit.*, p. 155.

ment of the bank, despite the threatening opposition of the remaining directors. Some of them had been among the bank's founders and threatened to resign thus causing a fall in the value of the shares, which would have ruined him personally and possibly broken the bank. He also struggled fiercely when defending the rights

of the Mary Street Jenkins Foundation of which he was chairman, in the face of the onslaught suffered by the Universidad de las Américas in the early 1980s. The struggle he waged on that occasion set his personal prestige at stake and imposed his moral authority in the defense of the rights of the Jenkins Foundation. Perhaps the most eloquent example was his defense of Bancomer against the nationalization of the banks in 1982. As we shall see further on, Don Manuel made several attempts at obtaining legal remedies, lodging appeals at the highest levels in the attempt to avoid the nationalization of Bancomer, although all were fruitless. Likewise, his opposition to the measure apparently won him the even greater enmity of the government, which was to have heavy costs for him later on.¹⁰

- 18 His father also inculcated in Manuel Espinosa Yglesias a love for work and contempt for idleness. Nobody was tolerated at home who was not either studying or working, to the point that he was only eleven or twelve years old when that he had his first job, which consisted in hanging advertisements on the curtain of the Variedades cinema. When Manuel left secondary school ‘out of boredom and disappointment’, as he himself explained, his father put him to work in his leading firm, the Compañía Telefónica del Comercio, which was his first real employment. When Dr. Espinosa sold the company to Telefónica y Telegráfica Mexicana, young Manuel would have found himself without a job had his father not got him a job in the company headquarters in Mexico City when he nineteen years old. He did not stay very long in this firm since he saw it as ‘badly organized’ and so returned to Puebla. Nor did he remain long without work, however, since—still with no studies to his name—Don Ernesto put pressure on him to get some occupation fast. Manuel Espinosa Yglesias then took a job as a granary supervisor at the Veramendi Hacienda. Not long after that, he received a letter from his father telling him that he was gravely ill and that he placed the responsibility for the family businesses in his hands, since he did not

10 For more detailed information on these episodes, see Manuel Espinosa Yglesias, *Bancomer. Logro y destrucción de un ideal*, Mexico City, Planeta, 2000, pp. 37-57 and 167-169; see also Enrique Cárdenas Sánchez, *Don Manuel Espinosa Yglesias. UDLA, una esperanza, una realidad*, Cholula, Puebla, Fundación Universidad de las Américas Puebla, 2000, pp. 52-71.

wish for his elder son, Ernesto, to abandon his studies at law school. Manuel returned to his home in Puebla on December 22, 1929. He took charge of the businesses from January 1, 1930, and his father passed away on March 31 of the same year. From then on he always worked in firms in which he had a property interest.¹¹

Later on, he was strongly influenced by the personality of William O. Jenkins. A chess-playing friend of his father's, United States honorary consul in Puebla, a businessman and controversial figure in his time (and even to the present day), Jenkins was an important person in the business world of the state of Puebla. The young Espinosa received from him much support and learned from him the value of trust, business acumen and the belief that it was preferable to have partners than to have creditors. People who were close to him say that Don Manuel 'trusted nobody'. He did, however, place great importance on making himself worthy of the trust of others, especially his partners, and on more than one occasion showed evidence of the considerable confidence he enjoyed among members of the business community. Apparently, he managed to establish a relationship of mutual trust with 'Don Guillermo', as Mr. Jenkins was known in Puebla. The first business set up between him and his brother Ernesto and William Jenkins was a company for establishing a chain of cinemas, building one in Guadalajara and acquiring another in Toluca. When the Espinosa brothers went to receive an advance on the loan that Jenkins made to the new company, the sum of 300,000 pesos, they were not asked to sign a receipt or any other paper. Seeing their surprise, Jenkins told them: 'If you are capable of pocketing this money, you're no sons of your father'.¹² It is also clear that Don Manuel appreciated the fact that people trusted him when he quoted, in his contribution to *El pensamiento contemporáneo de México*, the text of a letter sent to him by Jenkins 12 years later, in which he laments a disagreement between the two since it 'might lead to a diminishing of the closeness and trust that has always been between us'.¹³ It was doubtless due to this trust that Jenkins desig-

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11 Marcos T. Águila, Martí Soler y Roberto Suárez, 'Trabajo, fortuna y poder. Manuel Espinosa Yglesias, un empresario mexicano del siglo XX', Mexico, 1994, chap. I, pp. 23-24.

12 Ibid., pp. 24-25.

13 Manuel Espinosa Yglesias, 'Mi colaboración...', op. cit., p. 157.

nated Manuel Espinosa Yglesias president of the Mary Street Jenkins Foundation at the moment of his death in 1963. Thus, from the first meeting when Don Manuel was 31 years of age, Jenkins' confidence in him flourished and later on it was rewarded with a similar trust on Don Manuel's part. This mutual trust lasted and survived the many trials that circumstances imposed.

Manuel Espinosa Yglesias believed in trust as a fundamental value in business. For example, when he entered into a joint-venture with the chemical firm Du Pont de Nemours, in which by law 51% of the shares had to be in Mexican hands, the lawyers had drawn up a contract which was so meticulous and complicated that, even after days of negotiations, no agreement could be reached. Don Manuel
20 appealed to the value of trust to reach a deal with the company's international director, Mr. Sam Carpenter III, giving him his word that if any difference arose between them he would not exploit the privilege afforded him by the majority shareholding. After discussing the matter, the two men drew up a contract of barely four pages based on mutual trust, which continued to serve as the basis for their work during more than 25 years. As a consequence of the nationalization of the banks, Du Pont bought up his shares in 1985 and regaled him with a dinner in Washington in recognition of the successful joint enterprise that had been theirs.¹⁴ Likewise, in his posthumous book, he attributed the success of the merger of the affiliated banks in 1977 to form the single institution, Bancomer, to the trust that he had garnered throughout the years: 'If so much was achieved in so little time'—35 shareholders' meeting had been held to approve the merger in less than a week—'it was because of the mutual trust among the members of our banking system; each and every one of us knew at the outset that the changes and procedures that we were proposing had no other end in mind than to make the institution more productive and thus of greater benefit to the shareholders'.¹⁵ Another case worth mentioning in which Don Manuel showed his trust in someone else was that of the present writer, who was at the time interim rector of the Universidad de las Américas. Just a few months after making my acquaintance, he entrusted me

14 Manuel Espinosa Yglesias, *Bancomer...*, op. cit., pp. 60-62.

15 *Ibid.*, pp. 109-110.

for the first time with money of his own in order to pay the institution's expenses in the midst of the serious conflict that broke out in October, 1985: a mere receipt written on a sheet of paper, of no legal value, was drawn up and signed for a value of more than 200 million pesos, which was what the operating costs of the University for two months amounted to.¹⁶

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Manuel Espinosa Yglesias believed in the importance of clearing his economic and moral debts. This was made evident when William Jenkins wished to sell the Refinery at Atencingo because of the increasing intervention by the government in the sugar sector and the agrarian and industrial conflicts.¹⁷ Don Manuel did him the 'favor' of buying the refinery in association with other investors from Puebla, even though the acquisition was a risky operation both economically and politically. He felt the moral 'debt' towards Jenkins on account of all the support and trust he had received from him throughout the years. And Don Manuel did not like to owe favors to anybody; for this reason he offered to buy Atencingo from Jenkins although he lacked the experience required by an enterprise of such complexity and size, on a much larger scale than he was accustomed to.¹⁸ Years later, shortly before Jenkins' death, anxious to leave no ends untied, he concluded his business relations with him. Later on, the staff of the Mary Street Jenkins Foundation used to commemorate each year the death of their founder with a discrete event in the cemetery where his remains are lodged in Puebla. Without being under any obligation to do so, Don Manuel also promoted the publication of a book exonerating Jenkins of any doubts about the circumstances of his kidnapping, which appeared many years after his death.¹⁹

Another interesting case is that of Don Salvador Ugarte, who founded the Banco de Comercio en 1932. Despite being the majority shareholder from 1955 onward, Don Manuel retained Don Salvador as director of the bank for several years. When he finally resigned from the Directorship in 1958, Don Manuel decided to wait a whole further year before oc-

16 Enrique Cárdenas Sánchez, *Don Manuel...*, op. cit., p. 66.

17 Marcos T. Águila, Martí Soler and Roberto Suárez, op. cit., cap. V.

18 *Ibid.*, chap. IV, pp. 4-5.

19 The book in question is by Roberto Ruiz Harrell.

cupying the post, despite the fact that it was his prerogative to do so; he explained this decision referring to what he called a 'purito personal'—which might be understood as a personal sense of propriety.²⁰ We do not know exactly what he was referring to by this 'purito personal', but it may have been out of respect for Don Salvador or because he did not wish to take over the directorship until he had sold the Compañía Operadora de Teatros (COTSA), of which was managing director, since until doing so he would be unable to devote himself fully to the bank and really perform as its director.²¹

22 Don Manuel expected loyalty of his collaborators and demanded it. He could not forgive disloyalty. But at the same time he had a deep gratitude and esteem for those who gave him their loyalty through thick and thin, as was demonstrated by the special treatment given to his closest and longest-serving collaborator, Álvaro Conde. He was the only member of Bancomer's Board of Directors who voluntarily stood down when the bank was nationalized. His daughter Amparo remarked that her father was above all true to his ideals and never betrayed them. He had faith in himself and was sure of achieving what he set out to do. He developed enormously his willpower. He accorded great importance to what he did, to his interests and purposes. He set himself goals and pursued them until he attained them. He knew how he was and what he believed in. He did what he had to in order to fulfill what he regarded as his destiny.²² The origin of Don Manuel's philanthropy goes back to his father and the influence of William Jenkins. As regards his father, he says that he used to do good to everyone as far as he was able. For example, he relates that when the Spanish flu arrived in Puebla he offered his medical skills, although he no longer exercised the profession.²³ William Jenkins had a strong impact on him when he decided to bequeath his entire fortune to a charitable foundation, leaving only a small part for the needs of his family.²⁴ Manuel Espinosa Yglesias practiced philan-

20 The expression is a humorous play on words in reference to the phrase 'prurito personal' (an itch in an intimate part).

21 Manuel Espinosa Yglesias, *Bancomer...*, *op. cit.*, pp. 76-77.

22 Several conversations held with Amparo Espinosa Rugarcía during 2005.

23 Roberto Vallarino, *op. cit.*, p. 3.

24 Manuel Espinosa Yglesias, 'Mi colaboración...', *op. cit.*, pp. 164-166.

thropy with the money that other people entrusted to him and with his own. He served as chairman of the Mary Street Jenkins Foundation from 1963 until 1995; under his leadership the foundation was able to expand the amount of donations it awarded while practically maintaining the real value of its capital.²⁵ For Don Manuel, there was no question that the patrimony of a foundation, even though originally the legacy of an individual donor, ceased on bequeathal to belong to that person or his family, becoming thenceforth a heritage for the benefit of society; in other words, a foundation could in no way be considered an alternative form of inheritance still in some way at the disposal of the founder's personal heirs, but a legacy dedicated exclusively to the aims set by the bequeather, irrespective of who happens to direct the foundation. At the same time it was imperative that the board of trustees should look after the real value of the patrimony in order to avoid its decapitalization with the passing of the years, and so to avoid its eventual disappearance. These were the governing principles with regard to the administration of foundations. 23

25 The capital was greatly reduced by the enforced sale of the movie theaters owned by Constructora e Inmobiliaria, S. A., to the government at a price far below their real value. See Manuel Espinosa Yglesias, 'A la opinión pública' (press communiqué on Mary Street Jenkins Foundation), 1999.

26 Roberto Vallarino, *op. cit.*, final chapter (no page number).

Despite the influence of William Jenkins, Don Manuel had his own very particular ideas about philanthropy. In this respect he regarded it as something positive, but always in second place to the generation of employment. He even went so far as to say that philanthropy ought not to exist in Mexico, since it was more important that available funds be used to create jobs for people. He based his argument on the observation that Mexico suffered a shortage of wealth, of economic resources, and thus it would be better to use capital for the creation of permanent jobs that could bring well-being to more Mexicans.²⁶ Nor did he approve of the fact that Mr. Jenkins had left practically his entire fortune to the foundation and only the indispensable to his descendants for their education and health. Thus, when he announced the establishment of his own foundation in 1977, Don Manuel mentioned that he had consulted his children on the matter, and that they were in agreement. In his lifetime he carried out im-

portant works of social and political interest, such as the excavation of the Templo Mayor in the center of Mexico City, the setting up of a clinic for the treatment of addictions, a museum of pre-Columbian and colonial art in the city of Puebla and several other works. In the end he left a considerable sum of money to carry on these works.

24 For Don Manuel, his sense of justice meant giving to each person his part and not wasting the available resources. His daughter Amparo mentions that her father had a very legalistic attitude, since his regard for the law dominated in everything he did and he tried always to act within its terms;²⁷ on the other hand he did not believe in handing out benefits that were not contemplated by law. In Bancomer he modified policies in order to bring it fully in line with legal provisions and notions of fairness. It was the common practice in the banking world at that time to sack female employees who became pregnant, since otherwise the banks would be liable in law to pay a temporary disability allowance for maternity, which they regarded as not in their interest. Despite the opposition he faced in the bank and even at home, Don Manuel modified the policy since he refused to ‘condemn girls to prostitution, abortion or suicide’, which he considered were the implications of the prevailing policy. Besides, as he used to say, ‘that’s the law’. He also changed Bancomer’s policy of paying very low basic salaries, giving the rest in the form of quarterly ‘productivity’ bonuses. It seemed to him an unfair practice as far as the employees were concerned

27 Amparo Espinosa Rugarcía points out that her father declared every item of property for the purpose of taxation, even those that were held outside the country and could thus have been omitted.

and improper on the bank’s part, since it was a way of ‘lapping’ the money owed to staff (in other words, a form of embezzlement), and also of taking advantage of low basic rates for the purpose of calculating retirement pensions and severance payments. It significantly affected the variance of wage scales since their scant homogeneity favored the discretionary and arbitrary powers of the bosses and contravened the legal principle that the same work should be rewarded with the same payment. Nor did he consider it appropriate that staff should be given their Christmas bonus during a special ceremony, since this made the receipt of what was in fact simply a part of their legal earnings appear like an act of magnanimity on the part of the

directors. He did not feel that people should have to give thanks to the bank and (even less so to him in person) for something that was theirs by right: the employees owed the bank nothing. On the other hand, a worker who was receiving his salary and other benefits in accordance with his employment contract had no cause to make any further claim against the bank: the latter had already fulfilled its part of the bargain, in the same way as the employee had earned his salary.²⁸ 25

Manuel Espinosa Yglesias bought his brothers out of the cinema business at their own request after the family had been the object of a number of threats;²⁹ in the case of his brother Guillermo, who was bought out several years later, the latter signed a letter—which was also signed by their mother as a witness—in which he stated his agreement to the payoff. The fact that Manuel requested his mother's signature on the letter in addition is interesting; it seems to insinuate that he did not wish that at a later date a claim might be lodged against him (as may have happened with his other brothers, who were paid off immediately). He did not like his sense of justice to be put in doubt.³⁰ Finally, the idea that justice consisted in giving to each what was due to him remained with Don Manuel to the end. Thus, in the above-mentioned case of the bank nationalization, when the indemnification bonds were paid to him, he felt that that even this inadequate compensation was not entirely his own, but that he also owed part of it to the minority shareholders who had received no indemnification of their part in the ownership of the bank—not even a minimal one.

Manuel Espinosa Yglesias had a very particular sense of solidarity, which derived from his profession in business. His way of exercising solidarity, as a businessman, was through

28 Roberto Vallarino, *op. cit.*, pp. 101-102; Manuel Espinosa Yglesias, *Bancomer...*, *op. cit.*, pp. 64-68.

29 Following the murder of a competitor in the cinema business in 1941 and a direct threat against Don Manuel, the Espinosa Yglesias family decided to sell their shares to Mr. Jenkins, although Manuel was not in agreement. After rejecting the offer, Mr. Jenkins lent Manuel a sum of money so he could buy out his brothers, who agreed to this deal. Of the brothers, only Guillermo continued in the business beside Manuel for a certain time. See Marcos T. Águila, Martí Soler and Roberto Suárez, *op. cit.*, chapter IV, pp. 7-10.

30 Manuel Espinosa Yglesias, 'Mi colaboración...', *op. cit.*, p. 169.

the creation of jobs so that people should have a decent life (although he also performed acts of charity, which he never commented on, and—according to his daughter Amparo—his sense of solidarity was greater when things were going badly than in the good times). He preferred this to giving to charity, since a job meant a permanent income, while almsgiving was a merely transitory aid. This principle can be seen at work throughout his career in business, the highest aim of which was to create employment as a means to combat poverty and distribute wealth and income, so that people should have what they needed and thus be content.³¹ For this reason economic growth was funda-

31 *Ibid.*, pp. 158-159.

32 Manuel Espinosa Yglesias, *Bancomer...*, op. cit., p. 85.

33 Manuel Espinosa Yglesias, 'Mi colaboración...', op. cit., pp. 158-159.

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mental:

*I have always believed that capital has a social purpose to fulfill, and that this consists, above all, in creating jobs. The fundamental mission of the businessman is precisely this: the creation of possibilities for employment. Amassing a fortune with the sole aim of squandering it on luxuries and pleasures is in my opinion an unpardonable vice and a moral crime, above all in a country like ours, where if there is one thing that is definitely in short supply it is employment.*³²

He then goes on to say:

*In my opinion, anyone who creates jobs is of great assistance in the realization of the human individual, since without basic needs being covered it is difficult for individuals to achieve this. A person who, through his activity, generates income for scores, for hundreds, of people, also facilitates enjoyment of life [...] I am proud to have been an entrepreneur. I am proud that my personal success has meant progress for many of my fellow countrymen.*³³

Even in personal matters, Don Manuel considered that money, material fortune, ought essentially to have the function of creating employment:

Money, although it seems a material thing, is a spiritual concept. A businessman takes pleasure from his enterprises watching them grow, just as if they were children. Money is not worth the effort if there is no vocation for such matters as the success of the business and the generation of employment. Most people think that money is a temptation to bad behavior and excesses; but a good, honest en-

trepreneur has no time to think of such things [...]. If a human being is intent on destroying himself, a little money is enough. After all, you don't need \$100,000 to ruin your liver with alcohol or exhaust your potency with large numbers of women. This is simply money that is not constructive.³⁴

Near to the end of his life, at almost ninety years of age, when the present writer had the opportunity to ask him what had been his principal achievement, he answered without hesitation: 'To have created more than 50,000 productive and permanent jobs'. Nonetheless, his sense of solidarity evolved even more in final years: it was now no longer enough for a businessman to create jobs and pay taxes, now it was necessary also to take an active part in the struggle against marginalization and poverty, providing support for the destitute and for education and health.³⁵

Don Manuel was very Mexican. He liked his country more than any other and always believed that it was duty to love it and build in it, since this was to be the country of his children and grandchildren. He remarked on this in his public presentations to the employees and executive officers of Bancomer, and on any other suitable occasion. Nevertheless, he also recognized its shortcomings and the importance of being aware of the rest of the world so as to be able to take the best of what other countries had to offer for the well-being of one's own. And just as job creation was an obsession and a fundamental objective, a rod with which to measure a businessman's contribution or a politician's significance, it was equally important for him that the effort should be made for Mexico. It was necessary to create jobs in Mexico; he looked askance at unbridled spending abroad. Don Manuel was very Mexican and very nationalist, in the broadest sense of the word. He liked Mexican food generally and that of Puebla in particular and was a lover of Mexican art, architecture and literature. He entrusted the full-body portrait of his wife and his daughter Amparo to Diego Rivera, at a time when the painter was politically out of favor, although internationally recognized as a great artist. But in a deeper sense Manuel Espinosa Yglesias was highly nationalistic, despite what some—who did not sympathize with his belief that Mexico should relate more closely with

34 Roberto Vallarino, *op. cit.*, pp. 81-82.

35 Manuel Espinosa Yglesias, *Bancomer...*, *op. cit.*, p. 225.

the United States, or his advocacy of openness to the entry of foreign investment—may have thought. He believed in the strengthening of economic and political relations with the United States because he considered that it was always better to associate oneself with a rich neighbor than a poor one; he was also in favor of foreign investment on account of its positive impact on the country's economy and the competition to which it would subject Mexican firms, which would thus be forced to improve their performance. In other words, his outlook on the rest of the world was always conditioned by the benefits he expected for Mexico. It was thus, that he was in favor of the North American Free Trade Agreement.³⁶

28 Likewise, Don Manuel entered into a kind of association with people in the United States in order to promote the Universidad de las Américas, with the aim of creating a great university for Mexico and making it the best in Latin America. He thought globally, always seeking the best in the way of technology and other advances in other world organizations, but acting within the national framework and in the interests of Mexico. He compared himself first with his competitors in Mexico, but also had aspirations to excel internationally. He thus established representative offices of Bancomer in Europe, Asia and America, and so acquired relations with important figures at the international level. The best proof of his nationalism was the fact that he kept his inherited wealth in Mexico and established philanthropic foundations for the benefit of this country. It was this belief in himself as a patriot that explains the irritation he mentions in his posthumous book when, on leaving the brief ceremony held to 'pass on' the director's portfolio to his successor as director general of what was now a state enterprise, he saw the enormous Mexican flag that had been hung from the roof of the Centro Bancomer and covered two or three stories:

*I understood that this was a way of symbolizing the 'nationalization' of the banks, but even so it irritated me. When had Bancomer not been a Mexican bank, created by Mexicans with Mexican capital? Or, on the other hand, did not our national ensign belong to all of us, or was it now merely a symbol of government?*³⁷

36 Ibid., pp.

213-217.

37 Ibid., pp.159.

He was indignant at the insinuation that he was in some way not a true Mexican, or had not behaved as such.

But where did Manuel Espinosa Yglesias acquire the character, the way of being that took him so far? What circumstances marked his life and his way of looking at the world? Apparently, his period working in the granary at the Hacienda of Don José de Veramendi, before his twentieth birthday, was of overriding importance. According to his daughter Amparo, her father had to overcome certain physical, biological defects: he was slender, relatively small, his internal organs were inverted and his cranial sutures never closed up. He wanted to show people that he could make it, that he had the strength to come out on top and so, from childhood, he grew accustomed to making a double effort. When his mother visited him at the Veramendi Hacienda and found him very thin and sickly, she persuaded his father to let him go back home to Puebla in order to get well, since 'he wanted to make a man of him, but not at the cost of his life'. Don Manuel said that his mother exaggerated, that it was not really necessary since he was not actually that ill. Clearly his health was poor, but even so he decided to stay on [at the hacienda] and forge ahead as a proof of his determination not to let his health problems stop him. He too, as he himself admits, felt himself to be sick as a result of the fear he had of one of the laborers at the hacienda, who used to annoy him and make fun of him. And so, when he received the letter from his father inviting him to return home, he decided to confront the situation:

That very day I decided to face the laborer who intimidated me. I prepared myself with calm. I have never known how to handle a pistol, but all the same I strapped it on. The worker —a strong, well-built countryman— was working in the patio preparing the yokes for the mules and there, in front of the administrator called Juan Caso, I called him to come into the granary with me. When it was almost time to stop for breakfast, I told him we were going to remain there until we finished the work. He refused and I tried to force him to stay; I took hold of a stick and gave him a blow on the forehead. When he saw me about to draw my pistol he threw himself on the ground and begged me not to kill him. I had overcome him, and simultaneously, I had overcome my fear. I felt much better, much stronger.³⁸

Years later he was to remember that it was precisely that incident that marked the moment at which he began to forge his character. Later on, in the film business, he also had difficulties with the trade union, the producers, with competitors and with the Government.³⁹ These episodes taught him the importance of making a show of bravery, for any demonstration of doubt or fear simply strengthened the opponents.

Thus on many occasions Manuel Espinosa Yglesias showed bravery, even risking his life. This was also something he learnt from his father, who had had to face threats of various kinds: he was kidnapped and held to ransom, intimidated on account of his political ideas and even persecuted. As for Don Manuel, he too, when he took
 30 over the Atencingo refinery with his partners, had to face a mutiny by hundreds of peasant farmers and workers who wanted to lynch the son of the administrator who they accused of having killed seven local people in a hut. On that occasion he went in person to meet the mob, together with one of the partners, Moisés Cosío. After difficult and tense conversations that lasted three hours, on the point of bloodshed (someone even threw a knife at him), they managed to calm the spirits; they were lucky to get out alive.⁴⁰

Another way in which he showed his courage was in his business operations, making decisions that implied a high degree of risk and uncertainty. For instance, when he took over the Compañía Operadora de Teatros (COTSA), which was losing a lot of money, he put his entire fortune at risk;⁴¹ again, at the age of forty-six, he risked half his capital when he assumed the directorship of the Banco de Comercio. On that occasion, the principal members of the bank's board of directors (several of whom were founder members) threatened to offer their resignation if he insisted in maintaining the control and chairmanship that he had assumed on obtaining the majority of the shares; such action was likely to have generated panic among the account-holders and made the shares lose value.⁴² It is worth

39 Ibid., p. 78.

40 Manuel Espinosa Yglesias, 'Mi colaboración...', op. cit., p. 163, Roberto Vallarino, op. cit., pp. 72-73.

41 Manuel Espinosa Yglesias, 'Mi colaboración...', op. cit., p. 160.

42 Ibid. pp. 167-168 and Manuel Espinosa Yglesias, Bancomer..., op. cit., pp. 37-43.

stressing that Don Manuel acknowledged throughout his published writings the courage of his wife at that time, who supported him and urged him not to yield to the pressures of the board members at the Banco de Comercio, who were important figures in the public life of the time.⁴³ Also at that period (the 1950s) he stood up to the film producers and the workers of the film industry trade union before the President of the Republic. In the presence of the head of state he defended his point of view: that his company did not represent a monopoly on film exhibition and even less so was he to blame for the crisis affecting the national film business. He was so convincing that he won the conflict and for a time he was left in peace, although he realized that the future of the industry was rather uncertain and it would be better to get out of it.⁴⁴ Thus Manuel Espinosa Yglesias stated in 1974:

*I am aware that life is an eternal challenge, and that to triumph what counts is not an uninterrupted chain of successes, but rather a positive balance. No one can be infallible, especially if he is playing an active role. The most one can do is learn from mistakes and thus correct one's course.*⁴⁵

Manuel Espinosa Yglesias was audacious in business and in almost all his initiatives. The way in which he gained control of the Banco Cinematográfico, and thus of COTSA, for Jenkins, in 1943, was a result of his intelligence, wisdom and even luck. The case of the takeover bid on the Banco de Comercio was similar: he acquired shares from a minority partner in order thus to become majority shareholder and win control of the company.⁴⁶ In both cases his mental acuity and clearness of vision were evident. Audacity goes hand in hand with courage and readiness to accept risks as an essential ingredient for success. But

43 Roberto Vallarino, *op. cit.*, p. 95.

44 *Ibid.*, pp. 54-56.

45 Manuel Espinosa Yglesias, 'Mi colaboración...', *op. cit.*, p. 170.

46 Don Manuel convinced William Jenkins to acquire the Operadora de Teatros, which controlled most of the country's cinemas, but its shareholders were unwilling to sell. Don Manuel had to gain control of other companies that in turn controlled some minority shareholdings of COTSA in order to achieve his objective. In the case of Bancomer, Don Manuel acquired shares from a minority shareholder, Manuel Senderos, on behalf of Guillermo Jenkins, from whom he later acquired the shares allowing him to control the bank. Manuel Espinosa Yglesias, *Bancomer...*, *op. cit.*, pp. 20-29.

notwithstanding his considerable wisdom, Amparo Espinosa Rugarcía has come to the conclusion that her father perhaps showed a certain naivety on one fundamental issue: the nationalization of the banks. She thinks, as a hypothesis, that the government in 'letting him have' Bancomer, and then taking it away, acted according to the same logic: it supported him when he became majority shareholder in 1955, since 'it could not allow a private group to intimidate it, as the board members of the Banco de Comercio effectively did by threatening to resign simultaneously and thus set off a panic that would have endangered the entire financial sector and the country's economy as a whole'. In fact, the then director general of the Bank of Mexico, Don Rodrigo Gómez, offered sufficient liquidity to cover the eventuality of the public withdrawing their deposits. Similarly, in 1982, the government came to the conclusion that the bankers as a group had excessive power and that they were responsible for the flight of capital from the country. Manuel Espinosa Yglesias was one of the most prominent of the whole group, and the one who displayed most moral authority, a person with strength and leadership. The government perceived the banking community as a potential threat. Amparo believes that it was perhaps this fear that decided the government to nationalize the banks and thus take Bancomer out of her father's hands. She even relates that her mother once prophesied the loss of the bank to her husband. 'They'll take it away from you', she told him. In Amparo's opinion, her father could have been a little ingenuous in thinking that he could continue to expand the bank and thus his own power, without the government doing anything about it. He, on the other hand believed that his own success was also that of Mexico and that the awareness of this success ought to rub off on the government. Unfortunately the opposite was the case, owing to the economic crisis that was affecting the country. The government felt threatened and even 'betrayed' by the bankers and, as had happened years before, it was not prepared to 'permit' that anybody should put the country, or its organs of state, in a difficult situation.⁴⁷

Despite his audacity, Don Manuel was aware of his limitations. According to Amparo Espinosa Rugarcía, her father's recognition of his

47 In fact several different hypotheses exist regarding the reasons why President López Portillo decided to nationalize the banks.

>> Cont. next page.

own limits and shortcomings was balanced by a respect for those he could call on to make up for them. He thus often consulted people with expertise in different fields, even when it came to decorating the house, since he knew he had did not have talent for everything. When he financed films he trusted the capacity and professionalism of the directors to make 'his' films; he did not read the outlines or scripts for filming, nor did he involve himself in the making of the films. He respected those spaces and was thus entitled to demand results.⁴⁷ He thus preferred to correct the directors without getting involved in the contents of the films, and he had the best film-makers of the period: Bustillo Oro, Fernando de Fuentes, Miguel Zacarías, the Rodríguez Tello brothers.⁴⁸ The same was true of the Universidad de las Américas. He set forth some very general guidelines but desisted absolutely from involving himself in the day-to-day operation of the university. He left that to the administration. This attitude was also due to the increasing trust he placed in the University Council and the Rectorship as the years went by. This humility was very important and in some way it helped him in his advance.

Manuel Espinosa Yglesias was pragmatic and realistic. He saw things clearly and acted in consequence in order to obtain results. He knew human nature and thus did not expect too much of people. He insisted on always having his feet on the ground, but this did not prevent him from imagining and projecting the future. On the contrary, he could do this with realism and often came very close to the mark. To achieve what he set out to do he had at his disposal an iron will which enabled him to do one thing and avoid doing another. And this was as true in his personal life as in business.

47 >> Some of these can be found in Carlos Bazdresch Parada, 'La nacionalización bancaria. Argumentos, causas y consecuencias', in Gustavo del Ángel-Mobarak, Carlos Bazdresch Parada and Francisco Suárez Dávila, *Cuando el Estado se hizo banquero. Consecuencias de la nacionalización bancaria en México*, Mexico, Fondo de Cultura Económica, 2005. (Lecturas. El Trimestre Económico.)

48 Marcos T. Águila, Martí Soler and Roberto Suárez, *op. cit.*, chap. V, pp. 18-19.

49 And this brought dividends. The idea was to control distribution so as to finance the production of high-quality Mexican films without losing money. Of the 400 movies he financed, he only lost out on three, and the losses were small. Roberto Vallarino, *op. cit.*, pp. 46-49.

For example, he decided to learn English at forty-three years of age, and achieved it, and French when he was already in his seventies; if he needed to stop eating fatty food he could do so at a stroke, or if he decided to give up smoking, likewise he would do so on the spur of the moment. He believed that willpower was a quality that ‘fortunately can be developed’.⁵⁰ Willpower tends to be accompanied by a strict adherence to routines of life and work, and Don Manuel got up always at the same time, did exercises, breakfasted and had lunch also at the same hour. He was absolutely—or rather, obsessively—punctual. His daughter Amparo says that punctuality for him was effectively a religiously observed rite.

34 As a kind of curious mania, Don Manuel was always putting others ‘to the test’. In an interview he once held with other partners and with William Jenkins, he avoided filling in the latter with the details of the background of the matter to be discussed, just so as to gauge the degree of trust Jenkins placed in him.⁵¹ I myself, as rector of the Universidad de las Américas, was also subjected to this kind of test on several occasions, as when he asked me straight out what my opinion was of one of his closest collaborators. Amparo Espinosa Rugarcía mentions that her father was also continually ‘testing’ her in different circumstances, as if to assure himself that her behavior was what he expected of her. On one occasion he lent her money. When she saw that her father did not ask her to return the money, she asked him why not. Her father replied that he was waiting to see if she was going to repay the debt of her own accord. With very few exceptions, Don Manuel did not believe in deep friendship. As he himself mentioned, his incredulity regarding sincere friendship was probably due to an incident from his childhood:

50 Manuel Espinosa Yglesias, ‘Mi colaboración...’, p. 150.

51 *Ibid.*, p. 56.

I remember that when we were children, my brothers and myself had many friends; so many that we filled an entire row at the Variedades cinema. Every Sunday, our friends enjoyed free admittance to the films shown in my father’s cinema. Then came the fire and the theater was in ruins. Our companions—our faithful friends—explored the rubble, had a few words of condolence to say to us, and then disappeared. A few months after the conflagration we had no more friends. This experience left me with a bitter taste in the mouth and a deep

impression on my memory. It is probably what explains my reticence as regards making friends.⁵²

On the basis of certain episodes in his life, and some of his own testimonies recorded at different moments and in different periods, we have tried to discover how Don Manuel developed his character, his way of being and his attitudes to life. Like everyone else he was nourished by his family experience, especially by the influence of his father. From him he absorbed honesty, love of work and versatility in many interests, as well as his liberal thinking. His mother inculcated in him her frugality and forethought and her sense of order. Likewise his relationship with William Jenkins was of enormous importance for the formation of his ideas and character. In him he saw wisdom, daring and determination to attain his aims, and won his confidence. But—and perhaps this was the most important thing—the experience of life itself taught him many other lessons concerning human nature. He had to overcome physical limitations

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52 *Ibid.*, p. 169.

that at some point represented an obstacle to achieving his goals; he had to overcome fears and struggle against his own circumstances. Thus, for him, the ‘development’ of his willpower was fundamental throughout his youth, and therefore he always believed that it was a quality that could be developed and not necessarily something that was born with the individual. He was convinced that one can modify one’s own personal characteristics in order to triumph and be successful. He worked tirelessly; what he achieved did not fall from the heavens. Of course, it cannot be denied that he started off with a business that his father had set up, but it was a small affair in comparison with what he built up throughout his life, on the basis of hard work, audacity and determination. His personal characteristics developed or inspired during his childhood and youth, joined to the forging of his character, enabled him to reach so far as he did.



*We must get rid of the idea that the best thing in life is to have an unearned income and not to have to work, since the greatest wealth of any country is the work done by its inhabitants.*⁵³

II. From micro-enterprise to a macro-vision of business

Manuel Espinosa Yglesias began work when he was still a child, helping with the advertisements that he used to hand on the curtain of the movie theater owned by his father. He was barely ten years old. He abandoned his education on finishing high school and his father was not at all pleased with him. He sent him to work in Mexico City where he spent a few months and learnt something of work in an international company and something about life in the capital. After a short while there he returned to Puebla and his father sent him off to work again, since he did not want him hanging around idle at home. It was then, when he was about nineteen years old, that he went to work in the Veramendi hacienda—an experience that hardened him in several senses. There he observed how a business was managed, criticized the way it was organized and was on the point of marrying the daughter of the proprietor. He left the hacienda when he received a letter from his father telling him that he was ill and was unlikely to live past Easter time, some six months distant.

53 Manuel Espinosa Yglesias, 'Proyección al futuro del Sistema Banco de Comercio', in *Convención del Sistema Banco de Comercio*, 1957, p. 65.

Don Manuel took charge of the family business before his twenty-first birthday. It consisted of a chain of five cinemas (in the cities of Puebla, Tehuacán, and Oaxaca and the smaller towns of Apizaco and Teziutlán) plus a small film distribution outfit operating in the states of Tlaxcala, Puebla and Oaxaca. It was a respectable, if not exactly large-scale, capital, which enabled the family to live comfortably. At this tender age, family circumstances forced Don Manuel to learn on the march how to run a business, but he always appreciated that it was—for better or for worse—an actual working business that was at stake. First of all he had to face the firm's workers, who felt themselves to be indispensable and regarded the new boss as a greenhorn. On becoming aware that Don Ernesto's former right-hand man, whose name was Jorge Águila, was not managing the business adequately, young Manuel remonstrated with him and demanded explanations. The employee became annoyed and offered his resignation, which Manuel accepted on the spot, to the surprise and consternation of his mother. A similar case was that of another of the principal employees, surnamed Maldonado, who was packed off to manage the cinema in Oaxaca. The lesson he had learnt in the Veramendi hacienda bore fruit immediately.

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The first years were years of apprenticeship and consolidation of the family's capital. First he set about reducing costs and increasing the number of customers attending the cinemas. Right from the start he learnt the difference between fixed and variable costs. He rapidly hired a circus to stage an act in the Variedades cinema so as to make use of times when films were not being shown. He was interested in everything that might lead to an increase in productivity and draw the maximum advantage out of every film rented. He had an innate facility with numbers and kept running accounts all the time in order to see where it was most profitable to show each film and how soon it should be withdrawn from exhibition. In other words, he handled intuitively the concept of opportunity cost since he saw that even when the rental of a film had already been paid, one should also attribute an additional cost to the use of the hall, if another possible use was at hand. To this fine sensitivity the austerity inherited from his mother, and which she imposed on the rest of the family, also contributed.

Cost reduction and an increased patronage of the cinemas, at a time when the economy was growing, enabled the cinema business to go very well. The first years were thus years of direct hands-on learning of the business, looking after details and keeping an eye open to see where the real profitability of the company lay. Imagine his surprise when, on visiting the United States in those first years, he saw that one of the biggest earners for the cinema operators there was not the sale of tickets but that of snacks from the sweets and soft-drinks counter during the intermission. There he noticed that the business lay in the small details, such as the sale of candies inside the cinema at the same prices as those on the street or the importance of the smell of popcorn to awaken demand.⁵⁴ This modified his mental outlook since it served him as an aid to an integral view of business, with all its ins and outs and repercussions in other areas, and at the same time with its infinity of details. In fact, years later he was to apply this lesson in the case of Bancomer. This all-round conception of business led him immediately, as soon as he took over the directorship of the bank, to acquire a finance company, a mortgage company, and an insurance firm in order to integrate them into the bank and take advantage of all these intimately related lines of business, which up to that time had been in other hands and tended, rather, to draw their own advantage from the bank's activities.⁵⁵

It was this same comprehensive outlook on business that led the young Manuel Espinoza—once he felt sure of the exhibition part of the cinematographic industry—to the realization that it could be profitable to engage in the production of films, in alliance with other producers and investors. In economic terms, he had seen the possibility of integrating himself vertically in the film industry in order to exploit more fully his resources, as certain US operators had done in Hollywood. Here also he had an immediate success that with time came to represent a highly profitable activity, especially during the years that constituted the golden age of the Mexican cinema. He also learnt to diversify his activities within the industry, although in this case one activity nourished the other. But the result was the same: his horizon widened from the consideration of an isolated business—a handful

54 Roberto Vallarino, *op. cit.*, pp. 40-42.

55 Manuel Espinoza Yglesias, *Bancomer...*, *op. cit.*, pp. 47-48.

of movie theaters—to an entire vertically integrated industry.⁵⁶

But his main ambition was to make the business grow on firm foundations by means of the reinvestment of profits. Although the family lived comfortably, the profits accumulated first to consolidate what they already possessed and then to make the business grow and thus face up to the competition—hence his conviction that the reinvestment of profits ought to be a common practice. Thus shortly after taking charge of the Variedades cinema he strengthened the company structurally and renovated it. Once the mainstay of the business had been consolidated, and after accumulating sufficient profits, he embarked on the construction of a new cinema, the Coliseo, right beside the Variedades, in order to make his business grow. For the young Manuel, growth on firm foundations meant first consolidating what he had and only then broadening the capacity installed. As it happens, Ernesto and his other brothers considered the new cinema's location to be a serious error. But once again Don Manuel's genius for business, and for glimpsing the hidden potential of each concern, was made apparent. He perceived that having two cinemas side by side could bring advantages: easy communication between the two for the customers and the possibility of seeing four films instead of two for the same price. In other words, once again he saw how difficult it was to convince people to come out of their homes in order to go to the movies, and that the marginal cost of projection was very low in relation to the income implied by having more customers in the theaters.

56 Marcos T. Águila, Martí Soler and Roberto Suárez, *op. cit.*, cap. IV.

57 *Ibid.*, cap. III, pp. 19-21 and Roberto Vallarino, *op. cit.*, pp. 26-27.

Moreover, the cost of having an additional customer in a hall was practically nil, given their enormous size, while the income from the sweet and soft-drink counters and from the additional entries represented important gains. Years later Don Manuel remembered that a visit to Broadway at that time had given him a different vision of the film exhibition business.⁵⁷ The maturing of Manuel Espinosa Yglesias' entrepreneurial mind and vision was thus nourished by his own experience and by what he witnessed in other countries.

With time, the growth of the business became perhaps more

than an ambition, an obsession, for Don Manuel. Barely ten years after taking over the family businesses, he became aware that growth on the basis of a single reinvestment of profits would be too slow, given his standards and aspirations for growth. He needed more capital, and in view of the lack of a financial system capable of providing long-term credit there were only two ways of obtaining it: either seeking a loan from some person with sufficient capital, or seeking partners who would accompany him in the investment. The first option meant requesting funds from a money-lender, and the only one he knew who had sufficient capital and readiness to lend was William Jenkins. But Mr. Jenkins had the reputation of lending money with the aim of getting hold of real estate subject to lien, or any other collateral he demanded as a condition for granting the loan; he was also known to have absolutely no mercy on his debtors. If a debtor failed to comply with the payments on the loan, William Jenkins would enforce the guarantee without the slightest consideration. In this way he had obtained most of the haciendas that had come to make up the Atencingo refinery estate as well as a large number of urban properties he possessed in the city of Puebla, including the very house he lived in.⁵⁸

It is natural—in view of the perspective of losing what he had if he failed to make the agreed payments for any reason—that Manuel Espinosa Yglesias would have preferred to follow the second path: making Jenkins his partner, and on an equal footing. Don Manuel must have thought that asking him for a loan would have put him in the power of his creditor, while if he made him his partner he would never be left with nothing in the event of their concern going badly. And from that moment on he followed this maxim in all his business activities and even came to apply it to the national economy: it is better to have partners than creditors. Many years later, when he found himself at the summit of the banking sector, and until his death, he continued to advocate that the country would be better off looking for partners than for lenders. In other words, he extrapolated this principle from his personal life and patrimony to the national, macroeconomic sphere, and always defended it.

58 Roberto Vallarino, *op. cit.*, pp. 26-27; and Manuel Espinosa Yglesias, *Banco-mer...*, *op. cit.*, p. 17.

But, going back to the 1940s, Jenkins by then also had interests in the film business: he had lent money to Jesús Cienfuegos, the Espinosa Yglesias' main competitor in Puebla, for the purpose of building cinemas in Jalapa, Veracruz y Orizaba; he was also a partner of another young man from Puebla devoted to film exhibition, Gabriel Alarcón, who was only just setting out. Ernesto and Manuel Espinosa Yglesias went to see William Jenkins in the hope of making their business grow, since the reinvestment of profits was now insufficient. They proposed setting up a company, Ultracinemas de México, S. A., with a capital of 50,000 pesos, equal shares. For a young man, thirty-one years old, to propose to go into business with a figure like Jenkins must have left a powerful impression. His fame as a successful businessman, with a style quite different from that prevailing in Puebla at the time, more pragmatic and visionary although also very much subject to question and controversy, even detested by many for his heartlessness, must have aroused the young entrepreneur's curiosity and interest. He had, of course, already known him for years because of a certain degree of friendship that existed between Jenkins and Manuel's father (who had, however, avoided getting involved in business with him on account of his reputation for hardness), nonetheless, Ernesto and Manuel Espinosa had to summon up their courage before going to see him.⁵⁹

Mr. Jenkins agreed to set up the company and also granted a loan of 1,200,000 pesos to the new firm in order to build the Variedades cinema in Guadalajara and acquire the Coliseo cinema in Toluca. Shortly afterwards, still in 1940, Don Manuel set up the company Cines de Puebla, S. A., with

59 Roberto Vallarino, *op. cit.*, pp. 26-27.

the two movie theaters he had in the city of Puebla, and offered William Jenkins half the shares in exchange for the debt Ultracinemas had with Mr. Jenkins. The Espinosa Yglesias family thus stood on an equal footing with Jenkins in both the companies in which they were associated: each held 50% of the shares. In this way, Don Manuel managed to expand his business faster than if he had depended only on reinvestment of profits. Although he was not the sole proprietor, he now participated in a much larger enterprise, and what was even more important, he had no debts. He had avoided running the risk of losing what he had accumulated up to that point.

42 The most important consequence of the interview was, however, that it marked the beginning of the relationship between Jenkins and Manuel Espinosa. The latter's initiative of going into association with Mr. Jenkins instead of asking him for money in the form of a loan—which was the expected procedure—produced an enormous impression on Jenkins. It was this that prompted him—when the rest of the Espinosa Yglesias family decided to sell out in response to the murder of Cienfuegos in January, 1941, and the subsequent threat against Manuel by a State Government official—to offer him a personal loan to buy his brothers out of the business. Don Manuel relates that he was not in agreement with the family's decision to sell out. He did not feel cowed by the threats and his fortitude, inherited from his father no doubt, united with his personal ambition, urged him on to continue with the business.⁶⁰ To have sold out would have meant throwing overboard his efforts and those of his father: more than 35 years of work since the inauguration of the Variedades theater in 1907. So it was that he went into personal association with Jenkins in early 1942. From then on, this businessman of US origin inculcated in him an ever greater audacity and the vision they needed for their business to succeed; he helped him to see how certain things were done, and with time he placed all his trust in him.

It was this trust that led him to appoint Manuel as his representative, sometimes without voting rights, on several boards of directors in which he participated as shareholder. Thus, Manuel Espinosa Yglesias found his way onto the board of the Banco Cinematográfico, of recent creation, which gave him an even greater penetration in the industry. He was also on the board of the Compañía Productora y Distribuidora Grovas, S.A.—whose associates figured among the most famous producers and directors of the era—as well as a founder member of the National Cinematographic Industry Chamber (Cámara Nacional de la Industria Cinematográfica). Don Manuel learnt avidly from all these experiences. Little by little his vision expanded far beyond his particular concerns to take in the country's entire film industry. These experiences, along with his visits to the United States, broadened his perspective on the industry and its international standards, and

60 *Ibid.*, pp. 31-

33. *op. cit.*, p. 17.

served him also in his later phase as banker.⁶¹

This position enabled Don Manuel to develop his vision of business even further. He no longer viewed the industry as just any of its participants might, but as one of its principal actors, whether on his own behalf or on that of William Jenkins. His innate visionary capacity enabled him to be always ahead of events and imagine clearly the changes that were to come. This clarity of mind enabled him to become aware of opportunities and dangers before they became obvious. For example, it worried Don Manuel

to see that a competing firm was losing money. Most businessmen are not especially perturbed to see a competitor on the point of bankruptcy; but for him the risk was always present that another person might acquire that firm, make the necessary changes and convert it into a serious competitor that might become a threat. This is what happened with COTSA. According to Don

Manuel, it was necessary to proceed without delay to acquire this company since it owned a significant proportion of the cinemas in Mexico City, and he set his mind on it until he achieved it using William Jenkins' money. Indeed, Manuel Espinosa Yglesias regarded the moment when he acquired the shares giving Jenkins' control of COTSA as one of the most important in his life. Since it was impossible for Don Manuel to buy directly enough COTSA shares to obtain control of the company, he set about buying into the Banco Cinematográfico, whose shares in COTSA eventually gave William Jenkins the majority holding. The control of the bank was achieved when Manuel Espinosa Yglesias bought from Adolfo Grovas 10% of the shares he had in the Banco Cinematográfico. A little later, Mr. Jenkins exchanged his shares in the bank for those the government had in COTSA, thus obtaining outright control of the film exhibition company in 1943.⁶²

Don Manuel was appointed statutory auditor of the company and became its general manager in 1944. He accepted the challenge of pulling it out of the financial crisis in which it was plunged, with a deputy director's salary, but with the added incentive of a percent-

61 Marcos T. Águila, Martí Soler and Roberto Suárez, *op. cit.*, chap. IV.

62 Manuel Espinosa Yglesias, *Banco-mer...*, *op. cit.*, pp. 20-22 y 25; Marcos T. Águila, Martí Soler and Roberto Suárez, *op. cit.*, cap. IV, pp. 26-29 and pp. 19-26.

age of shares and full support for his decisions. From that point on, he began a series of daring strategies aimed at making COTSA profitable, which affected many interests and gave rise to criticism but at the same time gave results. In particular he followed the strategy of limiting the demand for new releases by reducing the number of theaters showing these films, and increasing the number of halls for films previously released. He thus inverted the relation of strength, which had been in favor of the distributors, to place it in the hands of the exhibitors, while lowering the company's costs and increasing the number of customers attending the cinemas. The other strategy was to let popular taste be his only guide: as long as there were customers the film would be kept showing; if not, no matter how famous the director or the actors, the film would be withdrawn from exhibition.⁶³

On the basis of strategies like these and the acquisition of cinemas throughout the country, he expanded business over the following decade with large profits for himself and his associates. In the first year he eliminated the losses and even produced a 15 percent dividend; the following year he increased it to 45 percent and in the following years it even reached a peak of 90 percent.⁶⁴ In just ten years he had made it the biggest film exhibition company in the country, with a value at the time almost equal to that of the Banco de Comercio and the Banco Nacional de México together. This gives an idea of the size of the cinematographic empire, but also of the weakness of the Mexican financial system and its potential for growth. In the process, Don Manuel gained control of a high percentage of the shares of the Operadora de Teatros acquiring them from other associates, such as Lorenzo Cué, with whom he exchanged his Atencingo shares for those Cué had in COTSA.⁶⁵ It was thus that he had acquired a great fortune by the early fifties, concentrating his interests in the film industry, which then served him as a trampoline to conquer the banking sector.

It is difficult to determine exactly when

63 Marcos T. Águila, Martí Soler and Roberto Suárez, *op. cit.*, cap. IV, pp. 28-36.

64 *Ibid.*, cap. IV, pp. 28-29.

65 Manuel Espinosa Yglesias exchanged his shares in the Atencingo refinery for those held by Lorenzo Cué in COTSA, plus other properties, in 1948. For more detailed information, see *ibid.*, chap. V, pp. 19-21.

Manuel Espinosa Yglesias decided that his future lay in the financial system. Probably it was in the late 1940s—as he himself suggests—when he discovered, through various conversations with William Jenkins, that the latter had almost gained control of the Banco de Comercio.⁶⁶ By that time the film industry was beginning to show problems as a result of the increasing intervention by the state, price fixing and the opposition to what was regarded as Jenkins' monopoly.⁶⁷ These circumstances encouraged him in his ambition to join the banking sector, whose characteristics were, of course, quite different from those of the film industry. Firstly, the banks had an impact on all sectors of the economy and thus influenced the development of the country as a whole, whereas the film industry could never be more than sectorial. Thus the projection of the former was much greater than that of the latter—at least in political and economic terms. The banks, or rather the bankers, had a greater political presence and influence in public decision making and in the country's economic course. Finally, being a banker endowed greater status, it was much more prestigious than being a man of the cinema, which in the eyes of the general public was seen as closer to the frivolous and bohemian life of the idle rich. Therefore, as Don Manuel's daughter Amparo suggests, he saw banking as a more preferable bequest to his children than the film business.⁶⁸ Nevertheless, the film industry was large and influential in other senses, and of great importance in all parts of the country. Manuel Espinosa Yglesias' experience in the Banco Cinematográfico, in the National Chamber of the Cinematographic Industry and in similar organizations had given him a national perspective on the industry. Now Don Manuel wished to pass onto another plane: one that afforded him a perspective on the country's economy as a whole.

His arrival in the banking sector was by no means a matter of chance. On the contrary, it was carefully planned and calculated, and Don Manuel waited several years for the right mo-

66 Manuel Espinosa Yglesias, *Bancomer...*, *op. cit.*, pp. 22-23.

67 The 1950s were years of much conflict in the Mexican movie industry as a whole, and especially for COTSA as the biggest film enterprise in the country. Nonetheless, Manuel Espinosa Yglesias did not withdraw from it until 1959. *Ibid.*, pp. 87-89.

68 Various conversations of the author with Dr. Amparo Espinosa Rugarcía.

ment. Here, one of his peculiar characteristics comes into the foreground. He was a man who always had his aims very clear—taking care of each detail of his strategy so as to be sure of achieving them and with the patience to wait for the right time to go into action. He was a very controlled man who always chose the ideal moment, and this can be seen in his acquisition of the bank. In the first instance, he was simply an alternate member, on the Board of Directors of the Banco de Comercio (1950-1952), a representative of William Jenkins, who by then had acquired 41 percent of the shares.⁶⁹ During this period he learnt patiently, through observation, the way the bank was managed, how loans were granted, what written and unwritten rules governed the operation of the institution and its internal life. This experience continued through a further three years, during which—though now a full director—he maintained a low profile (1952-1955). Throughout those five years he tended to keep his mouth shut, while patiently learning the secrets of the business and its weak points. Years later he would go as far as to say that the banking business was relatively easy. After all, as he himself put it, ‘everybody needs money’.

The founders of the Banco de Comercio had a particular idea in mind regarding its development: they wished to make the bank reach all parts of the country via affiliated banks. This idea had been conceived by Don Salvador Ugarte and his manager Armando Hernández, and Don Manuel shared it from his incorporation on the Board of Directors. The first affiliated bank was the Mercantil de Puebla and by the beginning of the 1950s there were already a dozen more affiliated banks. Thus local businessmen became linked to the bank in the capital, although their affiliation was only relative. In the case of problems, a local bank would not necessarily receive the support of the Banco de Comercio in Mexico City; the latter did not wish to assume full responsibility for the performance of the affiliated

69 William Jenkins had acquired that volume of shares in the first instance by acting—at the request of the managing director, Salvador Ugarte—to save the Banco Mercantil de Puebla, first affiliated bank of the Banco de Comercio, from bankruptcy. Shortly after, he bought up the holdings of the heirs of Luis Riba y Cervantes and Francisco Suinaga y Tornel, reaching the total of 41% in 1950. Manuel Espinosa Yglesias, *Bancomer...*, op. cit. pp. 35-37.

banks. These provincial banks were, therefore, not allowed to use the same name as the 'central' bank. Thus, when the Banco Mercantil de Puebla was the victim of a substantial fraud which almost put it out of business, the directors in Mexico City did not accept responsibility and Salvador Ugarte had to ask Guillermo Jenkins to rescue the bank.⁷⁰ Nonetheless, the concept was interesting and innovative. Each affiliated bank continued managing its own affairs while drawing certain benefits from the association. This arrangement enabled the Banco de Comercio to reach other parts of the country without overextending itself. The system of affiliation also enabled it to take advantage of the resources of the other members, although, no doubt, in a very imperfect manner. Don Manuel perceived then the existence of a significant window of opportunity.

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But in those first years he also perceived a series of business practices that he regarded as suspect and was later to criticize with severity. In some sense this experience marked out the path that he would have to follow once he had become managing director. He discovered, for example, that many of the loans were granted by individual board members to their own concerns without being submitted to due analysis, or that financial business was carried out by directors for their own profit in parallel to the bank, thus denying the bank the benefit, and reducing its profitability. It seemed to him improper that directors and owners of banks should take advantage of their position in decision making to feather their own nests at the cost of the remaining shareholders, the customers and the employees. The granting of 'related credits' as this practice was known, was eradicated from the Banco de Comercio shortly after Don Manuel took over as its director.⁷¹ Years later, and on a number of occasions he repeated the concept publicly, but broadening it to include other kinds of related credits:

70 This was the moment when Guillermo Jenkins entered the banking business. *Ibid.*, pp. 34-37.

71 This was the subject of his first talk with the bank's employees shortly after the resignation of a significant group of directors.

Credit, like everything that involves money, must be handled with care. It can be and has been the ruin of individuals, companies and nations. For the correct allocation of credit, considerations of friendship, sympathy or simple and un-

conditional desires to help out should never get in the way. Only the capacity for repayment can enable the lender and the borrower to determine whether the allocated funds are likely to be a burden dragging the borrower into difficulties, or an impulse to help him reach new levels of development.⁷²

48 Nor did it seem correct that the main shareholders should take advantage of the bank in order to benefit personally through related business. While the Banco de Comercio attracted customers only for the purposes of looking after their savings and management of check accounts, they were referred to other financial institutions for their medium term deposits with variable interest rates (private development finance companies), or for arrangement of mortgage loans or insurance policies. These institutions were owned by some of the board members and principal shareholders of the Banco de Comercio, who benefited from their position on the bank which enabled them to attract these customers without having to do any work.⁷³

Already, as an alternate director and later as a full member of the board Manuel Espinosa Yglesias became aware of a series of situations that called for improvement, and as soon as he became managing director, he began to take action regarding these matters. Of course, as long as he had no share in the bank's capital he was powerless to take such action. So how did Jenkins go about acquiring sufficient shares to obtain the majority shareholding and how did Don Manuel buy them from him in order to gain control of the Banco de Comercio?

As we have already seen, Manuel Espinosa Yglesias began to cherish the idea of attaining the Banco de Comercio using as a basis the shares held by William Jenkins. In order to be able to buy them, and knowing the value of COTSA, Don Manuel set about performing a series of organizational and accounting adjustments within the film exhibition company. The aim was double: on the one hand to maintain the relationship of equality in the company with William Jenkins, and on the other to exchange part of his holdings in COTSA for those of Jenkins

72 Manuel Espinosa Yglesias, 'El crédito es útil cuando genera capacidad de pago', en *Nuestro Sistema Bancomer*, 1971.

73 Don Raúl Balleres was the owner of the private investment bank and the mortgage company, while Manuel Senderos owned the insurance firm. Manuel Espinosa Yglesias, *Bancomer...*, op. cit., pp. 47-52.

in the Banco de Comercio. In order to achieve this, he considered dividing the company into two separate parts: on the one hand, a property company consisting of the movie theaters and remaining buildings; and on the other the exhibition business itself, so that the latter would rent the theaters from the real-estate company. After several years of work during the early 1950s, Manuel Espinosa and William Jenkins set up the two separate companies in 1955: the *Compañía Constructora y Operadora de Inmuebles, S. A.*, on the one hand, and on the other, *COTSA*, which now dealt exclusively with film exhibition. The former had a slightly higher value than the latter, and each shareholder held half the shares in both companies.

In an action that showed both daring and determination, Don Manuel acquired on behalf of William Jenkins a holding in the Banco de Comercio of around 10 percent from Manuel Senderos, at the beginning of 1955, giving him the majority of shares in the bank. In the knowledge that Jenkins was not interested in the operation of the bank, but only in his dividends, Don Manuel proposed to him the transfer of his shares in the *Compañía Constructora y Operadora de Inmuebles* for those of Jenkins in the Banco de Comercio, which were of a similar value.⁷⁴ At first, Jenkins refused, but—after meditating on the matter and not wishing to create difficulties between himself and Don Manuel—agreed to the deal; thus Espinosa Yglesias became majority shareholder of the Banco de Comercio.⁷⁵ Overnight the remaining shareholders discovered that an individual board member had gained control of the company, and, moreover, that this partner was not ‘one of them’, but rather a provincial businessman from Puebla, a man of the cinema and with no previous experience in banking.⁷⁶ After attempt-

74 That is to say that COTSA, prior to its separation into two companies (the real-estate firm and the film exhibitor), was worth almost twice the value of the Banco de Comercio.

75 In a letter Jenkins wrote to Don Manuel the following day, he said that while he was not happy about the agreement since it tended to set them apart in their association in the cinema business, he accepted the deal to swap the holdings at par. The complete text of the letter can be found in Manuel Espinosa Yglesias, ‘Introducción’, in *Fundación Mary Street Jenkins. México, 1954-1988*, Beatrice Trueblood (ed.), México, Studio Beatrice Trueblood, 1988, pp. 20-22.

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ing to persuade Don Manuel to sell part of his holding or at least to give up his position on the board of directors (Don Salvador Ugarte continued to serve as managing director), which he roundly refused to do. The board reacted violently; they threatened Don Manuel to resign in mass, which, as they thought, would result in a massive withdrawal of funds and thus the collapse of the bank. They made the same threat to the Government, arguing that if such important people were to stand down, this would set off a massive withdrawal of deposits; given the importance of the Banco de Comercio, they prophesied a general panic which would have disastrous consequences for the country's financial system as a whole. The character and audacity of Don Manuel—who staked almost two-thirds of his fortune on refusing to be intimidated—along with the support he received from the country's financial authorities, who also refused to yield to threats, nullified the attempt at coercion.⁷⁷

Months later, the threat materialized, when some of the main shareholders, who had participated in the foundation of the Banco de Comercio in 1932, actually did resign in response to Don Manuel's rejection of their demand that he should leave the Bank's chairmanship. The resignation was precipitated by his decision to set up departments to deal with financing, mortgages, and insurance, which affected the interests of some of the directors.⁷⁸ The same day

on which the directors left the bank in order to take up posts on the Banco Comercial Mexicano de Chihuahua (November 16, 1956),

76 Some of the principal board members, such as Raúl Bailleres, had warned Ugarte of the danger of a single person controlling such a large percentage of the Bank. But Jenkins had always insisted that he was not interested in the institution's operation. However, nobody was prepared for Manuel Espinosa Yglesias' surprise maneuver. Amparo Espinosa Rugarcía, 'Entrevista con Alberto Bailleres', 1984.

77 Interview held by Amparo Espinosa with Don Antonio Carrillo Flores, who was at the time Minister of Finance. With the backing of the President of the Republic, Don Antonio argued that the Government ought not to yield to the threat of a group of individuals—no matter how prominent they might be—to leave their posts and generate a financial panic. Amparo Espinosa Rugarcía, Manuel Espinosa Yglesias. *Perfil de un hombre con ideas modernas*, Mexico: Private edition, 1988, pp. 34-40.

78 Manuel Espinosa Yglesias, *Bancomer...*, op. cit., pp. 47-49.

Manuel Espinosa Yglesias announce the setting up of the Sistema Bancos de Comercio in a full-page newspaper spread, in which each of the 26 subsidiary banks was named along with an account of its shareholders' equity, on a page facing the announcement of the new Board of Directors of the bank to which the dissident board members had gone. The announcement included the change of name of each of the affiliated banks, which were altered to 'Banco de Comercio...', followed by the name of the city, state or region where each was located. But above all, the announcement signaled the creation of a system which, as a whole, accumulated an enormous paid-up capital, increased the resources available for each affiliated bank, its possibilities to carry out other operations, and the greater effectiveness of the whole. This was the beginning of a system which, over time, would acquire a presence throughout the Republic, agglutinating the most important businessmen of the various Mexican states. The bank's shares did not lose value, as had been foretold, and Don Manuel could take complete control in the directorship since the dissident members had withdrawn.⁷⁹

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Manuel Espinosa Yglesias had reached a new stage in his entrepreneurial life on becoming director and owner of the second biggest bank in Mexico. His panorama now extended to the economy as a whole, to the possibilities of national and regional political influence due to the bank's presence in many of the country's states. It was not long before Don Manuel's discourse broadened and he began to exercise an influence on the contemporary thought of Mexico. From the micro or sectorial vision that had been his up to that point he advanced rapidly to a macro vision of business and the economy as a whole. He had found a new platform and began

⁷⁹ The announcement was impressive, since it revealed that on the one hand the Sistema Banco de Comercio had a paid-up capital and reserves of 205 million pesos, while that of the Banco Comercial Mexicano amounted to a mere 59 million. A few days later, the Banco de Comercio of Mexico City reported a paid-up capital and reserves of 83 million pesos. The list of directors appeared in the newspaper announcements reproduced in Espinosa Rugarcía, Manuel Espinosa..., op. cit., pp. 42-44.

to make use of the political arena almost immediately. This transformation of his thought, his vision of the economy in general and the financial sector in particular, and of Mexico as a nation, became evi-

dent at the First National Convention of the Sistema Banco de Comercio which took place in October, 1957.

52 Barely two years after taking over the directorship, Don Manuel celebrated the bank's 25th anniversary with an enormous convention that lasted three days. To it came the directors of the provincial banks—who were at the same time the most distinguished businessmen of each region—and the main shareholders of the Banco de Comercio in Mexico City. The attraction exercised by the convention is worth stressing since it pointed to the strength already enjoyed by the Banco de Comercio. And as for Don Manuel's thinking, it too was showing clear evidence of his intellectual evolution and that of his interests and scope. In the first place, he stressed the importance of the system, whose essence lay in the 'bringing together of the capital, knowledge and regional experience of local institutions with that of the Banco de Comercio in a mutual collaboration, forming together practically a single system so that all support each other economically'. Further on he makes clear that his vision is no longer that of an isolated entrepreneur, concerned only with his own business, but that this now was framed in the context of a public service for the benefit of the nation. Thus in his address he said:

...making our own the statement of the legislator of 1932 (who reformed the Law on Credit Institutions), I shall allow myself the pleasure of repeating it as the best justification of the Banco de Comercio system, which was created for [...] 'reasons of social convenience that imposed the ineludible duty to ensure that the country's financial mechanism be of use to the community as a whole and available to all its members, ceasing to be the patrimony of exclusive groups, so as to found the need—in accordance with irrefutable technical reasons—to make the whole monetary and credit regime susceptible to a rational orientation inspired at every moment by the consideration of the greatest benefit to the Republic'.⁸⁰

In other words, he was speaking of a banking system with a serious social responsibility, open to as many social groups as possible and managed scrupulously using the best possible technical means available.

His address also stressed the importance of the board members of the local banks, since it was they who knew their own environment,

80 Espinosa Yglesias, 'Proyección al futuro...', *op. cit.*, p. 63.

needs and priorities. He therefore considered that the regional boards ought to have considerable decision-making powers within the system as a whole, which—forming a network of mutual support, backed by the unimpeachable honesty of the directors—would strengthen the regional banks. And he also referred to the overall significance of the system, due to the fact that the progress of the nation depended on that of the regions, and these in their turn on solid financial institutions such as the Banco de Comercio. He thus perceived that the fundamental importance and strength of economic activity was something that transcended the closed world of companies, involving the economic life of regions. He had perceived this dependence since taking the reins of the family concerns in Puebla and throughout his career in the film business. In other words, Don Manuel's vision was based on his own experience of developing a business, in the same way as it affected every customer of the bank, and he was convinced that it was in those local and regional firms that the strength of the economy lay. His vision, therefore, did not originate in an abstract world of high finance where the real world tends to become eclipsed, or in a world where mere numbers predominate and individuals do not count. Don Manuel's address, on that occasion when he brought together prominent businessmen from all parts of the Republic along with representatives of the country's financial authorities, alluded to a real world, to a Mexico which was at that time embarked upon a stage of rapid growth, a Mexico that needed a strong banking system with a marked public interest.

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In the same speech he analyzed the state of the economy, the way it had grown over the previous 15 years, and what shortcomings still affected it. Here there reappeared phrases that reflected his childhood and youth, the experiences of his adolescence, such as his father's contempt of idleness that had led to his period of work in Mexico City and later in the Veramendi hacienda. His personal experience then revealed itself as a call to society and the nation:

We must rid our minds of the idea that the best thing in life is to have an unearned income and not to have to work, since the greatest wealth of any country is the work done by its inhabitants.

In the same way, his concept of social justice, which he had develo-

ped in his youth, becomes apparent in another paragraph, where he says:

It is interesting to see how the wealth produced by the progress of the Mexican people has been distributed among the different sectors that make up the population. It can be said that Mexicans are living better today [1957] than 15 years ago and that in this time the middle class has grown considerably, but we also have to recognize that unfortunately the distribution of wealth has not been of comparable benefit to the most needy.

54 But the most important thing about this address by Manuel Espinosa Yglesias—now head of the Banco de Comercio and speaking to a forum that included the country's most important businessmen—are his ideas regarding the accumulation of capital, the distribution of wealth and income, the participation of the state in companies, the awareness of the most basic social shortcomings, the importance of raising productivity and a sense of an effort towards the common good, towards the progress and well-being of Mexico. These were already concepts that involved the whole economy and society and were simple but nonetheless profound.⁸¹

| 81 Ibid.

For Don Manuel, economic growth depended on increasing the accumulation of capital at a greater rate than that of population growth, facilitating and promoting healthy saving and sobriety—that is, without reducing necessary consumption. He mentioned that one goal of the Banco de Comercio system was the democratization of the ownership of the affiliated banks, as well as the greater distribution of the ownership of companies that it aimed to promote among a greater proportion of the population, providing a platform for increased growth, on the national scale. He pointed out that those firms that did not succeed in attracting many people to own shares in their capital were condemned to lag behind. And he advocated, in that first address, the need to increase productivity in order to raise wages and salaries. Greater purchase power, he added, would lead both to greater consumption and to more savings, and, consequently, to greater economic activity and investment, thus completing the virtuous circle of economic growth. Manuel Espinosa Yglesias had a clear idea of the process and saw it in an integral way, considering that the well-being of the people and competitive salaries would, in the long term, generate wealth for all. He argued

that dwellings for workers should be a priority both for government and for private initiative, that the government should have no reason for directing companies and that the only type of protection that could be regarded as legitimate was that which served as a foundation for a development that could be sustained over time.⁸²

At the end of the first Convention of the
Sistema Banco de Comercio, Manuel Espinosa | 82 *Ibid.*, pp. 65-68.

Yglesias was the undeniable leader of the institution. Not only did he own the majority of the shares, he was also constructing a genuinely national bank and had convinced both employees and shareholders of his purposes. His philosophy was based on serving and attracting all types of customers, no matter how small were their savings or the loans they requested. He believed fervently in the democratization of banking services: attracting small or larger savings that until that time had been kept hidden 'under the mattress', and credit customers who till then had been the victims of usury. It was a different concept from the usual idea of banking at that period, and was now complemented with the affiliation of the local banks of the different states. This strategy, based on ideas of Salvador Ugarte and Armando Hernández, sought to broaden the bank's activity without having recourse to additional capital and without incurring in 'external' risks. Don Manuel took up again the concept of those two men, assimilated it and transformed it by converting the group into a veritable system, with common policies and shared responsibilities, diversifying risks. The adoption of the same name by the affiliated banks was not just a matter of form, but was basic to the concept. It was to be the biggest system in the country, with the greatest geographical penetration and supported by the real strengths of each region. The capital it held, as Sistema Bancos de Comercio, surpassed by a long way that of its closest competitor.



*This is precisely the kind of distribution of wealth that we require: money, capital, in order to increase, has to be invested, and through investment generates more money, more wealth; and this is distributed by creating more productive jobs for needy people.*⁸³

III. From businessman to public man with a statesman's vision

The following years were ones of dizzying change for Manuel Espinosa Yglesias and for the Banco de Comercio. In 1959 he sold COTSA to the Government, and with the proceeds increased his holding in the bank and in other companies, and became, now indeed, a year after Salvador Ugarte's retirement, the managing director of the Banco de Comercio, devoting himself fully to it. In little time he established the Investment Bank (Financiera Bancomer), the Mortgage Company (Hipotecaria), the Insurance Company and the Real Estate Company. He was thus able to provide financial services in a complete and comprehensive manner, as 20 years later it would be generally provided by full-service banking (Banca Múltiple), available in the same branch office and to all the bank's customers throughout the Republic. Likewise, all profits would be for the Banco de Comercio itself, and not for institutions belonging to one or other of its shareholders, as had been the case before his arrival. The system gradually became consolidated; affiliated banks were opened in the states that still lacked them, thus achieving full coverage throughout national territory, and the

⁸³ Manuel Espinosa Yglesias (no title), address at the award-giving ceremony, Universidad Andhuac, 1969.

aim of attracting non-traditional customers to the country's financial system was fulfilled. One of the main factors that contributed to the attainment of this objective was the use of advertising in the mass media and the patronage of popular events such as the Pope's visit to Mexico, boxing and football matches—an innovatory practice at that time and absolutely unheard of in the banking milieu. Don Manuel even spoke of designing a savings system for those unable to read and write.⁸⁴ The system showed a surprising rate of expansion. Between 1956 and 1966, its capital increased from 170 million to 745 million pesos, most of which consisted of reinvested profits.⁸⁵

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Manuel Espinosa Yglesias also evolved in those ten years. With the passing of time his thinking became more like that of a statesman than a businessman's. From a discourse on the national importance of the bank and the banking system generally in the country's development, he advanced to a discussion of the handling of the economy as a whole, macroeconomics and the mixed-economy regime that prevailed in the country. To do so, Don Manuel had to study economic theory and the theory of finance, he had to study English and administration. His mind could intuit some mechanisms—it was an extremely gifted mind—but intuition is not always enough for a perfect understanding of economic mechanisms. He needed to submerge himself in theory and relate it to his own practical experience. He needed to study in order to understand better what intuition told him. Years later (1974) he confessed that the only regret he had was not to have studied for a degree since this would have enabled him to advance much faster and with greater agility in the knowledge he needed. He lamented the fact that whatever he knew he had had to learn by himself, with great difficulty:

84 Manuel Espinosa Yglesias (no title), second Convention of the Sistema Bancos de Comercio: opening speech, 1967.

85 Juan Sánchez Navarro, words spoken at the Second National Convention of the Sistema Bancos de Comercio, *ibid.*, pp. 41-42. This increase is notable since at that time inflation was extremely low.

I have felt the lack of a more adequate academic preparation, that would have given me a more analytical, more open, mind; a university degree that would have given me the instruments of my profession. I have lacked culture; I have lacked the habit of studying which is acquired in university classrooms. What I

have achieved I have done so at the cost of considerable struggle, like one who is learning to walk... I do not doubt that, with adequate training, the route would have been much easier for me and I might have gone even farther.⁸⁶

Given the origin of these reflections that evoked the battle he had fought to learn rapidly what was necessary to give support to his intuition and pragmatism, it is easy to appreciate why it was precisely in those years, in which he had to make a habit of study in order to achieve a more theoretical understanding, that he should have directed his thoughts at the importance of university education.

58 It was in fact precisely in 1965 that Don Manuel began to support not only processes of staff training in the Sistema Bancos de Comercio but also the country's higher education system in general.⁸⁷

As chairman of the Mary Street Jenkins Foundation he associated with a group of United States citizens to promote the Universidad de las Américas and to bring it to Puebla. With the passing years, this project engaged his enthusiasm more and more and was a source of tremendous satisfaction until the end of his life.⁸⁸ Around this time he also supported the Autonomous Universities of Guadalajara and Puebla, the Iberoamericana, Anáhuac, Tecnológico de Monterrey, and the CETYS at Mexicali, among others. His support arose from his conviction that a company's human capital was just as important as its physical capital; the preparation of professionally trained executives in sufficient numbers and of high quality was indispensable for the development of the country. He also thought that young people with economic possibilities should not make use of public education so as to avoid occupying space that could benefit the less well-off. Education—and

86 Véjar and Manuel Espinosa Yglesias, 'Mi colaboración...', *op. cit.*, p. 170.

87 For example, in 1966 Don Manuel established an ambitious management training program for a large number of his executives, which was to last for several years. The program was imparted by Mexican and foreign teachers and with the necessary flexibility to attend to individual training and capacitation needs. Manuel Espinosa Yglesias, 'Proposed remarks to be made by the Managing Director at a meeting with the participants of the proposed top management training program', 1966.

88 The story of Don Manuel's relation with the Universidad de las Américas can be found in Enrique Cárdenas Sánchez, *Don Manuel...*, *op. cit.*

especially higher education—should be supported by everybody in a position to do so, individuals, firms, government.⁸⁹ During the management of Manuel Espinosa Yglesias as its chairman (1963-1995), the Jenkins Foundation gave almost half of its donations to education.⁹⁰

Don Manuel was concerned to make his ideas on the economy known. He was not content with just observing what the country might be, but wished to take an active part in its evolution, to be part of the national debate. Around 1963 he wrote a series of brief essays which might have become a book—which was, however, neither completed nor published. These essays show some of the ideas he had at that period and the way in which he was already focusing on national problems and their possible solutions. They address the current state of the economy, the role of the banks in economic development, the importance of profits, of competent high-level management in developing countries, the recent decree regarding profit sharing among workers, and the criteria of efficiency for publicly-owned corporations, among other matters. Of these it is worth highlighting the question of the state-owned enterprises, whose participation in the economy was growing rapidly in those years.⁹¹ For Don Manuel, the matter was self-evident: with the exception of institutions such as the IMSS (the health and social security institution for private-sector employees) or the ISSTE (the corresponding institution for state employees), or those of a cultural or charitable nature, all public

89 Addresses pronounced in the Universidad Autónoma de Guadalajara, the Universidad de las Américas and the Anáhuac in 1967 and 1968. The address given at the Anáhuac sets forth with considerable clarity his ideas on higher education and is included in its entirety in the corresponding section of this volume.

90 During the 1960s and part of the 1970s, the Jenkins Foundation supported many universities as well as education in general. Years later it focused its support especially on the Universidad de las Américas at Cholula, Puebla. See Beatrice Trueblood, Fundación Mary Street Jenkins. México 1954-1988, Mexico, Studio Beatrice Trueblood, 1988 and Enrique Cárdenas Sánchez, Don Manuel..., op. cit.

91 Against what is normally thought, the incursion of the state into the economy through the proliferation of publicly-owned companies increased more, as a contribution to GDP, during the latter half of the 1960s than in the sexennium of President Echeverría. M. A. Casar and Wilson Pérez, *El Estado empresario en México: ¿agotamiento o renovación?*, México, Siglo XXI Editores, 1988, pp. 45-46.

corporations ought to be guided and their success measured by the obtaining of profits or a surplus.⁹²

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Discussion of the optimal utilization of resources goes hand-in-hand with the scrutiny of the criteria of efficiency of firms [...]. In state-owned corporations [...] the concept of profits is rejected as a means of assessing efficiency and, on the other hand, certain other criteria are proposed, such as the provision of the products at lower prices and improvement of the workers' conditions. These and other similar guidelines no doubt have some value, but at the present stage of the country's development, they do not seem to be the most appropriate. State-owned companies that—for lack of profits, or even operating deficits, cannot finance their work programs—need to have constant recourse to other sources of finance, among which the public treasury, the surpluses of other state enterprises, private savings, or foreign credit are foremost. Nevertheless, if the situation of losses persists, all four means of financing will have deleterious effects on the economy.⁹³

He criticized the state's action to convert private companies into state enterprises in order to save them from bankruptcy and so prevent unemployment, since this practice entailed more losses than benefits:

In Mexico it is often seen that the public sector buys up insolvent private companies with the purpose of rehabilitating them, sometimes with success, sometimes not. When successful, it is usually over a long period of time and at very high costs. From the point of view of the optimal utilization of resources, this type of government initiative is not defensible, although it can probably be defended from other points of view, for instance the need to avoid job loss or to mitigate the disequilibria of a particular branch of industry. The benefits of reaching these and other similar goals are not, however, sufficient to compensate for the losses deriving from a defective utilization of existing resources [...]. This attitude may even weaken the efforts of the public sector to nullify the wasting of resources on the part of the private sector, since the possibility of having the state sector to fall back on in the case of economic failure may lead a private businessman to neglect the caution and prudence that are his natural characteristic.⁹⁴

92 In the case of the state monopolies or quasi-monopolies, their efficiency ought to be gauged by comparing their prices with the prevailing international prices or by some similar measure. Manuel Espinosa Yglesias, 'Reflexiones sobre las empresas del Estado en México', ca. 1963.

93 Ibid.

94 Ibid.

The qualitative advance in his understanding of economics as a science and in his way of looking at the world became publicly visible from 1964 onward. Manuel Espinosa Yglesias now addressed crucial matters, such as the need to transform the country's financial system and to foster the provision of housing for the masses. In a statement which probably reflects Espinosa's political tact rather than real conviction (since the financial system in fact showed an age-old backwardness given the size of the economy and because of its commitment to devoting excessive resources to financing the public sector) he conceded that the way in which the authorities had led it through its first steps had yielded important fruits. Nevertheless, he criticized the fact that its structure, based on the principle of no risk for the saver and preference for liquidity, constituted one of the most serious obstacles for its development. This structure, in which any fixed-income security had essentially the same characteristics regarding liquidity and repurchase guarantee at nominal value, while offering very different returns, in reality inhibited the development of the securities market and the actual financial system as a whole:

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*Savings and term deposits are paid practically on sight, and almost all fixed-income securities are likewise repurchased on sight, at par value and with accumulated interests. This has erased the differences in terms of the sacrifice of liquidity that each one entails. All of these are, in fact, demand deposits with interest, that the issuers may at any moment make effective [...]. On the other hand, even when a basic similarity exists between the operations in respect of sacrifice of liquidity, the interest rates of the different instruments differ enormously, from 4.5% on savings accounts to 12% on company mortgage debentures [...]. This situation cannot last.*⁹⁵

His point was logical and obvious, but he was very much ahead of his time. It was many years before the authorities were to adopt these criteria. Inside the Banco de Comercio, however, Don Manuel sought to follow them to the fullest extent possible: he attempted to increase the number of shareholders participating in its capital and avoided letting the majority shareholders control industrial firms that might compete with the bank's customers. Also, in the same context, the Banco de Comer-

95 Manuel Espinosa Yglesias, 'Bolsa de Valores', in *Bolsa de Valores de México*, 1964.

cio distinguished itself from the other commercial banks, which did grant 'related loans'.

A similar process took place in his ideas regarding the priority that he believed should be enjoyed by the building of housing for the workers. Aside from the obvious humanitarian benefit, he perceived that housing generated much direct and indirect employment, stimulated the financial system, and substantially improved the well-being of the population. Individuals with higher earnings immediately became active consumers who in turn generated more economic growth. And Don Manuel practiced what he preached. In his letter to the shareholders of the Sistema Bancos de Comercio of 1966 he announced the commencement of the employees' housing program under very favorable conditions.⁹⁶

Manuel Espinosa Yglesias continued maturing this kind of idea throughout the following years. In the welcome address which he delivered during the Second Convention of the Sistema Bancos de Comercio in October, 1967, he referred to the most important subjects on the Mexican economic and social agenda. Over 1,300 regional board members, top executives of the bank and representatives of the country's financial authorities, including the national Finance Secretary, the Minister of Trade and Industry and the director general of the Banco de México were present at the convention. Whereas ten years earlier, at the first convention, he had underlined the social and economic role of the banks in general and, specifically, the function that should be performed for the country by the

Sistema Bancos de Comercio, at the second convention, Espinosa's address centered on the Mexican economy as a whole. After giving a broad summary of the system's advance, its strategies and its role in the national banking system, as well as pointing out the bank's interest in investing in the rural environment. Don Manuel spoke of the country's economic performance, which at that time was at its highest level for the whole twentieth century, with stability of prices,

96 Manuel Espinosa Yglesias (no title), in *Confederación de Cámaras de Industriales*, ca. 1965 and 'Carta a los señores accionistas', *S. A. Accionistas del Banco de Comercio* (ed.), 1966, p. 4. A few years later, Luis Echeverría's government established the Instituto Nacional del Fondo para la Vivienda de los Trabajadores (Infonavit) to organize and finance housing for purchase by working people.

and immediately he went on to expound his ideas—almost like a doctor writing out a prescription—regarding the most important variables and phenomena of the macro-economy. He indicated to the government officials the path they ought to follow and the conduct they ought to observe as governors, with a very different tone to that of barely ten years before. He began to speak of inflation, saying:

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*I think that at all levels we have become convinced that the only thing inflation does is harm. It is especially harmful to the poor. It sets off false signals for the allocation of resources. It discourages exports and promotes greater importations. It leads to flights of capital abroad. In the final instance, inflation completely upsets any economic system.*⁹⁷

He later described, as if giving a lecture, how inflation arises when money is injected into the economy, causing demand to increase faster than supply, and thus raising prices. He continued in the same tones, remarking on the difficulty for governments to avoid inflationary financing of public deficits, which occurred almost always because of a lack of control over expenditure, and thus stressed the importance of price stability: ‘Stability is an indispensable condition for further progress’. He then went on to list, now with the tones of a statesman,

97 This reference and the subsequent comments are found in the address published in Manuel Espinosa Yglesias (no title), in *Confederación...*, op. cit., pp. 35-36.

98 *Ibid.*, p. 36.

...the obstacles that we have to overcome, if we wish to aim for higher goals; the problem of low rural productivity in certain zones [which] is perhaps the most thorny problem and the one which needs a more determined onslaught; the excessive protection of industry and the inefficiency it fosters—as well as the imperious urgency for Mexican industry to export more and better products—also matters of enormous importance; the need for mining to win back the prominence it had for so many years...; the obligation to adjust the distribution systems..., the introduction of more flexible and responsive credit systems, with adequate repayment periods, which might definitively replace usury and abuse; the commitment to fight smuggling, which is causing so much damage; the establishment of forms of organization that will make the functioning of companies—and especially that of public sector organizations—less top-heavy.⁹⁸

Further on he gave a set of things to be avoided:

It would be absurd, for instance, if we were to incur in inflationary excesses, when we have before us, among others, the example of Great Britain, where the Labor Government has put a freeze on wages and salaries in order to limit price increases; or Germany, where anti-inflationary measures have even contributed to causing quite a severe recession; or Sweden, where the trade unions themselves demand of the government stability in its budgets. It would be an exaggeration to insist on wage rises above increases in productivity when one observes the efforts of countries like the United States, the United Kingdom or Canada to maintain a certain equilibrium. It would be inexplicable to seek to cut direct foreign investment, when Western Europe, including France, has begun determined campaigns to attract it. It would hardly be advisable to limit the size of companies operating in our economy when it is obvious that the tendency worldwide is toward the formation of companies of large dimensions, that are able to take advantage of economies of scale.

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And he went on to point out some of the main challenges faced by Mexico and Latin America:

We still have not been able to root out the extreme poverty that reigns, impervious to any attempt to deal with it, in different parts of the country. Unemployment, real or disguised, is a serious problem, both in the country and in the cities. Important focuses of illiteracy persist, as well as unhealthy living conditions in various zones. Our nation's nutrition is deficient, with an alarming lack of proteins in some cases.⁹⁹

99 Ibid., p. 37.

In that Second Convention of the Sistema Bancos de Comercio, Manuel Espinosa Yglesias also broached the matter of foreign investment, which at that time was the subject of enormous controversy. On this matter he was virtually alone against the dominant tide of opinion both in the private sector and in the government. Mexico belonged to a tradition that sought to protect the internal market from foreign competition. Since the late 1940s the government had implemented a protectionist policy which first raised tariffs, years later established quotas for the importation of goods and services by means of a system of licenses or permits prior to import, and finally, in the 1960s, tried to protect firms by establishing limits to foreign investment. It was precisely this status

quo that Don Manuel now set out to attack, confronting both his fellow-businessmen and the government itself with a posture of non-restriction on foreign investment. He explained his reasoning in the same October, 1967, address, in the presence of the ministers who were responsible for the corresponding public policies.

He had already mentioned the fact that countries as nationalistically-minded as France were promulgating policies aimed at attracting foreign investment. Now he went deeper, describing the advantages and disadvantages, costs and benefits, and laying particular stress on the shortage of capital, technology and jobs in the country that made such investment necessary. Don Manuel specified:

Foreign investment—especially direct (as opposed to financial) investment—has considerable advantages, but, like almost everything in life, it also presents disadvantages. It is, for example, a suitable means of complementing internal capitalization, but at the same time supposes an external interference in national economic life. It is an expedite way of transmitting new technologies and of improving the efficiency of the Mexican workforce, but also entails a cash outflow in the form of dividends and royalties. It is an instrument for mobilizing internal saving, but at times also offers an over-severe competition to established national enterprises. To sum up, foreign investment produces benefits, but at the same time involves costs. There is no doubt that in ideal conditions of local abundance of capital and powerful technology, we could contemplate doing without it. This however is not Mexico's situation: in our present conditions, and considering our needs, foreign companies have considerable benefits to offer. Think, for example, of the support they have brought the farming sector; the improvements they have introduced in our techniques of distribution; the impulse they have given to our industrialization process; the importance that programs such as that of the maquila industries can have through the massive generation of new sources of productive jobs for social sectors or areas subject to unemployment or underemployment.

On making clear the reasoning behind his posture, he came to a valiant conclusion; addressing the criticisms to which he had been subjected, he said:

100 On June 25, 1966, Don Manuel presented a paper at the forum of the Mexican Pro Alianza Commission for Progress (Foro de la Comisión mexicana Pro Alianza para el Progreso) at Tehuacán, Puebla....>> Cont. next page

These considerations encouraged me, in June last year,¹⁰⁰ to declare publicly my

support to foreign direct investment.¹⁰¹ This was neither more nor less than a matter of personal conviction. The Banco de Comercio was founded by Mexicans and has no foreign investors among its shareholders. We are a system of Mexican banks, owned by Mexicans, managed by Mexicans with one fundamental concern: the greater benefit of Mexico.¹⁰²

66 In concrete, Manuel Espinosa Yglesias brandished three main arguments concerning foreign investment. In the first place, he believed that other countries had very superior technologies and that Mexico ought in reality to take advantage of those advances and not to have to pay the whole research and development costs necessary to reach the same levels. That is to say, he believed that there was a process of international convergence in which to adopt technologies already developed raised a country's productivity without the need to pay the corresponding cost. Secondly, in view of the scarcity of capital in the country it was foolish to disdain what was on offer from abroad, since the main consequence of such disdain was the insufficiency of job creation. We could not afford this luxury despite the then generalized warnings that foreign investment was only aimed at taking advantage of our weakness. In the end, foreign investment would exercise pressure to raise the productivity of Mexican firms by making them face greater competition. To rule out foreign investment was to afford an absurd degree of protection to national entrepreneurs.

Besides, restricting foreign investment had its macroeconomic consequences since it forced the country into a situation of greater foreign debt. As

100 >> In it he explained in considerable detail why he was in favor of foreign investment. This address generated a nationwide controversy and is included in the relevant part of the present volume.

101 In this paper he made precise calculations, comparing, for instance, the cost of capital on going into debt and the amount involved in repatriation of dividends. Weighing up the costs and benefits, he reached the conclusion that the balance was positive, that foreign investment was beneficial for the country.

102 Manuel Espinosa Yglesias, s.t., in *Confederación...*, op. cit., pp. 38-39. An almost identical phrase appears in his posthumous book on *Bancomer*, when he relates the indignation he felt on seeing an enormous national flag draped over the Centro Bancomer immediately after the nationalization. Manuel Espinosa Yglesias, *Bancomer...*, op. cit., p. 159.

the schema of economic growth based on protection of the internal market and restrictions on foreign investment began to show strain, the insufficiency of internal saving to cover investment needs was ever more in evidence. Accelerated population growth demanded in turn more investment, both public and private, that could not be achieved relying on domestic resources alone. What was necessary was a bringing together of the savings of private individuals, foreign governments or international institutions in order to complement the savings available within the country. Then the dilemma arose between contracting loans—running into debt—or permitting the association of Mexican with foreign capital and thus facilitating foreign investment. This was the central question and the basis of the controversy.

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In spite of the weight of his critics, Don Manuel was clearly convinced that foreign investment was preferable to indebtedness; it was better to have partners than creditors. Indeed, it is interesting now to highlight the fact that this idea went back to his initial association with William Jenkins in 1940, when, instead of approaching him for a loan, he broached the idea of going into association which, for him, was a way of obviating the risk of the creditor keeping the collateral in case of non-payment. Now, faced with problem of public debt, his fear was that the country would eventually have to pay under less comfortable economic circumstances, and thus find itself under the obligation to cut public expenditure and generate a recession in order to comply with its debt payments at a given moment. Years later, this fear was to come painfully manifest, when the external debt crisis exploded in Mexico and throughout Latin America.

In reality, Manuel Espinosa Yglesias' economic thinking did not vary throughout this period of considerable economic instability, but it did become more vociferous. He also made incursions into some new areas, stressing the importance of investment in agriculture and tourism, and that of publicizing the work of businessmen and the role of private enterprise. Don Manuel had already mentioned, in 1967, the Banco de Comercio's interest in investing in agriculture, not only in the form of loans but also with technical assistance, since 'we are convinced that the healthy development of the Mexican rural sector is one of the basic conditions for the country's ongoing

consolidation'. Shortly after this, as president of the Bankers' Association, Espinosa Yglesias reiterated this interest and offered the support of the banks in the form of specific programs with independent farmers and members of ejidos in the Valle del Yaqui and the Mayo valley, and in the area straddling the states of Durango and Coahuila known as La Laguna.¹⁰³ It is worth emphasizing this interest of his, since it shows that he was convinced of its importance for national development and that he was aware of the damage Mexican agriculture was suffering. Sadly, the government decided to leave the countryside to its own devices, with the consequence that it became severely undercapitalized in those years and has been unable to recover from this situation to the present day.¹⁰⁴

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On the other hand, Don Manuel regarded tourism as an ideal activity for the country's development. In 1968, the Mary Street Jenkins Foundation established a company with mixed capital called Impulsora de Empresas Turísticas. Its first action was to carry out a study of the enormous potential of Mexico's tourist industry. For some years, Don Manuel had been insisting, in a great variety of different forums, on the importance of the sector due to its high impact for employment, foreign exchange, infrastructure and the participation of investors of very different sizes. He also stressed the unique opportunity offered by the fact of having as neighbor the richest country in the world, with large numbers of citizens keen on traveling.¹⁰⁵ In his own field, as chairman of the Jenkins Foundation, and, later, of the Fundación Amparo, he also promoted tourism through the restoration of colonial buildings, the uncovering and restoration of archaeological remains such as the Templo Mayor, the creation of the Museo Amparo in Puebla and the building of a hotel in the same city.¹⁰⁶

103 Manuel Espinosa Yglesias (no title), in *Confederación...*, op. cit., and possession-taking address, 'Ideas que propiciarán nuevas realidades', in *Nuestro Sistema Bancarero*, May, 1971.

104 Enrique Cárdenas Sánchez, *La política económica en México, 1950-1994*, Mexico, Fondo de Cultura Económica, 1996, pp. 73-77.

105 Manuel Espinosa Yglesias (no title), speech on the promotion of tourism in *Convención de la Asociación Mexicana de Hoteles y Moteles*, A. C., Monterrey, Nuevo León, 1965 and (no title), in *Impulsora de Empresas Turísticas*, Monterrey, Nuevo León, 1968. (*Hacienda Series*.).

106 Roberto Vallarino, op. cit. (no page numbers).

Probably due to the government's official left-wing rhetoric, in those years of the early 1970s, Don Manuel called on his fellow-entrepreneurs to defend the business community by explaining their role in society and in economic growth.¹⁰⁷ He considered it was necessary to 'join forces to speak truthfully about private enterprise'. He said:

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Let us throw aside attitudes of false modesty, like politicians do the whole world over: let us boast of what we have achieved; let us make it known. We have adopted a defensive position, almost as if we had a guilty conscience. Despite the fact that it is we private entrepreneurs who generate the greater part of domestic income, we have been inexplicably relegated. Because of the criticism to which we are subjected, we shun the spotlights, we are afraid of success. We struggle to hide our progress, to disguise our achievements.¹⁰⁸

And once again he stressed the social role of the business corporation through generation of employment, payment of taxes, and the provision of a quality product or service at the best possible price.

But such matters aside, his discourse came to center especially on reaffirming his convictions in the field of macroeconomics, offering his points of view and recommendations and seeking to influence public opinion. For Don Manuel, job creation was a fundamental task. He believed that economic growth was the only way to improve the well-being of the general public and to distribute wealth and income in a sustained manner. It was thus necessary to have investment, accumulation of capital and improvement in productivity in a healthy macroeconomic environment:

The only way to improve the well-being of the population is through sensible and healthy economic development. Nobody has invented a superior way of achieving this. Development, however, implies not interfering in the delicate mechanisms of the economy. One must not, for instance, obstruct the accumulation of capital.

107 Don Manuel had already dealt with this subject in November, 1964, before the Asociación Mexicana de Mercadotecnia. Manuel Espinosa Yglesias, 'Las experiencias de un banquero en la mercadotecnia', in Sesión-comida mensual de la Asociación Mexicana de Mercadotecnia, 1964. Llarino, op. cit. (no page numbers).

108 Manuel Espinosa Yglesias, 'México debe aprovechar el ejemplo de Japón para acelerar su progreso', in Nuestro Sistema Bancomer, January, 1973.

The price system must function freely. And above all at the level of government, there must be financial equilibrium.

70 In other words, the way to attack poverty was economic growth and the generation of employment. And for the same reason he believed that the only way to distribute wealth was by generating greater prosperity. It was not a good thing to take away from the rich in order to give to the poor if that was to mean a reduction in investment and a slow-down in job creation. On the other hand, he did severely criticize the squandering of resources on trips abroad and the ostentatious display of wealth, since this generated a reduction in investment, and greater degree of class hatred and social division. He went as far as to say that only by creating wealth would it be possible, over time, to reduce inequality:

Producing more increases the size of our economy, gives an impulse to economic development and, what is more, it helps to close the breach between rich and poor, since it creates more and better-paid jobs for Mexicans [...]. Money, capital, has to be invested in order for it to increase, and by investing it, more money, more wealth, is created; and this is distributed by creating more jobs for people who need them. This cannot be done by reducing the little capital available, nor by means of exaggerated taxation, with excessive wages or other benefits that have little influence on raising the productivity of the economy. This is achieved through greater production and more jobs. This leads automatically to the distribution of wealth. [...] Taking away from the people with resources to give to needy people, i.e. simply sharing out the existing wealth, would not produce social justice. Rather, it would make it worse, since it would reduce investment, close many job possibilities, cause savings to be consumed, squander our future... What is really of interest is that all of us should attain ever more satisfactory lives; that the distribution of the benefits of economic development should be more equitable. The recipe is greater productivity and more occupation, which means more investment.¹⁰⁹

For Don Manuel, then, economic growth and job creation, productive work and occupation would sooner or later solve the problems of poverty and inequality. These affirmations were not to the liking of some sections of society which

109 Manuel Espinosa Yglesias (no title: address at the degree-awarding ceremony), *op. cit.*

insisted on the need for a sharing out of existing wealth, without at the same time being concerned about the creation of greater wealth.

It is interesting to mention that, many years later, study of the evolution of poverty in Mexico and the inequality of income has shown Manuel Espinosa Yglesias to have been right. In periods of high economic growth and price stability poverty diminished rapidly. the recurrent economic crises and the relative stagnation of the economy after 1982 and until at least the crisis of 1995 has inhibited efforts to reduce poverty. Moreover, if it had not been for the economic stagnation of the last twenty years, extreme poverty would already have been eradicated from the country.¹¹⁰

On the other hand, it is interesting to observe how his ideas on inflation evolved throughout this period of instability. It is interesting because it shows his line of thinking and his way of interpreting events, as a public personality, at some of the economically most difficult moments faced by the country in the twentieth century. Already in the late 1960s Don Manuel alerted to the danger of inflation and public indebtedness, although he considered at the time that the latter was still at manageable levels. In March, 1969, he published an article for the Mexican edition of *American Banker*, in which he analyzed carefully the causes and consequences of inflation, and strongly criticized governments for using it as an additional and unjust form of taxation.¹¹¹ Inflationary pressure began to make itself felt at the end of the following decade when prices increased at more than twice the rate of the previous years. At the beginning of President Echeverría's administration in December, 1970, his initial economic team advised him to reduce expenditure and slow down the inflationary pressure. This was, moreover, getting worse as a result of the devaluation of the dollar against the European currencies and the collapse of the Bretton Woods Agreement.¹¹²

110 One of the most important researchers into the evolution of poverty in Mexico has borne out this correlation between economic growth and poverty and inequality for the 1950-2004 period, the longest for which reliable data are available. Miguel Székely, 'Pobreza y desigualdad en México entre 1950 y el 2004', unpublished.

111 Manuel Espinosa Yglesias, 'Inflation is the 'main obstacle' to economic development', in the Mexican edition of *American Banker*, March-December, 1969.

112 >> Cont. next page.

On rendering his report as Chairman of the Bankers' Association for the second time, in March, 1972, Manuel Espinosa Yglesias highlighted the problematic international situation and applauded and defended the new government's contractionist policy, with the aim of influencing public opinion:¹¹³

72 Price stability has been, without a doubt, one of the pillars of our recent economic policy [referring to the year 1971]. To a large extent it is what has made our progress possible. To break this stability would be equivalent to breaking the backbone of Mexican development. Nonetheless, prices are rising fast and a real inflationary psychosis is being created. In view of this situation, in order to stabilize prices and markets, the authorities decided to give the economy a breathing space. They decided, specifically, to watch over and limit public spending. It was not easy. It was, above all, the first year of the new administration. There was also a veritable avalanche of complaints and disagreements. I was present on several occasions and must pay my respects to the President, as also to the treasury authorities and the Banco de México. There was one principal aim in mind—to maintain the value of our currency—and there was, fortunately, no argument in favor of steering the country away from that goal [...]. We, the bankers, who handle money and appreciate the importance of it's not losing value, must be in a situation to recognize and value the effort that has been made. We must, in particular, be aware of the personal sacrifice that a policy of this nature implies for the President.¹¹⁴

Nonetheless, as inflation began to take off, Don Manuel saw the black clouds that were gathering and two years later he cast the blame for the rising prices on all sectors, saying:

112 >>The Bretton Woods Agreement (1945) established a regime of fixed exchange rate type, based on the dollar, which in turn was fixed in relation to gold. The break-down of the agreement meant the abandonment of the fixed exchange rate regime and, hence, the unleashing of inflationary pressures.

113 He also announced that he would no longer be occupying any chair on the Board of the Bankers' Association. From the following convention onward, Don Manuel used the occasion each year to present only his personal point of view—and that of the chairman of Bancomer, of course—to public opinion. Manuel Espinosa Yglesias, 'Un año al servicio de la nación y de la banca' in *Nuestro Sistema Bancomer*, April, 1972. Manuel Espinosa Yglesias, *Bancomer...*, op. cit., p. 159.

114 Ibid.

The signs of malaise, disunity and injustice that inflation breeds in even the most firmly established society are everywhere to be seen. We are facing an extremely serious threat, something that we have not experienced in something over twenty years. However [here Don Manuel administers a dose of political tact], now is not the moment for recriminations. In the inflation that is now overtaking us almost all Mexicans have some share of the blame. Private businessmen, for example: by not having invested to the degree that the country needed, and thus giving rise to acute bottle-necks in the channels of supply. The workers: by demanding wages and benefits very much in excess of what their productivity allowed. The public sector: by its spending and its way of financing this spending [...]. The government—so it has announced—will have to reduce its deficit and lay a special emphasis on encouraging those activities that have the greatest productive impact.¹¹⁵

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Two years later, some months before the devaluation of the peso in 1976, Don Manuel said in his traditional meeting with the press in the framework of the National Banking Convention:

To maintain the exchange rate is a basic condition for our development. To devaluate is equivalent to putting the clock back twenty years [...]. Admittedly, we are passing through difficult times, but not desperate [showing again his political tact]. With an effort on the part of everyone, with the confidence and support of the Mexican public, I believe the country can forge ahead. We must work together and trust, not run away and spread despair. We need to persuade ourselves, above all, that we will achieve very little if we do not manage to get inflationary pressures under control. Those who believe that inflation helps development are mistaken [...]. In Mexico in recent years inflation has been

115 Manuel Espinosa Yglesias, 'A jalar parejo: Don Manuel' (declarations to the press during the 40th National Baining Convention), in *Nuestro Sistema Bancomer*, May, 1974.

116 Manuel Espinosa Yglesias, 'Mantener el tipo de cambio es condición básica para nuestro desarrollo' (declarations to the press during the 42 National Banking Convention), in *Nuestro Sistema Bancomer*, May, 1976.

a scourge. In part of course it is something we have imported from abroad, but we also are in part to blame since we have been unable to face up to the challenge of stability. Businessmen, industrial workers, small farmers, government, all of us have some degree of responsibility [...]. This is not the moment, however, to enter into recriminations. What is done is done. What is really important is that we Mexicans, all of us, should unite so as to spare the country even greater evils.¹¹⁶

Unfortunately, this did not happen, and the polarization of society increased during the following months. There were even rumors of an impending coup d'état towards the end of Echeverría's government. But in his address on taking over as President, López Portillo inspired a sense of hope and concord among the different sectors and adopted measures of economic austerity. This renewed faith in the country among many businessmen and especially among the bankers. And so, a few months later, Don Manuel rammed the point home. In his meeting

117 Manuel Espinosa Yglesias, 'Mantener el tipo de cambio es condición básica para nuestro desarrollo' (declarations to the press during the forty-second National Banking Convention), in *Nuestro Sistema Bancarero*, May, 1976.

74 with the press during the 1977 National Banking Convention, Espinosa Yglesias recalled the government's successful austerity policy to control inflation and counter the international financial crisis of 1971:

Moderation was not, unfortunately, to most people's liking. There were lamentations, criticisms, pressures on the government to slacken. Workers, businessmen, farmers, intellectuals, all combined efforts to convince the authorities. The moment arrived when they yielded. The consequences were dire. Inflation, which in 1971 was at 2.7% rose to 45.9% in 1976. The trade gap widened, from one year to the next, from 891 million dollars to 2,732 million [...]. The public sector's long term foreign debt rose from 2,942 million dollars to nearly 16 billion.

And he added:

There are people who maintain that devaluation took place at the wrong time [...]. But this, as became apparent from August last year, is not the point. Devaluation, whether in 1970 or in 1974, would in any case have set the economy out of joint. The point was, rather, to have set in place in good time the corrective measures necessary to avoid it. We put off the remedy for too long and had to pay the price.¹¹⁷

He came to compare the 1977 situation with that of 1971, recognizing that it was worse than the earlier one, and pointed out that the remedy was similar to that which he had suggested in 1971: to control the public deficit and hence inflation. This comparison turned out to be a premonition of what was to come in the following years

heralding in a much severer crisis.¹¹⁸

At that time, Don Manuel still thought that the growth of firms would be made healthier via the plowing back in of profits, and he showed this to be true on a number of occasions. Don Manuel had insisted on this policy, which he adhered to personally all his life, before the shareholders of Bancomer. It was for this reason that it gave him so much satisfaction to see the increase in value of the bank's shares following the fusion of the Sistema Bancos de Comercio into a single institution, together with the Finance, Mortgage, Real Estate and Insurance Companies, in 1977. In his letter to shareholders that formed part of the Annual Report of that year, Don Manuel remarked on his deep pride at having constructed the biggest bank in the country, and at the very attractive profits that the institutional integration had given rise to for all the shareholders. One of these expressed to me his satisfaction in the following terms: 'The benefits brought to us by the merger meant that for us at least there was effectively no devaluation'.

And he (Espinosa) added his immediate purposes:

*Among other things, we have ahead of us two great and delicate tasks to perform: we are already the biggest bank in the country; now it is incumbent upon us to become the biggest bank in the Spanish-speaking world. And we must achieve this further task, of fundamental importance: we must democratize capital to a greater extent, so that the benefit of the profits reaches the greatest possible number of shareholders—shareholders who can be recruited among the institution's own staff (there are already 22,500 of us) and among the public in general.*¹¹⁹

In other words, in 1978 the ambition to grow even more—so as to become the most important bank in the Spanish-speaking world—was already in Don Manuel's mind. At the same time this ought to come about as a consequence of reinvestment of profits and the recruitment of new shareholders, including the bank's own employees. It is interesting that even at a time when most large com-

118 Manuel Espinosa Yglesias, 'Hay solución para la crisis económica' (declarations to the press during the forty-second National Banking Convention), in *Nuestro Sistema Bancomer*, April, 1977.

119 Manuel Espinosa Yglesias, 'Carta a los accionistas', in *Bancomer, S.A. Informe anual 1977. Asamblea General Ordinaria de Accionistas*, Mexico, Bancomer, S. A., 1978.

panies were running up debts,¹²⁰ Don Manuel continued to insist to shareholders that it was necessary to reinvest profits in order to strengthen Bancomer. Barely five months after the nationalization of the banks¹²¹ and the explosion of the debt crisis, in the midst of galloping inflation and the exchange rate devaluation of February, 1982, Don Manuel stated that in April of that year that

the only way to maintain an appropriate relation of capital, that will allow us to keep growing, is the reinvestment of profits. This, in the long run, is the only healthy source of capital.

And he went on to propose to the shareholders a reduced cash dividend, since:

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Mexico needs this kind of sacrifice on the part of companies at the present moment if we are to help our country climb out of the slump into which it has fallen [...]. In these difficult times, our vision must be directed forward to the middle and long terms, in order to act as the present requires of us and to lay the foundations for a stronger and more solid enterprise in the future.¹²²

It is thus clear that—even at that moment that was so difficult for the country and with the possibility of doing the opposite—Don Manuel preached by his own example, by accepting quite low dividends, for the future benefit of the bank and of Mexico.

In his traditional press conference at the last National Banking Convention, held on May 31, 1982, Don Manuel insisted once more on the imperious need to rein in the public deficit as a means of controlling inflation. He stated that this put the government under the obligation to devalue in order to try to maintain employment and avoid the loss of export competitiveness. He added that foreign indebtedness had reached its limit, and alerted to the approaching crisis; and once again, in 1982, he underlined what he had been saying since 1966:

120 Foreign private debt increased from around 2 billion dollars to almost 20 billion between 1976 and 1982. Enrique Cárdenas Sánchez, *La política económica...*, op. cit., p. 116.

121 The expropriation of the Mexican private banks was announced by President López Portillo in his final Government report, September 1, 1982.

122 Manuel Espinosa Yglesias, 'Carta a los accionistas', in Bancomer, S. A. Informe anual 1981. *Asamblea General Ordinaria de Accionistas celebra el 15 de abril de 1982*, Mexico, Bancomer, S. A., 1982.

We must not forget that it is preferable to have partners to having creditors. A partner can contribute money to the country or withdraw if there are no profits, but the creditor demands in a fixed and non-extendible period interest plus the return of capital, and always to the country of origin.

And underlined this conviction with the observation that:

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Foreign debt has reached, according to my criteria, its limits, and repayment represents a heavy burden on the balance of payments itself. At the present moment, and because of a number of circumstances, there is a lack of confidence among foreign banks as regards Latin America and, although, as the Finance Minister has said, Mexico's credit-worthiness enjoys considerable prestige in the world, no person, firm or country can be considered to be in a healthy condition in the long term taking out debts in order to pay interest, and no individual, company or nation can bear a debt that continually increases on account of the accruing compound interest, whatever its good credit status.

And he continues to insist until the end:

With the limitations that have been placed on foreign purchases and the rising value of the dollar, the deficit has been reduced, but the fixed payment of the debt remains, which cannot be reduced unless the foreign debt itself diminishes. I believe that we must replace the debt by direct foreign investment and that this can be done in a conscious way and without losing sovereignty, channeling such investment towards the corporations where, because of our stage of development we have nothing to contribute.¹²³

It is ironic that despite having been practically the only person who publicly advocated foreign investment in preference to foreign debt since the mid sixties, fifteen years later, as a consequence of the country's foreign debt, Don Manuel was to lose Bancomer and an important part of his own patrimony. President López Portillo, in an act of desperation at the financial crisis he faced, tried to cast the blame upon the bankers for his own ineptitude and ill-advised decisions, by nationalizing the banks.¹²⁴

The debt crisis was in gestation from the

123 Manuel Espinosa Yglesias, "Trabajo y confianza, única fórmula para solucionar la crisis. Nadie se arruina por dejar de hacer un 'buen negocio': Manuel Espinosa Yglesias" (declarations to the press during the bankers' convention), in Bancomer, July, 1982.

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1960s onwards and above all from the time of Luis Echeverría's government. Economic conditions became extremely unstable, being of particular note the rising inflation rates and the disequilibria in the balance of payments. This led to the devaluation of the peso on August 31, 1976, after 22 years of maintenance of parity with the dollar, and to a foreign debt at previously unknown levels. Indeed a severe crisis of solvency (which was not acknowledged as such) broke out

78 at the end of Echeverría's period of office. The petroleum boom helped López Portillo's government to escape from the problem with the help of its creditors, and to resume economic growth. Unfortunately, by failing to take the appropriate measures, his sexennium was plagued by inflationary problems and, lamentably, by increased foreign debt culminating in the international debt crisis of 1982. Once more, the presidential period ended in crisis.¹²⁵

The effects of the debt crisis ravaged the Mexican economy and that of Latin America as a whole. From that moment the economy fell into a stagnation from which it has still not entirely emerged a generation later. Once again with a statesman's, rather than a businessman's vision, Don Manuel believed that the problem of the Latin American debt was one affecting both the debtors and the lending banks; it was indispensable to reduce the interest payments. At a dinner offered by Du Pont de Nemours in his honor, in Washington in 1985, Manuel Espinosa Yglesias stated:

It can hardly be doubted that when a bad credit is granted, both parties, debtor and creditor, are acting irresponsibly. The former for not

124 >> It is not known why President López Portillo took this decision with such important repercussions. Some authors refer to the economic crisis caused by the mistaken macroeconomic policies, his desire to carry out a structural change in the economic institutions and put a brake on foreign currency speculation, or by the need to 'reestablish the political power' of the presidency. The most recent analysis can be found in Carlos Bazdresch, *op. cit.*; Carlos Elizondo, *La importancia de las reglas. Gobierno y empresario después de la nacionalización bancaria*, Mexico City, Fondo de Cultura Económica, 2001 and 'La expropiación bancaria veinte años después', in Gustavo del Ángel et. al. (eds.), *Cuando el Estado se hizo banquero. Consecuencias de la nacionalización bancaria en México*, Mexico, Fondo de Cultura Económica, 2005.

125 For a macroeconomic account of this period, see Enrique Cárdenas Sánchez, *La política económica...*, *op. cit.*, cap. 3.

having taken adequate measures to avoid bankruptcy, and the latter for making an erroneous assessment of the debtor's capacity to service the debt.

And he emphasized once more his position, which the banks and governments involved were eventually to make their own (in 1989):

Applying this idea to the very much discussed subject of the Latin American debt, I am sure that you will agree with me that some of those countries will not be able to pay, while others may be able to do so, but only if the interest payments are reduced. This is obvious for anybody who has even a superficial knowledge of the subject of credit. It was almost impossible to have lent money in the senseless way in which it was done without running the risk of bankruptcy. And if the creditors, instead of reducing interest rates, raise them, the ultimate consequence will inevitable be non-payment. Then the banks will be justified in setting up large contingent reserves [...]. This, it seems to me, would almost generate a state of chaos. The banks would abandon Latin America in search of other credit customers, perhaps in the communist countries... Nothing would be more pleasing to the Marxists. As one of their own theorists said a long time ago: 'The capitalists themselves are providing enough rope to hang themselves'. Let us be more open. Let us keep Latin America in better health. The foreign companies are surely interested in making new investments in our countries, but these resources will only arrive if the spectrum of bankruptcy disappears. Prosperity generates prosperity. Prosperity generates growth and dividends, opportunities for business and capital formation¹²⁶

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For Don Manuel, it was essential (and legitimate) to apply debt relief so as to reduce interest payments and thus restart the region's economic growth.

Some years later, in the midst of this situation of stagnation and instability in Mexico, Don Manuel launched severe recriminations against President López Portillo:

He had the opportunity—unique in the history of our country, and this is something I have said before—to pay the whole debt, external and internal, and to leave Mexico one of the best countries in the world. He failed to do so

126 Address delivered at a dinner in his honor offered by Mr. Edward G. Jefferson, Chairman of the Board of Du Pont de Nemours in Washington, D. C., in 1985. Manuel Espinosa Yglesias (no title: speech for the dinner with Du Pont executives), 1985. [Tr. the address was delivered in English, here re-translated from Spanish].

out of ignorance and vanity. It is undeniable that God blinds those who lust after power [...]. I have said it before, and before me it was said by Lenin: if you want to send a country on the path to perdition, debase its coinage. And this is what happened when inflation was set off. Inflation is a scourge of the most needy.¹²⁷

80 In other words, Don Manuel recriminated him with not having used petroleum revenues to pay the debt and thus maintain the economy in a healthy channel. For him it had been clear ever since the 1960s: the enemy was inflation, which must be combated by all means since it could only generate poverty. Everyone had a role to play: the businessman had to invest, the worker and the peasant farmer ought to receive increases in their incomes only in line with their productivity, and the government should restrict its spending of resources in order not to create inflation. Given the lack of additional capital to permit growth, it was preferable to have partners (foreign investment) than creditors (foreign debt), so as to avoid creditors demanding repayment in hard times without concern for the country's particular circumstances at the time. In the case of foreign investment, a bad year would not have repercussions in terms of the exit of foreign currency in the form of dividends.

127 Manuel Espinosa Yglesias, s.t., 1988, p. 2.

128 Manuel Espinosa Yglesias, *Bancomer...*, op. cit., caps. 8 a 11.

It is obvious that time showed Don Manuel to have been correct in his appreciations. What is ironic, as I have already remarked, is that it was precisely the excessive foreign debt, which he had so strongly criticized, that led in the end to the decision, first by López Portillo and later by Miguel de la Madrid, to eliminate him from the scene as a banker and entrepreneur.

He lost a significant part of his fortune and was not allowed to acquire any of the important companies in which he had previously held shares, not even in Bancomer itself, when the institution was reprivatized in 1991.¹²⁸



*Only with democracy, with equilibrium between the powers of the Federation, with respect for the sovereignty of the different states and with checks and balances on the powers of the Federal Executive, will it be possible to ensure compliance with the law and the existence of a truly constitutional state.*¹²⁹

IV. Bank nationalization: the turning point in his life

For Don Manuel, the nationalization of the banks was a point of no return in his life. At the stroke of a pen he ceased to be the majority shareholder in the country's biggest bank. At a stroke, his hopes of seeing Bancomer the most important bank in the Spanish-speaking world were also dashed. His life as a businessman, which had begun in 1930, also concluded that day. The injustice suffered by him (and by thousands of other shareholders) on seeing a large part of their wealth expropriated, with an indemnification at a fraction of the real value of their shares, has gone almost unnoticed. In his case in particular, the treatment administered was worse than that of any other of the bankers who suffered a similar fate. It appears that, by refusing to address the matter—or rather by choosing to ignore it—the aim has been to make him disappear from history.¹³⁰

¹²⁹ Ibid., p. 213.

¹³⁰ For example, in a recent book on the nationalization, the injustice of the robbery suffered by the thousands of shareholders of the banks is not mentioned, nor is there any reference at all to Don Manuel's posthumous book, although he was one of the people most affected and his book one of the few testimonies of the main actors in the drama which exist in writing. >> Cont. next page.

In some of his writings, he himself relates and demonstrates that he had suffered a grave injustice, that the nationalization was in fact directed at him personally, and that the damage was never fully repaired. The injustice was in fact enormous. What actually had a commercial value of between 1 billion dollars and 1.2 billion dollars, was undervalued by the government at 205 million, including the other companies owned by the banks. Already in 1981 the bank's profits had been 157 million dollars, which alone makes the value assigned by the government totally absurd. Moreover, Don Manuel was not even permitted to acquire by means of the indemnification bonds the most valuable banking assets owned by Bancomer, nor to enter into certain firms that he himself had set up, giving preference to around ten small shareholders of the banks. He was only able to exchange his indemnification bonds for assets of other companies; these, besides, had been valued at book value for the purpose of indemnification, but the government sold him the companies at a price several times their book value. For example the government paid 721 million pesos for the indemnification of Seguros Bancomer, while they sold it back to the former bankers for 3,584 billion pesos, almost five times as much. In other words, the government valued Bancomer at between barely 15 and 20 percent its real value and paid for it in indemnification bonds; with these the majority shareholders bought back some of their former companies at a price very much superior to their prior valuation for the effects of indemnification. The government got hold of the banks for a derisory sum. And in Don Manuel's case—he being the most severely affected of all the majority shareholders of the banks—his patrimony was reduced to a mere 10 percent of what it had been.¹³¹

In his posthumous book he relates in some detail what happened, how it happened, and the persons who took part in the events. His account is crude and gives an idea of enormous strength of the government and the little state that really existed, the ease

130 >> See Gustavo del Ángel et. al. (eds.), *op. cit.* It is also notable that President Miguel de la Madrid makes practically no mention in his memoirs of the process of indemnification which his government was responsible for putting into effect.

131 Manuel Espinosa Yglesias, 'Aclaraciones de un grave error que debería ser reparado', 1988 and Bancomer..., *op. cit.*, chap. 9.

with which the law could—and to a certain extent still can—be broken by those in power, leaving citizens without any protection at all.¹³² While this process left a deep impression on his thinking, it left most of his ideas intact. It did not affect his conception of economic affairs, of the role of the state in the economy (to the extent that he continued to concede the state a watchdog role) or on the functioning of the market or its priority over any other form of economic organization, since for him it was still the most efficient and productive mechanism. Nor did the nationalization have any impact on his ideas concerning the relation with the labor factor (policy on distribution of profits, treatment of seniority at work, back pay after a strike, etc.), on inflation as the enemy to be overcome, borrowing as a complement to capital and one always less desirable than foreign investment. Nor did it affect his philanthropic vision, his outlook on the importance of education and the social sense of the activities of companies.

Rather, the nationalization of the banks marked him in another sense. On setting a definitive break with the government, it gave him back his liberty to say things without having to be excessively

careful and enabled him to leave aside his political ‘tact’. Besides it added a new ingredient to the subject matter of his public expressions. It is not that while he was a banker or man of the cinema his declarations and his postures were different to those he expressed later, above all concerning the economy; rather, what happened was that now he could make known his opinions with greater freedom, more bluntly and directly, and it was certainly only after the nationalization that he began to broach political matters.

Don Manuel always appreciated being able to express himself freely and it was for this reason that he decided to leave the Executive Committee of the Bankers’ Association in 1972.¹³³ This enabled him

132 The bankers had no opportunity to apply for amparo. The judicial authorities sentenced that as a consequence of nationalization, the bankers lost their legal personality and so were not entitled to the remedy of amparo. Manuel Espinosa Yglesias, ‘Aclaraciones...’, *op. cit.* Carlos Abedrop Dávila, ‘La expropiación bancaria. Testimonio,’ in Gustavo del Ángel et al. (eds.), *op. cit.* pp. 139-143.

133 During the years of economic growth, the leading group of businessmen—a privileged delegate in conversation with the government and its closest ally—had been that of the bankers. Cont. next page >>

to offer his own press conferences, to speak his own mind, but still to exercise a considerable weight over public opinion. It is true that he continued to exercise political tact—after all he was still chairman and director of the country's most important bank; but he was no longer chairman of the Bankers' Association, nor even one of its representatives. After the bank nationalization this freedom of expression became absolute, although he decided to withdraw from the public sphere for some years, especially while he was struggling to win back Bancomer and was negotiating for a fairer deal subsequent to expropriation—which, of course, was never afforded him. After nationalization, if he wished, he could speak freely and enter upon areas that previously he had avoided touching. Likewise, in reaction to the injustice to which he had been subjected on receiving only a fraction of his capital in indemnification, his rebellion acquired an additional zest.¹³⁴ He continued to be a public figure with a broad and vociferous representation in several of the country's social entourages, but one now spurred on by the frustration of wrongful dispossession. The nationalization of the banks had relieved Don Manuel of his share in responsibility for what went on in Mexico. He had become, rather, a spectator who had certain strings to pull and the capacity to make his voice heard, although now from a strictly private position. In short, Don Manuel had become an independent thinker although one with a considerable political impact, and no subject was now beyond the reach of his comment.

It took him several years to return to the public stage; this happened after the conclusion of the process of indemnification of the banks.¹³⁵ Of course, his first central subject was the economic, legal

133 >> Carlos Abedrop Dávila, 'La expropiación bancaria. Testimonio,' in Gustavo del Ángel et. al. (eds.), op. cit. p. 150.

134 If one combines the low figure for indemnification with the high price which was fixed for the non-banking assets, Don Manuel lost 90% of his capital. Manuel Espinosa Yglesias, Bancomer..., op. cit., pp. 181-182.

135 To this injustice was added the veto he suffered against his competing for ownership of Bancomer when the banks were reprivatized, although in fact he did make a bid in order not to lose the deposit. Guillermo Ortiz, then undersecretary for Finance, states that Don Manuel did not succeed in becoming the new owner of Bancomer because his bid was the lowest. Cont. next page >>

and political analysis of the nationalization. He stressed the fact that the government had acted above the law and that it had used two weapons to carry out this violation. The first was the actual use of military force when it sent the army to surround the banks' offices in order to deny access to officials and employees and prevent them collecting even their personal belongings. The second, the use of the other two branches of government, which, without the least remorse, allied themselves with the President, accepting the role of accomplices to the Executive. The Federal Congress modified the Constitution in just a few days, as did also the local congresses, approving the changes immediately. As for the Judicial Branch, it failed to allow any legal remedy to impede the expropriation, acting far beyond the provisions of the law.¹³⁶

This reflection naturally led to an emphasis on the importance of the genuine separation of the three branches of government—with particular reference to the independence of the judiciary—and thus of the balance of powers, so that each branch might act as a sufficient counter-balance against the others particularly in their relations with private citizens. Don Manuel wrote in 1988:

For the rule of law to exist in a country two things are necessary. First that the actions of all public officials, and particularly those of the highest level, should be strictly in accordance with the laws; in other words, that the will of the governors alone should not be sufficient to impose modifications in the laws. Secondly, that a judicial authority should exist capable of overruling the actions of public officials, even those of the highest level, when such actions contravene the law.

135 >> Guillermo Ortiz Martínez, *La reforma financiera y la desincorporación bancaria, una visión de la modernización de México*, México, FCE, 1994, p. 296. Don Manuel relates that José Córdoba, principal advisor to President Salinas and Guillermo Ortiz informed him that he could not recover Bancomer nor set up the trust with the former regional board members in order to make the attempt. Manuel Espinosa Yglesias, *Bancomer...*, op. cit., pp. 200-205.

136 Manuel Espinosa Yglesias, *Bancomer...*, op. cit., chaps. 7 and 8. A similar opinion has been voiced by Carlos Abedrop, who was at the time chairman of the Asociación de Banqueros de México. Carlos Abedrop Dávila, 'La expropiación bancaria...', op. cit. Carlos Elizondo also studies this case and stresses that the president still has excessive discretionary powers in respect of expropriations of private property. Carlos Elizondo, *La importancia...*, op. cit.

There is no possibility of a constitutional state existing when the equilibrium or coordination of the different branches of the state is lacking. The rule of law is impossible when the will of the Executive is above the decisions of the Legislative and Judicial branches; when it is that will that gives substance to the law. The reason for being of the constitutional state—or what makes its existence necessary—lies in the need to offer an objective regime of security to the governed: security in the sense that the actions of the governors should be always in accordance with the law; security that the latter should not be merely the outward form of the autonomous will of a single supreme ruler; finally, security that, in the case of governors violating or attempting to violate the law, an effective judicial control should exist that annuls or prevents this kind of illegal action. When such security does not exist, the credibility of government, and confidence in it, disappear.¹³⁷

For this reason, because of the bank nationalization and the blow this administered to the relation between the private sector and the state, some analysts, such as Carlos Elizondo, now consider that the government distanced itself enormously from a large sector of the country's entrepreneurs, and that this was what led to the appearance of new political groupings, one of which was led by Manuel J. Clouthier, and which led, years later, to the defeat of the PRI in the elections of 2000.¹³⁸

Manuel Espinosa Yglesias also criticized the party in power in that all-important year of 1988. Due to the hard-fought elections between the three main parties, and the highly suspicious nature of the results (severely questioned by the general public following the 'collapse of the computational system') which returned the PRI to government once more under president Carlos Salinas de Gortari, many of the weaknesses of the regime became more than evident. Don Manuel wrote an article on the 1988 elections in which he underlined some of them. From the outset he states:

137 Manuel Espinosa Yglesias, 'Un Estado de derecho, del que mucho ha hablado el presidente Miguel de la Madrid', 1988 (before December).

138 Carlos Elizondo, 'La expropiación bancaria...', *op. cit.*, pp. 135-136.

The electoral process of 1988 has been a landmark in the contemporary history of Mexico as representing the rejection of the governing party by a large section of the public. At a time when most of the population is assailed by economic un-

certainty or the ever more accelerated dwindling of its purchase power, we find ourselves in a situation that implicitly involves a visible transformation of the prevailing social structure. The discredit into which the Partido Revolucionario Institucional has fallen is so palpable that it has actually become normal for its own party members to refuse to disown it, as is shown by the fact that on assuming power the new President is criticizing the administration of his predecessor, although out of institutional modesty he refuses to revoke those actions from which he dissents. That is to say that continuity does not lie precisely in a project of government, but in the party's perpetuation in power.¹³⁹

And further on he continues his criticism of the pri referring to its reluctance to give up power:

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Nowadays, to speak of democracy in Mexico is ridiculous. The PRI's 'brains' often claim that the remaining parties lack sufficient people to govern. I do not know how they can say that, after the mess to which they themselves have brought the country. It is enough to look at where we are now. In 1910 Porfirio Díaz did not wish to recognize that the people no longer needed him. Is the same thing happening to the PRI? The Partido Revolucionario Institucional has to change its system radically, or it will disappear. A prominent politician once said to me that power is not lost except by force. I believe it can also be lost as a consequence of the evolution of a people. When the public sees no change nor glimpses solutions in the offing, its governors lose credibility. This is what is happening in Mexico. The people no longer believe in their government.¹⁴⁰

Thus for Don Manuel government was synonymous with the constitutional state, the rule of law, where nobody, not even the President of the Republic could be above the law. Democracy also meant a balance of powers, that the abuses of one branch should be corrected by the others. And this modern vision of the state had to be accompanied by the possibility of criticism, the possibility of dissenting and struggling against intolerance:

It has been alleged that social justice is incompatible with being born in a bourgeois milieu. This is merely the skepticism of our times. It is impossible to renounce the critical tradition of the West. It is impossible to reopen the dungeons of the Inquisition or return to the me-

139 Manuel Espinosa Yglesias, 'Acerca de las últimas elecciones presidenciales', 1988.

140 Ibid.

dieval theocratic state. The only effective weapon against orthodoxy is criticism, in order to denounce intolerance and fanaticisms. Criticism exercised with firmness and lucidity is the inalienable patrimony of us all.

Don Manuel concludes thus, at the end of his essay on the elections of 1988, in the full and unimpeded exercise of his freedom of opinion and his wish to influence his fellow citizens. 89



*I hope that in the following decades, Mexico will achieve a genuine democracy, will forget about saviors and caudillos, set up a truly constitutional state, pay its debts, privatize its business corporations, do away with its obsolete laws, and decide, through its work, to form an active part of the world.*¹⁴¹

V. His agenda of pending matters and proposals

His last years were a time of reflection for Don Manuel Espinosa Yglesias, who set forth his thinking in his book about Bancomer. In the final chapter he drew up a list of matters or proposals that, in his opinion, remained to be attended to, and that marked some of the central points on the agenda that lay before the country. In the first place, he referred to the need to avoid the repetition of outrages like the bank nationalization, with its enormous impact on the population through several generations. He therefore states that:

141 Manuel Espinosa Yglesias, *Bancomer...*, op. cit., p. 226.

142 Ibid., pp. 212-213.

Our collective destiny cannot depend on a single man [...] who determines the direction of our economy; who decides what belongs to whom, how much, in what way, and who designates what public money is to be spent on [...]. The power of our presidents has been out of proportion and often arbitrary [...]. The first thing every president does, on taking up his mandate, is to reform the Constitution which, shortly before, he had sworn to respect and obey. The problem is not restricted to law... What we need is nothing less than democracy. Only with democracy will it be possible to have good, just and permanent laws.¹⁴²

He insisted on the fact that only through the counterbalancing of the three branches of the state, so that each acts as a check on the other two, and with limits upon the powers of the Federal Executive, could compliance with the law and a constitutional state be achieved. And in view of the importance of democracy and the constitutional rule of law, Don Manuel affirmed that it was likewise incumbent upon the parties to behave in an appropriate way, on the basis of their convictions and their real political platforms. Speaking of the need to open the electricity and petrochemical sectors to private investment, he found it worrying that despite the clear determination of President Zedillo to give impulse to the relevant legislative changes, it was impossible to actually achieve them. Then he launched the following recrimination against the PAN: 90|91

143 *Ibid.*, pp. 212-213 and 222.

144 *Ibid.*, p. 215.

*It is particularly surprising that Acción Nacional's deputies, representatives of a party that is fully aware of the importance of privatizations, have not placed their votes at the disposal of this effort. That they have not done so is as absurd as if the PRD were demanding the privatization of PEMEX.*¹⁴³

He goes on to emphasize the importance of developing an intense relationship with the United States and of opening the country to the world. He pointed out that in spite of the dislike and resentment that many Mexicans feel towards their neighbor across the Rio Grande, it was necessary to set the relationship on firmer foundations,

*so as to draw benefit from our fortunate proximity [...]. Both nations have more to win than to lose from a clear and honest association, free of deceit, in which each side should hold to its promises and not seek to take unfair advantage of the other. The rules of a beneficial and lasting association with the United States are not only simple; they are also the same rules that pertain between any two individuals who wish to go into business together, or between any two civilized nations—not to lie to each other, not to try to pull the wool over each others eyes; to avoid corruption; to recognize one's own mistakes; to be honest and punctual; to understand that the associate is not a competitor but a companion and a friend.*¹⁴⁴

In relation with economic growth and development, he once more

insisted on the weight of debt on public finances. Every peso spent in servicing the debt is a peso that is no longer available for investment. Thus Don Manuel affirmed that:

The situation could not be more critical. This is so, primarily, because the debt represents the greatest obstacle to our development. The resources destined to servicing the debt are the same ones that we need in order to grow. Without them we will continue to be imprisoned in our underdevelopment [...]. In a country as poor as Mexico it is absurd to spend the little we have on debt servicing. Debts are a privilege reserved for the rich.¹⁴⁵

92 And he added that it was necessary to go ahead with the privatizations, but with due attention to two aspects: that the assets be sold at the right price and to the right customer. He criticized the fact that the problems of privatization had been caused by failing to attend to one or other of these two factors, and gave as an example of a good privatization that of Teléfonos de México. In relation with the banking system, he stated:

The reprivatization of the banks had dire consequences because, aside from the fact that the banks were in a bad state, [the government] forgot that the price had to be right.¹⁴⁶ The privatization of other companies—as was to some degree the case with Altos Hornos—failed because the fact was overlooked that the buyer ought to be adequate to the task: it is absurd to sell a company to someone who has, himself, to take out an excessive debt in order to acquire it.¹⁴⁷

This last phrase was also applicable, although he refrained from saying so, to the privatization of the banks, in which many of the purchasers had to go into debt in order to buy the banks at exorbitant prices. The government did not realize that selling the banks at such a high price undermined the whole financial system, which was a direct cause of the crisis of 1994-1995. The

145 Ibid.

146 Guillermo Ortiz, then undersecretary at the Finance Ministry and the person in charge of the reprivatization, boasted about the high price obtained for the banks (3.068 times their book value, when in the United States and Europe the proportion is 2.2, according to his own figures). In the specific case of Bancomer he remarked: 'Today (1993) the Vamsa group, headed by Eugenio Garza Lagüera and Ricardo Guajardo Touché, has shown that the repurchase value of Bancomer was more than Don Manuel imagined'. Guillermo Ortiz, *La Reforma Financiera...*, op. cit., pp. 242 and 342-343.

147 Manuel Espinosa Yglesias, *Bancomer...*, op. cit., p. 221.

debilitated banks were an easy prey to the crisis and this situation led to the eventual absorption of the Mexican banking system by foreign institutions. Don Manuel also referred once again to the need to change the labor legislation:

Industry and services have grown much less than might have been the case if our employment legislation did not defend indolence, unproductiveness, incompetence. Except for a few outstanding exceptions Mexican companies have not become competitive in an international sense, because they have had to assume the burden of a working population that enjoys all the rights and is generally not aware of, or has forgotten, its obligations. With a law that protects the workers as if they were children or mentally defective, and trade unions prepared to defend them in against well founded accusations of irresponsibility and idleness, our workers have had no incentive to make an effort, to be more productive and capable, to be more competitive. The first to feel the harm have been the firms, but in the long run the country as a whole has suffered since, as a result of the incapacity of the productive, commercial and financial apparatus to develop at a reasonable pace, there has been a shortage of jobs, wages and salaries have not kept up, and poverty has increased drastically.¹⁴⁸

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Finally he concluded his list of 'pending matters' with a warning to his fellow businessmen:

I am convinced that we businessmen are also to blame. We have not been worthy of ourselves or of our country. Mexico's advance and its modernization would have gone ahead at greater speed and more smoothly, with less interruptions and deviations, if we had organized ourselves seriously long ago in order to defend our ideas [...]. Until now we have believed that our social function was fully satisfied if we paid our taxes on time, stimulated employment and paid decent wages. All this is important, of course, but it is not enough: the businessmen the country needs from now on will have to be, at the same time, seriously committed to the struggle against marginalization and poverty; they will have to admit that the development of the company runs parallel with that of education, especially higher education; they will have to understand that only by helping the destitute, promoting health and favoring culture, only through serving human well-being, will wealth have any meaning.¹⁴⁹

148 Ibid., pp.
223-224.

149 Ibid., pp.
224-225.

This series of pending matters is interesting not

only as an agenda for the Centro de Estudios Espinosa Yglesias. Somehow his autobiographical book on Bancomer was his last vision of contemporary Mexico and the tasks still to be carried out. In the first place, it is important to stress that he devoted his last chapter to his 'final ideas', that is to say, to those matters that seemed fundamental to him at the time of his death. All the 'pending' matters sketched out there had already been dealt with before in one or another written text or public speech. They were not really novelties. The important thing about them is that he chose these, and not others, from the enormous variety of questions that the country had to resolve. In the second place, Don Manuel showed a genuine concern for Mexico until his dying breath. He knew he had little time left, that his life was coming to an end. Nonetheless, he devoted a significant part of his final effort to summarizing his experience and his vision of the country he wished his children and his grandchildren—and all Mexicans—to enjoy. He never ceased to feel concern for his country. He had a full life, crammed with experience and courage, and he wished to share it until his last moment.



VI. Conclusions

The evolution of Manuel Espinosa Yglesias' thought manifests certain features that enable us to establish a conceptual framework and lay the foundations for the activities of the Research Center that bears his name. From his thinking, one notices first of all the importance of the fact that an institute such as this one has come into existence. Its very reason for being is based not only on the thought of Don Manuel, but on his actions throughout his life. The function of the CEEY is principally to study, analyze and disseminate the ideas and proposals concerning public policy generated by its researchers and other persons friendly or affiliated to the Center. Don Manuel himself engaged in this kind of activity for many years, particularly from the 1960s onward. He did so because he regarded it as important to defend his own ideas before society, not only for reasons of personal consistency but in the hope of seeing them put them into effect when it became necessary.

To promote what one considers to be best for the country, with the aim of guiding public opinion and influencing those who make the decisions, is essential. But the objective is not to influence for personal, group or institutional advantage, but out of a genuine

interest in the general well-being. To express one's own ideas is, as Don Manuel would say, an inalienable right of all people. Everybody has the right to exercise criticism, and what better than that such criticism should be well founded and aimed at serving the collective interest. Besides, if there is no discussion of different and opposing ideas—no matter how irreconcilable they might appear—it is all the more difficult to advance in the construction of a better future. If we all had the same point of view, it would be more difficult to enrich our vision of the world, and more difficult also to achieve respect for the thinking of others. Tolerance is an essential value in contemporary society. For the expression of ideas, the highest degree of independence, the greatest possible liberty is required. There should be no prior commitments or agendas that limit the freedom of expression and opinion. For this reason the CEEY is only prepared to accept donations that do not condition the results of the research or the right to publish them.

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Now the center has been set up, what is its ideological frame of reference to be? What should it take for its field of work? What kind of problems—of all those that affect the country—call for attention or study in greater depth? A first lead line is to be found, once again, in the legacy bequeathed by Don Manuel. For him, the most important thing was economic growth giving rise to the generation of employment, of well-being. This was the best, the only, way for the country and its population to advance. At the same time, it is the way in which the genuine—the legitimate—entrepreneur achieves fulfillment. For a businessman, as Don Manuel would say, the greatest pleasure is the generation of new jobs, for this generates social well-being. Otherwise, what good is wealth? Thus sustained and permanent economic growth is essential; and the existence of opportunities that facilitate and promote social mobility is also essential. Only thus can poverty be eradicated and income distributed. But if economic growth is accompanied by inflation, Don Manuel argued, not only is wealth not distributed but poverty is actually deepened and extended. Poverty affects the poor most and unhinges the economic system. Thus fiscal discipline and permanent stimuli to the formation of capital are necessary: in order to grow it is necessary first to invest, to accumulate the capital that generates job op-

portunities and well-being. Given that Mexico has little capital and is on the other hand abundant in its workforce, it is thus necessary first to foster saving among the general public and then to attract the capital needed to complement this saving from abroad. For this to happen there must be legal certainty, stability and attractive profits. Thus the market mechanism is regarded as the most suitable for facilitating economic growth and the distribution of resources. It follows likewise that social well-being through the generation of employment, productivity, the development of infrastructure, fiscal discipline, competitiveness and economic openness must be part of the initial agenda of the CEEY. A corollary to this result, contributed by the founders of the Center, and to some extent by Don Manuel himself, thus includes socio-economic development and particularly social mobility.

But while the market is the best mechanism for organizing the economic process, Don Manuel did not believe that this should be so to the exclusion of all else; and this is an important ideological point that is taken up by the research center. The government ought to use its instruments to improve the general well-being, not that of individuals or particular groups. It is reasonable to establish an industrial policy, for instance, in order to take the best advantage of the country's resources. This must be done respecting the principles of the market, even when it might imply a degree of intervention by the state. For example, subsidies are acceptable in extraordinary circumstances if they improve the mechanisms of the market, are supported by the said mechanisms, and are directed at remedying excessive social inequalities. Don Manuel considered that competitiveness and productivity are the motors of growth, and so adequate incentives ought to exist for the workforce, for the labor factor. In the same way, public corporations, if they exist, should be managed in the same way as private concerns, with sufficient profits to attract capital and investors. And any reprivatization should be carried out with care to find the right price, the ideal buyer and to ensure the existence of institutions strong enough to ensure respect for the established rules of play. Here as before, the sale does not necessarily have to be to the highest bidder, as might seem to be dictated by simplistic pro-market premises. As will be clear, then, the central

ideology is liberal, but moderate. It also follows that subjects such as the employment market, the publicly owned corporation, reprivatizations and the deregulation of the market must form part of the first research agenda of the CEEY.

Mexico does not exist in a vacuum. It shares a long frontier with the most powerful economy of the world. Don Manuel argued that our relation with the United States ought to be liberated from atavistic reactions, the burdens of history, so that the best ways can be found to exploit the advantages of neighborhood. This proximity involves matters that will not cease to be important for a long time to come, and which were visualized by Don Manuel: for example, the migration in all its facets, trade and economic interaction, tourism and the attraction of capital, all of which are matters that should be approached in a framework of mutual respect, mutual confidence between nations. Similarly, Don Manuel's life was deeply involved with education, for he regarded this as an ideal area for accelerating personal development and facilitating that of firms. His devotion to the Universidad de las Américas at Puebla left the indelible imprint of his interest and conviction regarding the importance of education. The founders of the CEEY agree that education is one of the matters that are essential for sustained economic and social development. It is also one of the important factors that facilitate social mobility and cultural development. The awareness that we live in a multicultural world and that education constitutes the underpinning of tolerance, respect for other people's ideas and the opening to other ways of thinking also is an important element in the Center's approach.

Another priority considered by Don Manuel in the final chapter of his book on Bancomer was that of ensuring respect for the constitutional state. His definition was centered on the equilibrium of powers within the Republic, on the need for checks and balances and the real effect of law. His experience with the bank nationalization made this need amply clear in view of the outrages that become possible when one branch of the state wields an overriding power above the others. Since Don Manuel wrote his book, a number of years have passed in which this aspect has improved in Mexico. Nonetheless, there are still cases that show that, despite the separa-

tion of the three branches, the complete effect of the rule of law is still not guaranteed. In the final analysis, what counts is that all citizens are in practice—and not just in theory—equal before the law, and this is still far from being reality. Likewise, the struggle against impunity and the guarantee of citizens' physical and legal security, which entails the imparting of justice in an effective and expedite manner, is a subject that is closely linked to the correct operation of the constitutional state. For this reason the founders of the CEEY have added these subjects to the Center's research agenda.

100 And among these new topics related to public policy are others that refer expressly to the accountability of public officers and institutions to society and to individual citizens. Even if the separation of powers really exists, this does not necessarily guarantee that the interests of citizens are perfectly taken into account by the state. And if the constitutional state is a reality, to what point are public policies effective that are promulgated for the genuine benefit of society and not of private persons or interest groups? To what point do public servants and citizens' representatives work for the benefit of society and look after collective interests, avoiding the fostering of individual and group privileges, eschewing decisions based on party interests, often with a short-term vision? These kinds of concerns, which go a little beyond what Don Manuel mentioned in his programmatic testament, are very much present in the minds of the founders of the CEEY and have thus also been included in the work agenda of the new institution.

The CEEY conceptual framework—a complete account of which is to be found on the jacket flaps of this book—thus proceeds, in its central aspects, from the thought and experience of Don Manuel Espinosa as entrepreneur, as statesman and as philanthropist. The range of ideas is also nourished by the thought of its several founders, their particular experiences and their vision of the future. This combination of points of view, based on the actions of a person of key importance for understanding twentieth-century Mexico, constitutes a solid foundation for the beginning of the activities of Centro de Estudios Espinosa Yglesias.



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The following chronology has been compiled with the collaboration of Ángeles Suárez del Solar, who is in charge of organizing the Manuel Espinosa Yglesias Archives, in the keeping of the Centro de Estudios Espinosa Yglesias, A.C.

Biographical Chronology

- 1542** Rodrigo de Espinosa, first member of the family of whom we have any record, establishes in Puebla the first glass works to exist in the Americas. (Espinosa Y., 11)
- 1865** Birth of Ernesto Espinosa Bravo, father of Manuel Espinosa Yglesias. (Espinosa Y., 11)
- 1875** Birth of Guadalupe Yglesias, mother of Manuel Espinosa Yglesias (Archivo MEY: Cronología)
- 1885** Ernesto Espinosa Bravo qualifies as surgeon and obstetrician. (Águila, I: 5)
- 1900** Inauguration of the Gran Hotel, followed later by that of the Hotel Inglés, in the city of Puebla, both owned by Ernesto Espinosa Bravo. (Águila, I: 9)
February 1
- 1905** Ernesto Espinosa Bravo becomes mayor of the city of Puebla. (Espinosa Y., 12; Águila, I: 5)
January 4

- 1907** Marriage of Ernesto Espinosa Bravo and Guadalupe Yglesias, parents to be of Manuel Espinosa Iglesias. (Águila, I: 10)
July 27
- 1908** Inauguration of the Variedades theater, the biggest in Mexico, owned by Ernesto Espinosa Bravo, in the city of Puebla. (Espinosa Y., 12) 106|7
October 31
- 1909** Birth of Manuel Espinosa Yglesias, second of six children, in Puebla. (Espinosa Y., 11; Águila, I:10)
May 9
- 1910** Founding of the Compañía Telefónica del Comercio de Puebla, by Don Ernesto Espinosa Bravo and other associates. (Águila, I:18)
March 16
- 1920** Manuel Espinosa Yglesias finishes primary school (la Nueva Escuela) and enters the Colegio del Estado. (Archivo MEY: Cronología)
- 1922** The Variedades theater is burnt down, probably as a reprisal on the part of the governing party (the 'agrarian' party), against Don Ernesto for his participation in the launching of the 'green' party, in opposition to the current administration. (Espinosa Y., 12; Águila, I:14-15)
January 22
- 1923** Reinauguration of the Variedades theater. The rebuilding of the theater had required considerable financial efforts on the part of Don Ernesto Espinosa, who sold everything he had rather than oblige the tenant to accept responsibility for the works. Manuel Espinosa collaborated by handing over the profits he had obtained from the advertisements on the theater curtain, a business he had been handling since a short while before, at the tender age of eleven or twelve. The establishment was transformed from a conventional theater into a cinema. (Espinosa Y., 13; Águila, I:16; II:2, 5, 8)
February 8

- 1928** Ernesto Espinosa Bravo sells the Compañía Telefónica de Comercio de Puebla, which at the time operated 900 telephones, for 180,000 gold pesos and 50,000 silver pesos. The young Manuel Espinosa Yglesias had been working for this company. (Espinosa Y., 13; Águila, I:18, 20)
- 1928** Manuel Espinosa Yglesias continued working for the Compañía Telefónica y Telegráfica Mexicana which had bought out his father's telephone company, but was transferred to Mexico City. Due to what he described as the disorganization of the purchasing company, he returned to Puebla and went to work as a charge hand in the granary of the Veramendi family's Pastejé hacienda. (Águila, I:20, 22)
- 1929** At his father's request, Manuel Espinosa Yglesias returns to Puebla to take charge of the family businesses. (Archivo MEY: Cronología)
Dec. 22
- 1930** Manuel Espinosa Yglesias takes control of the family businesses, at the heart of which was the film exhibition business, comprising the Variedades cinema in Puebla and theaters at Apizaco, Tehuacán, Teziutlán and Oaxaca, plus a distribution circuit, operating mainly in the states of Puebla, Oaxaca, Tlaxcala and de México. (Águila, II:13, 14; III:2)
January 1
- 1930** First screening in the Variedades cinema of the film *Sombras de gloria*, which was the first talkie to be made in Spanish in the United States. This was the last screening at which Don Ernesto Espinosa Bravo was present. (Espinosa Y., 15)
March 16
- 1930** Death of Manuel Espinosa Yglesias' father. (Archivo MEY: Cronología)
March 30
- 1932** Foundation of the Banco de Comercio, S.A. by Don Salva-
March 30

dor Ugarte and some friends of his including Raúl Bailleres, Mario Domínguez, Ernesto Amescua and Liberto Senderos (the BUDA group). The company began trading with a joint stock of \$500,000.00 (Mexican pesos) and 17 employees. (Espinosa Y., 31-32, 34; Águila, VII: 7, 12)

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1934
January
24 Establishment of the Banco Mercantil de Puebla, S.A., as a subsidiary of the Banco de Comercio, S.A. (Espinosa Y., 35)

1935
December At the request of Don Salvador Ugarte, William Jenkins becomes one of the main shareholders of the Banco Mercantil de Puebla with the aim of saving the subsidiary from bankruptcy as the result of a fraud. (Espinosa Y., 35-36)

1936 Manuel Espinosa Yglesias visits the Metro Goldwin Mayer company in New York and discovers the real dimensions of the capital handled in film production in the United States, explaining the need of producers to conquer enormous markets. (Águila, III:15 - 16; Archivo MEY: Cronología)

1936 After resolving a series of difficulties, taking measures to strengthen the cinema business and to adopt effective growth strategies, Manuel Espinosa Yglesias began to finance Mexican film producers, as in the film *Allá en el Rancho Grande*, in which he joined forces with those Mexican exhibitors who proposed to 'liberate themselves from the economic pressure imposed by the distributors of foreign films'. (Águila, III:11 - 14)

1939 Building of the new Coliseo cinema, of the Espinosa Yglesias family, in response to the appearance of new cinemas, in Puebla and in other states of the Republic, belonging to the entrepreneurs Jesús Cienfuegos and Gabriel Alarcón. (Espinosa Y., 17)

- 1940** Guillermo Jenkins goes into association with the Espinosa Yglesias brothers to form the company Ultracinemas de México, S.A. The Espinosas contribute 25,000 pesos and Mr. Jenkins—who also lends them 1.2 million pesos—a similar sum. With the first installment of the loan they begin construction of the Variedades cinema in Guadalajara. Shortly afterwards, Manuel Espinosa Yglesias sets up the company Cines de Puebla, S.A., with its two halls, in the city of that name, and offers William Jenkins half of the shares in the new company in exchange for writing off the debt he had with him, so that the two associates remain as partners on an equal footing. (Espinosa Y., 18; Águila, III:24, 25; IV:4)
- 1940** Inauguration of the Variedades cinema in Guadalajara; together with the Coliseo at Toluca, these were the first movie halls acquired by the Espinosa Yglesias brothers in partnership with Mr. Jenkins. (Águila, II:25-26; III: 26)
- 1940** Manuel Espinosa Yglesias marries Amparo Rugarcía. (Águila, IV:3)
- 1940** Building of the Coliseo cinema is completed next door to the Variedades in the city of Puebla. (Águila, IV:3, 4)
- 1941** Jesús Cienfuegos, another operator in the cinema business in Puebla, is murdered by an unidentified assailant in the city of Puebla and shortly afterwards, Manuel Espinosa Yglesias is threatened by a local government official with an allusion to the death of Cienfuegos. After a brief stay in Mexico City as a measure of precaution, Manuel Espinosa and his wife return to Puebla. (Águila, IV:7-8)
January 6
- 1941** Birth of Amparo, first child of Manuel Espinosa Yglesias, followed by Ángeles, Manuel and Guadalupe. (Águila, IV: 9; Espinosa R., 16)
April 30

- 1941** Opening in Mexico City of the Merced and Paraguay branches of the Banco de Comercio, S.A. (Espinosa R., 33)
- 1942** The Espinosa Yglesias brothers decide to sell to William Jenkins their half of Ultracinemas, due to the murder of Cienfuegos. Jenkins refuses but offers Manuel a loan in order to buy out his brothers, which leaves him with a half share of Ultracinemas. (Águila, IV:9) 110|1
- 1942** Foundation of the Banco Cinematográfico, S.A., with (beginning) 10% government capital (from the Banco de México and Nacional Financiera), the rest being private, among the shareholders being William Jenkins. (Águila, IV: 11)
- 1942** Manuel Espinosa Yglesias becomes a director on the first governing board of the film production and distribution company Grovas, S.A. de C.V., set up by the Banco Cinematográfico, announced as 'the most powerful cinematographic company in Latin America'. (Águila, IV:12) (beginning)
- 1942** William Jenkins swaps his shares in the Banco Mercantil de Puebla for those of the Banco de Comercio, on the proposal of the directors of the latter, who wished to acquire full control of their subsidiary. On his own decision, Jenkins would not attend the shareholders' meetings and when necessary would be represented by some person designated by Don Salvador Ugarte. (Espinosa Y. 36-37)
- 1943** With the aim of eliminating a possible strong competitor in the film exhibition field, Manuel Espinosa Yglesias acquired, in William Jenkins' name, the shares held by Adolfo Grovas in the Banco Cinematográfico, by means of which Jenkins simultaneously gained control of the Bank and the Compañía Operadora de Teatros, S.A, (owing to the fact that he had direct shares in the operating company while the bank also held 25% of COTSA shares). Later, Mr. Jenkins gained complete control of COTSA when he

sold his shares in Banco Cinematográfico to the government in return for the share held by the bank in the film exhibition company. (Espinosa Y., 20-22 and 25; Águila, IV:20-26)

- 1944** Manuel Espinosa Yglesias takes over management of COTSA accepting the challenge of rescuing the operating company from its loss-making state in exchange for a percentage of the shares, and sets about expanding its activities throughout the country. A new strategy introduced by Don Manuel reaps large profits. (Águila, IV:26 a 29)
- 1940-
c.1945** The Espinosa Rugarcía family moves to Mexico City. (Águila, IV: 30)
- 1946** Introduction of professional training courses in banking
March 1 in the Banco de Comercio. (Archivo MEY: Cronología)
- 1945-
1946** Manuel Espinosa Yglesias takes over management of the refinery at Atencingo, in the state of Puebla and coordinates the sale of the property, which was bought by various associates, among them Espinosa Yglesias himself and Lorenzo Cué. 'Government control of the price of sugar and the local state of unrest' had convinced William Jenkins to rid himself of the refinery (which in the late 1930s was a 'center that represented the spinal column of a sugar-producing giant' and which had managed to resist to its favor the agrarian land-redistribution reform of 1938). (Águila, IV:29; V: 1-3, 19-21; Archivo MEY: Cronología)
- 1948** Don Manuel swapped his shares in Atencingo for those of Lorenzo Cué in Operadora de Teatros, thus attaining 75% of the holding in the operating company, while maintaining his holding in the firms linked to it, in which William Jenkins was majority shareholder. (Águila, IV:29-30; V:21)

- ca. 1940-
ca. 1950** Establishment in Mexico of national institutions related to the cinematographic sector, such as the Cámara Nacional de la Industria Cinematográfica, with Manuel Espinosa Yglesias as one of its founders. (Águila, IV:12)
- ca. 1949** The Banco de Comercio is the first bank to arrange that a check can be cashed in any of its branches. (Espinosa Y., 86)
- 1950** William Jenkins already possesses 41% of the shares in the Banco de Comercio after acquiring those of the heirs to Luis Riba of Cervantes and Francisco Suinaga and Tornel. (Espinosa Y., 35, 37)
- 1950
March** The directors of the Banco de Comercio welcome Manuel Espinosa Yglesias as an alternate director representing William Jenkins. (Espinosa Y., 23, 26, 31; Águila, VII: 11-12)
- 1950-
1955** Process of splitting the film exhibition business into two separate companies: the Compañía Operadora de Teatros, S.A. (for administering the movie theaters) and the Compañía Constructora y Operadora de Inmuebles, S.A. (owner and builder of cinemas). William Jenkins and Manuel Espinosa Yglesias remain as partners with equal holdings in both firms. After a certain time, Don Manuel acquires the totality of the COTSA shares by buying Jenkins out with the advance payment of the increase in the rents of the buildings (calculated over 15 years). (Espinosa Y., 26-27; Águila, VI:34)
- 1952
March 16** Manuel Espinosa Yglesias becomes a full member of the board of directors of the Banco de Comercio. (Espinosa Y., 23, 31, 38; Águila, VII:12)
- 1953** The Compañía Operadora de Teatros, S.A. 'practically

controlled distribution of films in Central and South America, the United States and also the Mexican Republic'. (Archivo MEY: Cronología)

- 1954**
October Establishment of the Mary Street Jenkins Foundation for carrying out functions of social benefit for the inhabitants of William Jenkins' country of adoption. The Foundation is constituted with 'all the shares of the Compañía Constructora y Operadora de Inmuebles, S.A., with a capital of 90 million pesos, whose assets consist of some thirty-five cinemas... with a guaranteed annual rent of eight million pesos and a long-term lease agreement'. On his death, Jenkins was to leave all his property to the Foundation, except for a small part to attend to his family's possible needs. (Cárdenas, 77; Águila, XII, 15-16; FMSJ, 5, 22)
- 1954** The Jenkins foundation begins its program of grants for students of different levels and areas of knowledge. (FMSJ, 122)
- 1955** Manuel Espinosa Yglesias buys, on William Jenkins behalf, slightly less than 10 percent of shares in the Banco de Comercio, from Manuel Senderos, at a cost of 9.5 million pesos, giving Jenkins majority control of the bank. (Espinosa Y., 22-25; Águila, VII:14, 15)
- 1955** The Banco de Comercio has 4,800 persons on its payroll, including employees and executives. (Espinosa Y., 85)
- c. 1955** 'The capacity of the Banco de Comercio had already reached —or was very close— to that of the Banco Nacional', gaining the advantage on Banamex. (Águila, VII:19, 24)
- 1955**
March 16 William Jenkins agrees to swap his Banco de Comercio shares with Manuel Espinosa Yglesias' holding in the Compañía Constructora y Operadora de Inmuebles,

S.A. (regarded as equivalent in value), Don Manuel thus becoming virtual owner of the bank at the age of 46. (Espinosa Y., 27-29, 38)

- 1955** The board of directors of the Banco de Comercio approves
March 24 the nomination of Don Manuel Espinosa Yglesias as deputy director of the bank, in second place to the managing director. A few days later several board members asked Espinosa Yglesias to sell some of his shares and give up the post of director, since they regarded it as not a good thing that a single person should have majority control of the bank, and announced their intention to resign if he did not accept these demands; in view of his refusal they reduced their demands to a request that he merely relinquish his post. Don Manuel remained firm and in the end only some of the directors actually resigned, moving to the Banco Comercial Mexicano, of Chihuahua. (Espinosa Y., 31, 39-42, 45-49) 114|5
- 1955** Don Manuel Espinosa Yglesias becomes managing director of the Banco de Comercio. (Espinosa Y., 31)
April 23
- 1956** Don Manuel Espinosa Yglesias begins the process of unifying the banks into a system of mutual support and solidary responsibility. (Espinosa Y., 100)
- 1956** The Banco de Comercio, S.A. announces the change of name of its affiliated banks, adding the name of each city, region or state where the banks are located to that of the central bank. Twenty-three affiliated banks are listed, with a capital and total reserves of just under 205 million pesos. (Espinosa Y., 100-101; AER, MEY, 42)
Nov. 15
- 1956** The Banco Comercial Mexicano, S.A., with a paid-up capital and reserves of nearly 59 million pesos, publishes the constitution of a provisional Board of Directors, where the names of the former directors of the Banco
Nov. 15

de Comercio, S.A. appear. (AER, MEY, 43)

- 1956**
Nov. 21 The Banco de Comercio, S.A., with a paid-up capital and reserves of 83,292,601 pesos, publishes the constitution of its new board of directors, in which the retiring members are replaced. (Espinosa Y., 49-50; AER, MEY, 42)
- 1956**
(end) Don Manuel Espinosa Yglesias announces the construction of a new building for the Banco de Comercio, scheduled to start in early 1957. (Espinosa Y., 90)
- 1957**
(January 1) The Banco de Comercio becomes the Sistema Bancos de Comercio, S.A. (Archivo MEY: Cronología)
- 1957**
March Inauguration of the building for the Banco de Comercio de Guadalajara. (Espinosa Y., 83)
- 1957** Birth of the Sociedad Hipotecaria Bancomer (April 29), Financiera Bancomer (June 3), Inmobiliaria Bancomer (September 23) and Aseguradora Bancomer, S.A. (November 11). (Espinosa Y., 52-55; Archivo MEY: Cronología)
- 1957**
April Inauguration of the Banco de Comercio de Nayarit. (Espinosa Y. 83)
- 1957**
October 15 - 17 National Convention of the Banco de Comercio, to celebrate the Bank's first 25 years, in the presence of all the provincial directors and the leading executives of each affiliated bank's head office. 22 papers were read. (Espinosa Y., 75)
- 1957**
December Between 1955 and 1957, the bank, and the finance and insurance companies increased their paid-out profits by 66%, from 6 to 10 million pesos. (Espinosa Y., 62)
- 1957** The bank is the first to enter fully into the field of advertis-

ing. (Archivo MEY: Cronología)

- 1958** Foundation of the Banco de Comercio de Tabasco. (Espinosa Y., 83)
- 1958** Complete integration of the Sistema Bancos de Comercio. 116|7
(Espinosa Y., 84)
- 1958** Don Salvador Ugarte resigns as managing director of the
(beginning) Banco de Comercio and accepts the position of chairman
of the board of directors. (Espinosa Y., 76)
- 1958** Manuel Espinosa Yglesias acts as chairman of the board
March 20 of directors of the Banco de Comercio, S.A. (MEY, in Véjar
and Espinosa, 147)
- 1959** Don Manuel Espinosa Yglesias sells Operadora de Teatros
to the government. He had already concentrated the
entirety of COTSA shares and William Jenkins the major-
ity holding in the Operadora de Inmuebles. Don Manuel
obtained the 100% holding in COTSA through the acqui-
sition of the shares held by Jenkins, with the payment of
the rent on the buildings for 15 years in order to cover the
estimated value of the shares plus interest. (Espinosa Y.,
77, 87; Águila, VI: 34)
- 1959** Don Manuel Espinosa Yglesias takes over the post of
Managing Director of the Banco de Comercio, on selling
COTSA. (Espinosa Y., 77, 87)
- 1960** Don Manuel Espinosa Yglesias appears before the Legis-
June lative Studies Committee of the Chamber of Deputies in
order to explain the functioning of the cinematographic
industry. (Archivo MEY: Escritos and Cronología)
- 1961** Inauguration of the Banco de Comercio de Yucatán. (Es-
pinosa Y., 84)

- 1961** The Banco de Comercio, S.A. is now the country's first banking institution with complete national coverage. (Espinosa Y., 84)
- 1961** Don Manuel Espinosa Yglesias sends William Jenkins
February 16 a letter of settlement putting on record the end of their business relations after 23 years, and in which he acknowledges his debt of over 32 million pesos, to be paid over three years on six-monthly installments, leaving Don Manuel free of debt with Mr. Jenkins. (FMSJ, 25)
- 1957-1964** Slightly over 200 branch offices of the Banco de Comercio are built throughout the country. (Espinosa Y., 83)
- 1963** Death of Mr. William Jenkins, founder of the Mary Street
June 3 Jenkins Foundation. (Words of MEY at the presentation of the Foundation's book, Sept. 6, 1989, Archivo MEY)
- 1963** Don Manuel Espinosa Yglesias is elected chairman of the Mary Street Jenkins Foundation Trust, following the death of William Jenkins. (MEY, 'A la opinión pública', undated, Archivo MEY: Escritos)
- 1964** President Adolfo López Mateos visits the new building of
April 24 the Banco de Comercio on the intersection of Venustiano Carranza and Bolívar, in Mexico City. (Espinosa Y., 94)
- 1964** Formal inauguration of the Banco de Comercio complex
April 28 in Mexico City by Finance Minister Antonio Ortiz Mena. (Espinosa Y., 93, 95)
- 1965-1966** Don Manuel Espinosa Yglesias assumes the presidency of the Mexican Bankers' Association (Asociación de Banqueros de México). (Véjar and Espinosa, 147; Águila: IX, 10)
- 1966** The Sistema Bancos de Comercio transmits the matches of the Football World Championship ignoring the judg-

ment that 'a bank should not debase itself by patronizing the transmission of a sports program'. (Archivo MEY: Cronología)

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| 1967 | Don Manuel Espinosa Yglesias receives the cross and diploma of honor as a distinguished member of the Asociación del Colegio Militar and the Order of St. Gregory the Great. (Archivo MEY: Cronología) | 118 9 |
| 1967
October | Holding of the Second Convention del Sistema Bancos de Comercio. (Archivo MEY: Cronología) | |
| 1967 | Presentation of the 'Modern Ideas' program by Bancomer. (Archivo MEY: Cronología) | |
| 1968 | Don Manuel receives the degree of Doctor Honoris Causa in Humanities from the Universidad de las Américas (June 3) and the Gran Cruz del Mérito Civil from the Universidad Autónoma de Guadalajara (October 1). (Archivo MEY: Cronología) | |
| 1970
April 19 | Don Manuel receives the degree of Doctor Honoris Causa, from the Universidad Autónoma de Guadalajara. (Archivo MEY: Cronología) | |
| 1970
July 16 | Inauguration of the Puebla campus of the Universidad de las Américas, sponsored by the Mary Street Jenkins Foundation. (Cárdenas, 29) | |
| 1970 | End of a period of consolidation of the Banco de Comercio—begun in 1956—as the 'country's most powerful financial institution'. The rapid development of the bank under Don Manuel Espinosa Yglesias' direction can be summarized under the following points: the impetus given to the technological modernization of banking operations; preparation of new staff; inauguration of the use of advertising; application of an unvarying policy | |

on plowing back of profits; new policy regarding credit allocation, expanding the number of customers and eliminating allocation of loans to the bank's own major shareholders; building up of a comprehensive and unified financial group; adoption of a modern labor relations policy under criteria of institutional co-responsibility, with respect for the fundamental rights for all employees; recognition of the importance of bank activity for regional development throughout the Republic; promotion of the construction and extension of buildings and opening of new banks; extension of banking business towards Latin America and the rest of the world; convergence of government economic policy with the financial philosophy of the bank's management. (Águila, VIII:1, 13-26)

- 1971-1972** Manuel Espinosa Yglesias becomes for the second time president of the Mexican Bankers' Association. (Águila, IX:10)
- 1974**
December 29 The Federal Executive sends to Congress a bill to reform the Law on Credit Institutions and Auxiliary Organizations, in which the concept of specialized banking is abandoned in favor of institutions operating all kinds of instruments and offering integrated financial services. (Espinosa Y., 99, 103; Águila, IX:19-20)
- 1974** Don Manuel Espinosa Yglesias forms a steering committee to 'design the strategy to be followed in order to satisfy the complex legal requirements—and the even more complicated technical requirements—that the new law would impose'. (Espinosa Y., 104, 107; Águila, IX:23)
- 1975**
June 20 Death of Don Manuel's wife, Amparo Rugarcía de Espinosa. (Espinosa R., 16)
- 1976**
March 16 The new Law on Credit Institutions and Auxiliary Organizations comes into force, enabling 'the parent company of

a bank, its subsidiaries and its mortgage and other credit institutions to become amalgamated as a single joint stock company'. (Espinosa Y., 99)

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| <p>1977
September</p> | <p>Inauguration of the Bancomer offices in New York, in the presence of Mexican high officials visiting the United States for a meeting of the IMF in Washington. These included David Ibarra, the Finance Minister, and Miguel de la Madrid, at the time one of the undersecretaries. It was an aim of the Banco de Comercio to make the opening of branches abroad coincide with the meetings of the IMF and so to ensure the presence of the Mexican delegation. A ceremonial dinner took place attended by Don Manuel Espinosa Yglesias, the Mexican government officials, David Rockefeller, and directors of the principal New York banks. (Espinosa Y., 122; Águila, X: 8)</p> | <p>120 1</p> |
| <p>1977
Late
September</p> | <p>The Finance Ministry approves the project to amalgamate the deposit bank with the financial and mortgage organizations of the Banco de Comercio, S.A. (Espinosa Y., 108; Águila, IX:21-22)</p> | |
| <p>1977
October 4</p> | <p>The Finance Minister authorizes the amalgamation proposed by the Banco de Comercio to go ahead. (Espinosa Y., 108; Águila IX:26)</p> | |
| <p>1977
October</p> | <p>A committee headed by Don Manuel Espinosa and other important members of the Banco de Comercio is appointed to hold board meetings of the 35 affiliated banks throughout the country in order to obtain the shareholders' approval of the value assigned to their shares. In the period of a week 'the necessary consensus to put into effect the amalgamation with the inclusion of all the banks within the Republic' was obtained. (Águila, IX:26-27)</p> | |
| <p>1977
Nov. 18</p> | <p>Birth of Bancomer, S.A., as an amalgamation of all the institutions of the system with 565 branches and with Fi-</p> | |

nanciera Bancomer as the surviving institution. (Espinosa Y., 112-113; Águila, IX:24)

- 1977**
December 8 Holding of the first board meeting of Bancomer attended by the regional directors of the entire country. Setting up of a Bancomer Steering Committee. (Espinosa Y., 116)
- 1977**
December 8 Don Manuel Espinosa Yglesias announces the constitution of the Fundación Amparo, in honor of his wife, with a capital of 30 million dollars. (Águila, IX:29)
- 1977** Bancomer establishes itself as the country's leading banking institution, winning the advantage over its closest competitor, the Banco Nacional de México. (Espinosa Y., 115, 122)
- 1978** Bancomer now has branches in Los Angeles; London, Tokyo, Sao Paulo and the Caribbean island of Grand Cayman. (Espinosa Y., 120)
- 1978**
February 21 Start of archeological excavation of the Templo Mayor in Mexico City, which was supported by the Fundación Amparo, with income from properties surrounding the archeological zone. (MEY, presentation of the Amparo Foundation's unpublished manuscript, Archivo MEY: Escritos, 1991)
- 1979** Don Manuel announces that the Fundación Amparo will finance the works on the Templo Mayor within the program to rehabilitate the Historic Center of Mexico City. (Archivo MEY: Cronología)
- 1979**
January Setting up of the Monte Fénix Rehabilitation Center for Alcoholics and their Families, under the sponsorship of the Fundación Amparo. (MEY, presentation of the Amparo Foundation's unpublished manuscript, Archivo MEY: Escritos, 1991)

- ca. 1980** Bancomer, with over 20,000 employees, is now the largest employer among private companies in Mexico. (Espinosa Y., 85)
- 1980** After three years of work, the new Centro Bancomer building in Avenida Universidad, Mexico City, is complete. (Espinosa Y., 126, 127) 122|3
- 1980** Inauguration of the Centro Bancomer by President José López Portillo, in the presence of the Finance Minister, David Ibarra; the Programming and Budget Minister, Miguel de la Madrid; the Employment Minister, Pedro Ojeda and the director of the Banco de México, Gustavo Romero Kolbeck. This act marks a peak moment in the life of Don Manuel, who after 30 years in banking, is now the natural leader of Mexico's financial community and one of the most influential personalities in the country's economic policy.' The Bancomer center was erected as a symbol of power and stability'. (Espinosa Y., 129; Águila, X:33, 34; XI:10)
- 1982** The number of Bancomer employees grew from 22,500 in 1977 to 28,000 in 1982. (Águila, X:26)
- 1982** During the petroleum boom, Bancomer did not cease to pay attention to productivity, which increased by 47% from 1977 to 1982. No other financial group attained results like these which enabled Bancomer to remain at the head of the Mexican financial system. (Águila, X:17, 26)
- 1982** President José López Portillo decrees the nationalization of the banks, announced in his final government report. (Espinosa Y., 137-139)
- 1982** Publication of a paid newspaper announcement by Amparo Espinosa Rugarcía, 'Testimonio de una hija'. (Espinosa Y., 160-161)

1982 Don Manuel Espinosa Yglesias visits the Centro Bancomer
September 6 for the last time to witness the takeover by Don Antonio Carrillo Flores as new director general of the bank. (Espinosa Y., 158)

1982 First meeting of a Joint-Ministerial Commission of the
December 28 Federal Government with the former shareholders to decide the terms of the indemnification, headed by Treasury Minister Jesús Silva Herzog. (Águila, XI:26)

1983 The levels of indemnification for the different groups of bank shareholders were unequal. Both Manuel Espinosa Yglesias and Agustín Legorreta, of Banamex, 'considered that their shares had been valued at a third of their real value, taking as a basis the adjusted book value to each institution'. The non-banking shares (of the companies of which the banks had been owners, and which had been unduly included in the expropriation decree) were handed back to the private sector in sale, at prices many times their book value, in addition to which the government decided capriciously whom it would sell to, not necessarily to previous owners. The valuation of the real estate and equipment owned by Bancomer was low. The book value attributed to the bank was 19,846 million pesos, which was 'excessively low', to which was added a compensatory adjustment amounting to less than 60%; the adjusted value thus came to 30,873 million pesos. (Espinosa Y., 167, 171-176, 178-181; Águila, XI:7, 27, 28, 30, 39)

1983 Only with great difficulty was Manuel Espinosa Yglesias able to purchase back some of the companies that had belonged to Bancomer: the shares of the 6 firms making up Group Four and those of Aseguradora Bancomer were vetoed; in view of the hostile treatment of the government, which was putting obstacles in the way of his entrepreneurial activities, he shortly afterwards sold the firms

belonging to the other three groups, some to Carlos Slim and others to Roberto Hernández. (Espinosa Y., 185-187, 189-191; Águila, XI:38-39)

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| <p>1985</p> | <p>The Monte Fénix Clinic extends its services to persons with other types of addictions. (MEY, presentation of the Amparo Foundation's unpublished manuscript, Archivo MEY: Escritos, 1991)</p> | <p>124 5</p> |
| <p>1987
March 5</p> | <p>The Mary Street Jenkins Foundation agrees to sell the buildings previously rented to the Compañía Operadora de Teatros to the same company, which liquidates its debt of back rent. (Archivo MEY: Information on business life and foundations)</p> | |
| <p>1987
March 12</p> | <p>Presentation, by the Historic Center Festival organization (Festival del Centro Histórico de la Ciudad de México), of the Medal of Merit to Don Manuel Espinosa Yglesias and Don José E. Iturriaga in the Palacio de Bellas Artes for their contribution to the rehabilitation of the Historic Center of Mexico City. (Archivo MEY: Escritos)</p> | |
| <p>1990</p> | <p>President Salinas sends Congress a constitutional reform bill allowing the banking institutions to be returned to private initiative. (Espinosa Y., 197)</p> | |
| <p>1990
June 27</p> | <p>The constitutional reform permitting the re-privatization of the banks comes into effect. (Espinosa Y., 198)</p> | |
| <p>1990
September 5</p> | <p>Creation of the Bank Divestiture Committee (Comité de Desincorporación Bancaria), in charge of selling off the banks. (Águila, XI: 49, 50; Espinosa Y., 177)</p> | |
| <p>1991
February</p> | <p>Inauguration of the Museo Amparo in the city of Puebla, sponsored by the Fundación Amparo, with a valuable collection of pre-Hispanic art and samples of colonial and contemporary art (MEY, presentation of the Amparo Foun-</p> | |

dation's unpublished manuscript. Archivo MEY:
Escritos, 1991; Águila XII:19)

1991
June-Oct. Between June 14 and October 8, 1991, the divestiture of the banks was concluded. Don Manuel Espinosa Yglesias withdraws his offer to reacquire Bancomer because the asking price is well in excess of its real value; the amount paid was 2.99 times its book value. On expropriating Bancomer the government valued the bank and its subsidiaries at 205.4 million dollars, and on reprivatizing sold it for a little over 5,000 million without the subsidiary firms that had belonged to it. Don Manuel is also keenly aware of the obstacles the government is placing in the way of his possible reacquisition of the bank. (Águila, XI: 49, 50; Espinosa Y., 177, 200-205)

1992
March Due to the high price assigned to Bancomer by the government, an initial public offering of shares is launched 'in order to make up the funds required for the acquisition of Bancomer' by private investors. (Espinosa Y., 208-209)

1999
The National Congress faces the problem of bailing out the banks. (Espinosa Y., 205)

1999
September 14 Last visit by Don Manuel Espinosa Yglesias to the campus of the UDLA-Puebla—an institution with which he was associated for more than 35 years—in order to receive the homage offered him by President Ernesto Zedillo and the members of the university community. (Cárdenas, 89)

2000
June 8 Death of Don Manuel Espinosa Yglesias in his home in Mexico City. (Cárdenas, 93)



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