

# The Life Story of Mario Hernández Maytorena. Crisis and Border – a Strategy to Create Wealth, 1935-1970

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*This study explores the formation of Mexican entrepreneurs and their creation of wealth in border-region contexts. It pays attention to the strategies pursued by Mexican individuals to create and accumulate wealth, and identifies the suitable context for the development of businesses. It focuses on the Baja California-California border-region during the period 1935-1970, and presents the life story of Mario Hernández Maytorena, a prominent Baja California businessman with a business career spanning almost seventy years.*

*The central argument in this study is based on an analysis of the business strategy that Mario Hernández Maytorena pursued in order to create wealth. A strong relation is established between the business strategy and the social and economic context suitable for the creation of wealth during the first half of the 20<sup>th</sup> century. Oral history highlights Hernández Maytorena's lifetime experiences which were significant in the creation of his initial wealth as well as its retention and diversification. His business practices are analyzed within a border-region context and throughout various social and economic junctures. This paper offers new knowledge about a subject that has been largely neglected in the local historiography.*

This study presents the life story of Mario Hernández Maytorena in the world of business.<sup>1</sup> It aims to explain the entrepreneur-forming processes within the context of a border-region, explores the strategies undertaken by Mexican individuals to create and accumulate wealth, and identifies the context conducive to the development of businesses. The study focuses the Baja California-California border during the period 1935-1970.

Mario Hernández was born in Douglas, Arizona, on March 20, 1916, the year in which his parents decided to leave Sonora as a result of the constant clashes of the revolutionary armies that took place there. In 1918, his parents moved from Douglas to Mexicali, Baja California, Mexico, a sparsely populated area at the time, where there were few revolutionary incursions. There was also important foreign investment in cotton crops within the context of World War I, which made business development possible. Mario Hernández distinguished himself for undertaking a wide spectrum of business activities during his business career, which extended from 1935 through 2010, when he passed away in Mexicali, Baja California. Due to space restrictions,

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<sup>1</sup> Series of interviews with Mario Hernández Maytorena conducted by Maricela González Félix on 13/01/98, 21/01/98, 2/02/98, 5/02/98 and 13/03/98.

only the businesses we consider fundamental in the development of his business career are presented here.

His family background indicates that since the late 19<sup>th</sup> century the Maytorena's were part of Mexico's Northwestern economic elite. Even before the revolutionary period, the Maytorenas were landowners and constituted the second most important economic group in the Guaymas Port in Sonora, Mexico. The group was adversely affected by the economic advantages granted to foreign investments in Sonora, and by the economic policies of the governing Corral-Izabal-Torres triumvirate. Unable to obtain redress through political appeal, due to the fact that the *Porfiriato* (1877-1911) represented a closed power group, they forged an alliance with Francisco I. Madero and later with Francisco Villa.<sup>2</sup> Thus, José María Maytorena, Jr. became Governor of Sonora in September 1911, once Madero became President of Mexico.<sup>3</sup> Mario Hernández' parents were natives of Sonora. His father, Manuel Hernández Gándara, was born in Ures, in 1876 and his mother Luisa Maytorena Tapia, was a native of Guaymas, Sonora and sister of the Revolution General José María Maytorena Tapia.

From being one of the most important economic families in the Guaymas Port, the Maytorenas lost most of their properties during the revolution. By 1916, entire towns in Sonora had migrated or were devastated, capitals had fled, and most businesses had suspended activities. The *haciendas* had been ransacked by the revolutionary armies and livestock was in ruins.<sup>4</sup> In 1916, Manuel Hernández Gándara and Luisa Maytorena, Mario Hernández Maytorena's parents, headed out to Douglas, Arizona, from where Hernández oversaw his cattle ranch in Agua Prieta, Sonora; but in 1918, due to the constant revolutionary assaults, Hernández decided to sell his cattle ranch to Francisco Elías, who only paid for the cattle and kept the property. Then, in 1918, Hernández moved his family to the city of Mexicali, Baja California.<sup>5</sup> There, by the mid-30's, Mario Hernández Maytorena, the only son of Hernández Gándara, started his first businesses.

This life story aims to offer new knowledge on the processes of entrepreneur formation within the context of a border-region. It is interested in identifying the businesses strategies displayed by the subject of this study as well as the social context that enabled his early wealth, as well as the development and diversification of his ventures. The juncture of the Second World War, the *cardenista* economic policies and the border context were, in

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<sup>2</sup> Ramón Corral became Governor of the State of Sonora 1895-1899, with the support of Rafael Izabal and Luis E. Torres. The three held the governorship of Sonora between 1879 and 1911. They were key allies to President Porfirio Díaz. Corral became Díaz's Vice President in 1904 until forced to go into exile in May 1911.

<sup>3</sup> Héctor Aguilar Camín, *La Frontera Nómada. Sonora y la revolución mexicana* (México: SEP/Siglo XXI, 1985), 77-81.

<sup>4</sup> Aguilar. *La Frontera Nómada*, 424.

<sup>5</sup> Alberto Gárate Rivera, Luis Enrique Linares Borboa y Raúl Linares Borboa, *Memoria de Muchos Soles. La vida de Mario Hernández Maytorena* (Mexicali: publicación privada s/n. 2010), 40 y 41.

the case of Mario Hernández, conditions conducive to undertaking businesses and creating wealth.<sup>6</sup>

The life story of Mario Hernández Maytorena reflected the difficulties his father went through in order to keep his properties in Sonora and undertake and develop businesses during the first quarter of the 20<sup>th</sup> century in Baja California.

His story raises questions regarding the upward social mobility that other members of the Sonoran revolutionary group showed during this period, as was the case of Abelardo L. Rodríguez, Plutarco Elías Calles, and Alvaro Obregón. Many of the studies on the revolutionary elite argue that the rapid economic rise of these generals was related to their participation in public office or their strong links to the nascent State.

The Maytorena case is of great interest for three reasons. First, it is about a family of landowners with a long trajectory in the Mexican northwest beginning in the 19<sup>th</sup> century, a trajectory that survived despite the turbulence brought about by the revolutionary movement and the country's economic instability. Second, at least the Maytorena branch that migrated to Baja California in 1918 maintained a marked independence from the State apparatus, as far as businesses were concerned, which was unusual for the time. Third, this case is of great interest because it highlights the processes of the formation of entrepreneurs and the strategies displayed in border regions and frontier spaces. With the exception of the works by Mario Cerutti, in the case of the Northwestern Mexico businessmen, particularly the Monterrey entrepreneurs, this study engages in a theme undeveloped in the historiography of the Mexican northern border.

The story begins during the Mexican revolution and concludes at the beginning of the 21<sup>st</sup> century. Among the relevant aspects that the life story of Mario Hernández presents, there is the identification of the business strategies and economic and political junctures that were conducive for the creation of his wealth. The Second World War and the economic impact of the expropriation of private oil concerns by President Lázaro Cárdenas del Río (1934-1940) in 1938, were contexts conducive to the initial development of Mario Hernández's ventures. Equally important for the formation process and wealth accumulation as well as for the stimulation of the Baja California economy was the fiscal policy implemented by Cárdenas, which went into effect in the Baja California peninsula and a small strip of Sonora in 1939. This fiscal policy, known as the free trade zone or fiscal exemption, aimed to boost the economic development and populate the Baja California-California border region in order to contain American expansion in that area.

This article is organized in two parts: the first part presents the life story of Mario Hernández Maytorena, organized chronologically and

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<sup>6</sup> President Lázaro Cárdenas' economic policies fostered industrial development, land reform, and the nationalization of key industries such as petroleum.

thematically, with subtitles highlighting themes and taking into consideration the narrative meaning. The second part presents an analysis of the life story.

### **A Strategy to Make Money: Border Region, Exchange Activity, and Devaluation**

I wanted very much to succeed, [even though] I didn't know what I wanted to be when I grew up, I wanted to be successful. Because economic hardships had forced my whole family to work and that was very hard, I didn't want my children or myself to go through similar situations when I got married. I was 21 when my father died; I was the only man, my mother and my six sisters couldn't oversee the business, so I took over. My family and I moved from Calexico to Mexicali.

I went into the [currency] exchange business four years before my father died, [probably in 1934]. I bought pesos from the Mexicali merchants and sold them dollars. In Mexicali they needed dollars to buy goods from the suppliers, who usually were on the other side of the border. The furniture stores, dairies, stores, gas stations had to buy their products in dollars because they got them from the other side [of the border].

The pesos I bought in Mexicali I sold in Tijuana, Nogales, and Juárez, because businesses there needed pesos to operate, pay taxes, and payrolls. They [the businesses located in Tijuana, Nogales, and Juárez] had dollars because the tourist influx promoted dollar circulation. That combination of selling pesos and dollars along the border was very good and it went very well for me.

The currency exchange business was strengthened by the oil expropriation because the latter was followed by a strong peso devaluation that caused a dollar shortage. The dollar, as currency, concentrated in Tijuana, Nogales, Sonora, and El Paso, because these were cities with greater border dynamics. [Thanks to the effect] of the currency collapse I doubled my investment because the exchange rate went from 2 to 3.50 pesos per dollar.<sup>7</sup>

[By then], there were small currency exchange booths in Mexicali that exchanged 5 or 10 pesos, or a dollar, so people crossing the border could have lunch at a Chinese restaurant or have a beer. They didn't handle large amounts of money, that is, 1,000 or 2,000 dollars. No one made large scale transactions then. I traveled all along the border and bought 3,000, 4,000, even 10,000 dollars. The idea [of making those operations] occurred to me because a person in Nogales, Sonora, mentioned that [it] could be a good business. The 2,500 dollars I initially invested in the exchange business I doubled and managed to accumulate my initial capital.

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<sup>7</sup> The oil expropriation took place on March 18, 1938.

## **An Opportunity to Grow: Instability of the *Banco de Mexico* and the Absentee Law**

[The strong peso devaluation] was followed by the Absentee Law coming into force. [With this law] the purchase of dollars was implemented through the Ministry of Finance. This institution received, studied, and approved the requests made by individuals to purchase dollars. The *Banco de Mexico* executed the operation issued by the Ministry of Finance. The dollar purchase rate set by the *Banco de Mexico* was very high and favorable for the bank, while buying in the free market was less expensive. [Buying and selling dollars] in the free market was not against the law but we were on the very edge.

[At this juncture] I started to capture the businesses demand for dollars. When these businesses processed their dollar purchases with the Ministry of Finance in México, they had to fill a request for a dollar purchase that had to be sent to México and wait between six and fifteen days for an answer because there were no airplanes, and [because] the request was sent by mail. At the end they obtained an exchange rate that was unfavorable [to them]. So, instead of going to the Ministry of Finance, they went to the free market to purchase dollars.

I was in the currency exchange activity until 1940, because that year the Mexican economy went into a boom and stabilized. I realized the exchange business was declining because our profit margins diminished; the demand for dollars was not the same as before. The *Banco de Mexico* accepted dollars, that is, it stopped controlling the dollar market and the demand for dollars [fell]. I decided to dedicate myself entirely to the restoration of [my clothing store] *La Estrella Azul* and with the capital I had accumulated I started to trade with cowhides.

With the hide and money exchange businesses I made a lot more than my father did. By 1938, with both businesses I gained between ten and twelve thousand dollars a month, which today would be tantamount to 300,000 dollars. They were the most productive businesses.

## **A Favorable Junction to Create Wealth: The Border, the Second World War, and the Leather Business**

General [Fausto] Topete and Miguel Vildósola invited me as a venture capitalist in the leather businesses. They were much older than I was and they invited me as venture capitalist because I had made a lot of money in the exchange. I liked the business, we worked it, and later I bought their shares and kept it.

I proposed [Topete and Vildósola] to capitalize the leather business, but they were more interested in agricultural activities. The

leather business was attractive to them only as a source of liquidity to invest in their agricultural ventures. They saw the hide [or leather] business as secondary. Every three months we sold a batch of hides to the United States and received from 8,000 to 12,000 dollars. From this amount we had to deduct what corresponded to the butchers. We kept between 2,000 and 3,000 dollars. Instead of reinvesting in the leather business, they wanted the cash for their agricultural ventures. For this reason I proposed buying their shares. They liked the proposal, made me an offer, I accepted and bought their shares. Even though later on they came to realize what they had lost.

At this point, the Gallegos were the competition in the hide market. Frequently, the Gallegos paid the hides a month or two after receiving them. Here's where I got the idea of lending money to the butchers. Make sort of a small bank to lend to the butchers so they could buy cattle for cash and not on credit, as the Gallegos did. I told them this way they could buy cheaper and to whom they wanted to, not to the one that would give them credit. That I could finance the hides and they could make payments on the money I had loaned. I saw possibilities in this business.

I never could understand why along the border the hide brokers would sell very small lots, from 30 to 50 sets. Furthermore, the butchers sold leather or hides to hoarders that did not know the market. They sold small hide lots to any broker and most of this leather went to tanneries in La Paz [Baja California], Culiacán [Sinaloa], or Guaymas [Sonora].

No one had exploited this business, or the butchers given any importance to hide, which they sold to whoever bought it. There were *coyotes* [informal hide merchants] who bought the hides for 50 cents or one dollar. That hide could be sold in the market for two dollars, but with freight expenses to Guaymas, Culiacán, or La Paz they only gained about 50 cents per hide. Neither was their market organized, since it was in the hand of *coyotes*.

I started by buying hide at two or three dollars and selling it between four and five. The price started to be attractive to butchers.<sup>8</sup> Neither the butcheries, the slaughterhouses, or the Mexicali city market had cold storages and frequently meat rotted overnight.

I completely equipped the city market and offered cabinets, drawers and cold rooms where they hung two or three beef and kept vegetables fresh. They would pay this equipment in hides. They adored me. I purchased at a good price and also made loans that could be paid in hides, so they could buy more cattle from whoever gave them a better price and in return they would reserve the hides for me.

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<sup>8</sup>Mario Hernández bought hides from nearly 30 butcheries, among them the Pacífico, La India, El Oriente, and Salcido butcheries.

Once I started this and they paid me the refrigerated cabinets and drawers, they liked it and again asked me for loans to be paid off in hides in order to buy cattle. I had some sort of financing agency with no name and no structure, because I managed everything. This way I controlled nearly 80 percent of the leather market. It was a venture in which I gained considerable money. In a year I profited between 40,000 and 50,000 dollars, which in these days would be around 1,000,000 dollars.<sup>9</sup>

I gathered 600 or 800 hides and sent them by boxcar to California, USA.<sup>10</sup> Which now would be equivalent to 1,000,000 dollars because then a new Ford would [cost] 390 dollars and now it would cost 10,000 dollars. At 22 I had a highly solvent position; I managed a strong capital that I made from the currency exchange and leather businesses.

Later I came in contact with a Jewish man, Julies Gerge, who was the director of the Bissinger firm. He was very clever when thinking about the future, he helped me and [held] me in great esteem, he was about 65 years old and I was 23 or 24. Some days before World War II broke out he said to me –“Mario, buy all the leather you can because war is imminent. When war breaks out, cowhide will be 12 dollars instead of the 4 that it costs right now because there won't be any leather coming in from Africa, Europe, Argentina or Brasil.” I asked him why this should happen and he explained that with the war sea navigation would stop and this would cause a great shortage.

I told him I didn't have enough resources because I had the money invested in [other things]. That it was impossible for me to buy all the leather in Tijuana, Naco, Juárez and Nogales. That to buy all that at least 40,000 or 50,000 dollars would be needed. He said that they [the Bissinger company] would go in with me, we would go fifty fifty, that they would lend me 25,000 dollars and I should put up 15,000 dollars. We agreed on a 50% deal, in losses as well as in winnings.

I went to Naco, Nogales, Juárez, Tijuana. I arrived, I negotiated a batch for 40,000 dollars, closed the deal and bought it. I told [the leather] sellers I would pay them 10,000 dollars for a batch worth 40,000 dollars and we agreed the leather was mine. Then I'd go to another place and do the same. To a person that had 800 hides I said: your leather is worth four dollars, [that comes to a total] of 3,200, I gave him 1,000 dollars as advance payment and made a commitment to pay the rest in 60 days. The leather sellers gave me credit for the

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<sup>9</sup>Mario Hernández calculated the equivalency based on a comparison between the value of a new Ford auto, which was then 390 dollars, and one that is now priced at 10,000 dollars.

<sup>10</sup>The hides were tanned, that is, they were given a salt bath, then folded and piled up to be transported by boxcar. The salting was located at the slaughterhouse, location on which later Motores de Mexicali would be build.

balance because I gave them an advance payment. With that operation I guaranteed a price of four dollars for each hide. Back then, a man's word was highly valued and I made all deals on my word.

At that point no one was buying hides because nobody knew what was going to happen. Not even the Americans were buying because the price of leather had gone up and it wasn't a domestic price anymore, it was fluctuating, risky. With the uncertainty of war, the price of leather rose when the probability of war increased and fell when some European country declared it would not participate in the war. So that buyers in the United States, the tanneries, the American firms, decided not to buy leather because they didn't want to take the risk. This caused an offer of leather at low prices. It was then that we, the Bissinger firm and I took the risk and bought.

With a 40,000 dollar investment, I purchased around 200,000 dollars in hides. But once I purchased them statements that there would be no war began; that Germany had surrendered, that England and France would surrender. The hides became a nightmare because if war did not break out, we would have enormous losses. The Bissinger firm that loaned me the agreed money never imagined that with 40,000 dollars I would buy 200,000 dollars in hides. Gerge thought that with that amount [40,000 dollars] we would pay peso per peso, but I had negotiated a guaranteed price on the leather of 4 dollars and payment within 60 days. When I least expected it Gerge called me and said: - "they just attacked Pearl Harbor, war has been declared"<sup>11</sup> The following week a hide costing 4 dollars had gone up to 9 or 12 dollars.

They upheld the original price of 4 dollars I had negotiated maybe because they had no knowledge of the price that leather reached later. Scarce communication and the fact that leather coyotes (informal merchants) had left the market when the ups and downs of prices started, and because the agreements I had made with the butchery owners helped me, they upheld the agreed price. If sellers had been well informed of the leather prices, they would have negotiated a price at least between six and seven dollars a piece, but they did not realize it. When I confirmed the price had gone up to 8 dollars, I immediately sold out, I didn't wait any longer, I didn't want to wait for the news to spread that the price of leather was higher. I picked up the hides and delivered them. Even though leather reached its maximum limit of 12 dollars, I didn't want to wait and I sent them by boxcar to the Bissinger firm in Los Angeles and to a very strong division of the Levi & Strauss Company in San Francisco. That year I gained a very strong capital that opened a path to venture and diversify my businesses. I obtained large winnings. I continued with that business for many years (nearly 20 years) until I sold it in 1950 to Germán and Jorge Uribe Forcalli,

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<sup>11</sup>The Japanese attack on Pearl Harbor took place on December 7, 1941.

relatives of mine, that owned the San German Tannery in Guaymas, Sonora, to whom I sold hides.<sup>12</sup>

A short time later, I was still single, I was about 26 when I was invited to join as counselor to the *Banco Mercantil* (Mercantile Bank), which later changed its name to *Banco de Comercio* (Bank of Commerce). I was President of the bank's council and then I joined the national council, I was the youngest counselor in national banking and I remained a counselor for 56 years. The participation in the bank allowed me to have an important referral in binational businesses. With the currency exchange and leather businesses I made my capital and with it I started the ice factory and [the car company] General Motors.

### **Another Path to Create Wealth: The Vendors' Market**

Around 1948 I obtained the franchise or dealership from General Motors. After [the Second World War] there was a great demand for everything and at the same time a great shortage of [various products]. I believed that shortage was an opportunity. In the United States everything was scarce. Most of the productive [apparatus] in the United States was geared to producing weapons or to supply the army. Food, cars, washing machines, everything was for the army. When production started to be [directed] to the civilian population it took time and there was a great product shortage. A black market [emerged] for clothing, tires, and gasoline. Everything was [oriented] to war production.

Besides, the United States controlled prices of all [products]. The situation in México was different than in the United States. On the Mexican side a premium could be paid on American products making it possible for us to obtain them. That was a great boost for the border. The region went into a boom. During that time commerce developed in Tijuana, Mexicali, and all along the Mexican border.

I invited Mr. James W. Stone as a venture capitalist in the car business; he was [then] Director of the *Jabonera del Pacífico* (Pacific Soap Factory). Stone put up 25 percent of the shares and I the rest. The strength and backing of James W. Stone and the support of *Bancomer* in México helped me greatly to obtain the franchise. The General Motors plant in Mexico City was opposed to American dealers operating at the border because they would compete with them. All components were sent to Mexico City where General Motors national cars were assembled.

The General Motors plant in Mexico protected itself because it sold to all dealers in Mexico, with the exception of the border. They

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<sup>12</sup>The San Germán Tannery, owned by the Forcalli family, maternal relatives of Mario Hernández, was one of the most important tanneries in the Mexican northwest.

sold the Mexican car at a very expensive price, what they did was robbery, as they imported and assembled them in the country, they paid the corresponding duties. The General Motors plant in Mexico wanted to sell their cars at a very high price at the border. The car that was 1,000 dollars in the United States, General Motors in Mexico wanted to sell at 1,300 dollars at the border, so the dealer could offer it at 1,600 dollars. That way they would cover shipping expenses and pay duties, but the selling price was inaccessible to the consumer.

General Motors in Mexico was opposed to American headquarters selling cars to me and they wanted to force me into buying the Mexican car. I traveled to New York and got an appointment to see the General Motors Director of the Latin America Division and explained the situation. He said he didn't understand me and proposed to come to [Baja California] to understand what I was saying about the Free Trade Zone and the increased costs that General Motors applied to cars at the border. The Director of the Latin America Division visited Baja California and said, you are right; I am going to support you and said this is not only for Mexicali, but for all the [Mexico-U.S.] border.

It was accepted that the U.S. manufacturing plant would supply us as distributors at the border. That was the first car franchise in Baja California. The franchises extended to Tijuana, Juárez and in one single stroke it opened for the entire border. So our efforts benefitted all the border.

### **An Attractive Business that Became a High Risk One**

After General Motors, we acquired Volkswagen and Ford. With those three we controlled 70 percent of car sales statewide. Later we opened the *Auto Remates* (Auto Auctions) establishments in Mexicali, San Luis Rio Colorado, Tijuana, and Ensenada. We covered the entire region with the sales of imported new, used, and semi used cars. The Ford, Volkswagen, and General Motors auto plants financed us as auto dealers.

During World War II the auto plants went through a series of readjustments in their production plants; maybe six years after the war, the auto plants started to rebuild themselves. But in all this time there were no cars, which caused a high demand. That is why in Baja California the auto business generated large earnings.

After our success with General Motors in Mexicali, San Luis and Ensenada, we requested the Ford plant in Mexico to grant us distribution [of their units], and so it happened. We did the same with the Volkswagen agency, which also granted the dealership.

We maintained the auto business for four decades. But in the mid-1990s, when the market suffered a drastic change converting into

a financing business, we sold all the auto agencies. The plants started to withdraw the financing they had previously offered to their dealers. They wanted us to pay them in cash and have us finance the units. Even though they granted financing when they delivered to the dealer, when the dealer had sold the unit, the plants didn't want to finance the client. The change made the business less attractive to the dealer and into a high risk business. The dealer had to negotiate financing with the national banks to finance the car to the client and take responsibility for whatever happened.

We had seven [companies] auto auctions and sold a monthly average of 250 cars; we also had the Sesna airplanes business that required strong financing because an airplane was 300,000 dollars and we had to extend credit, the same with the car business and the Ford, General Motors, and Volkswagen agencies. The business became a high risk business. We felt we should look for other markets and we pulled out.

### **Consolidation of a Strategy to Create Wealth: Importation Commerce and Overvaluation of Products**

During the post-war period there were very few products in the market. For example, in Mexicali and its valley, washing machines were unknown. The Easy washing machine manufacturing company in California in the U.S. was interested in opening and extending their market to Baja California. They had very good references of me as a General Motors dealer in Baja California. The Easy company made me a proposal to sell a boxcar of washing machines, around 200 or 250 washing machines, at wholesale price.

They told me that each washing machine had a factory price of 150 dollars, but they would invoice a *coyote* [a middleman from the own company] at that price and that the middleman would invoice the same unit to me at 225 dollars. They were company trickeries. With that action the company secured a profit of 75 dollars and guaranteed its protection in the market, so the over price the company was applying could not be detected. Due to the great demand, I added 100 or 150 dollars to the prices of the company and its middleman and the [washing machines] flew. We bought about four boxcars in a year and flooded the market. Those were the advantages that were present, that are still present, that will always be present, and were present after World War II.

We also went into the distribution of Levi & Strauss clothing, Good Year tires and Fridge Air refrigerators.

After this we ventured in the aviation business and were distributors of Cessna airplanes all over the country. There were three distributors in México. There was Leo López in Chihuahua; Nilson (I

don't remember his last name) in México City and us at the border. We had the advantage of the Free Trade Zone. We imported the airplane without paying duties, unlike Chihuahua and México who had to import the airplane and pay 25 percent of duties. An airplane worth 100,000 dollars, paid 25,000 dollars in taxes and duties.

All of the airplane buyers preferred us because the price was more attractive. We sold an average of seven or eight airplanes monthly, [between] 90 and 100 airplanes annually. But in 1976, we had many problems with the devaluation, in times of [president Luis] Echeverría [Álvarez, 1970-1976]. The financing contracts that we had were in dollars and the clients in the interior could not pay us. They started returning the airplanes and that created a problem for us, even though the factory stepped in and refinanced us. Later the southern dealers were not charged the 25% in taxes, so the airplane could circulate in the interior without paying taxes. This affected us a lot. We remained about 12 years [from 1970 to 1982] with the airplane business, when Cessna had problems with [the production] of their airplanes, because they didn't build the type of airplane that México required. We closed the business and sold it.

### **A Bi-national Market: The industrial Laundry Business.**

We installed a laundry plant or *Industrias Macro* in Cerro Prieto for industrial laundry for hospitals in the United States and Mexico. We looked to exploit the Cerro Prieto steam, cheap labor, and Mexicali's abundant water. But due to bureaucratic red tape in Cerro Prieto they haven't been able to supply us with the steam. Although it seems that soon they will provide us with the service. [According] to the regulations of the Federal Electricity Commission (*Comision Federal de Electricidad*), they cannot charge for this service and here's where we are stuck. In the meantime we are using boilers to produce steam with butane gas.

We launder towels, bed sheets, nurses' and doctors' gowns, all that is indispensable for a surgical operation. It's a package known as *quiropac*, which includes everything needed for a surgical operation. We also do sterilization services for American hospitals, for the Naval Hospital in San Diego which is the largest government-owned hospital on the Pacific coast; for the Long Beach Memorial Hospital and also we service the Social Security (Seguro Social), ISSSTE, and ISSSTECALI hospitals, and the private hospitals of Baja California and San Luis, Sonora.

We had a hard time starting the laundry industry because at the beginning we had heavy losses, both due to the [learning] process and because it was the only plant with this kind of system in México. But we found the market and found out the most interesting market is the

regional market, more so than the American market, that is why we are dedicating ourselves to it.

Besides the hospitals we offer our laundry services to all the *maquila* [factories in free trade areas], which send us their garments. For example, Mitsubishi requires absolute cleanliness, it has [rooms] where people must enter with sterilized clothing. They were sending their garments to San Diego and Los Angeles because their laundry did not have the required quality.

It is an investment nearing 10,000,000 dollars. The laundry industry is [located] in Cerro Prieto. We pay higher salaries than the *maquilas* and we have the people satisfied. We launder an equivalent of 1,000,000 pounds per week. That is the capacity of the industrial plant.

## **Industrial Parks**

During Milton Castellano's period in office we started the industrial parks. The first factory that was installed was Autonetica. We toiled to attract people to the industrial park and had three or four years of losses and out of the blue the *maquiladora* industry [manufacturing shops in a free trade zone] began to flourish. Wages in the United States went up, Mexico remained stable and then the devaluation helped us to obtain good results with the *maquiladoras*. The devaluation helped the *maquila* because they sold their products in dollars and paid wages in pesos, because instead of ten to one, it [increased] twelve to one. They gained two pesos and they didn't give the workers the two pesos in profit sharing.

Our activity in the industrial parks is to offer in rent an industrial warehouse and supply water, electricity and telephone service and, on occasions, air conditioning. We prefer to rent than to sell. We sold the PIMSA I industrial park whereas we rented the Mexicali Industrial Park III (PIMSA III). We make rental contracts for five or ten years. We rent at 32 cents per foot and sell at 80 or 90 dollar per meter. We rent or sell the shell [industrial warehouse] and they [the plant] operate, bring in and hire their people, they bring in all their products and raw material and assemble their product there.

Twenty or twenty-five years ago when the first park started, the American companies were looking for cheap labor because California was saturated with work, [that is], there was a lot of employment. It is the case of the textile or toy industries, which do not require qualified labor, unlike the electronics industry. They worked in basements, in abandoned warehouses and under subhuman conditions. Those people worked in a basement located on Azueta Street, it was a place that didn't even have an exit. There they had 300 sewing machines and a lot

of people that looked for a job wherever they could find it and accepted these unsafe conditions.

Mr. Guajardo, a lawyer, and I, we were two of the three founders of the company, saw this need and decided to build an industrial park so the American investors could come. We offered them the rent of our warehouses and electricity, water, telephone lines, air conditioning, fitted bathrooms until all requirements were met, so they could bring in their equipment.

In addition to the employment problem that existed, I was a friend to the Executive President of the Douglas Aviation Company. He knew of the friendship between Guajardo and myself, and saw that he could offer us part of the work developed by the aviation company. The work they did in the United States was risky and had a lot of problems because they produced steel sheets that required a certain thickness. They needed to abrade the sheets with sandpaper and it was a very delicate job done by hand. It was an essential part of the airplane and in the U.S. they were having difficulties to make them. He [the president of the company] saw the possibility of bringing [that sheet production plant] and when Milton Castellanos was Governor he supported us with the unions. To the people that worked in that plant he gave goggles so they wouldn't hurt their eyes, masks so the dust wouldn't affect them, we paid very attractive wages and improved the working conditions so it was less risky than when it started. They started sending us parts and the second building was constructed. We never ventured in the garment industry because it was too toilsome, it was too enslaving for people and they paid very low wages. We were not interested in hiring people with low wages, so we looked for other *maquilas* that had more technology in order to have better working conditions and pay better wages. This is when the industrial park boom started.

Industrial parks have been strong generators of employment in Baja California, especially in Tijuana, Mexicali, and San Luis. I believe the regional industry should be developed, with a combination of *maquila* and industry. The *maquila* will never have high wages because they would go out of the market, because there are other markets such as Indonesia, Africa, Asia and Japan.

For a plant [established in Baja California] with 2,000 persons and an investment of 40 to 50 million dollars, that finds a location with prices lower than ours, it is easy to decide to close the plant and take it somewhere else.

We didn't take in a *maquiladora* plant that wanted to sew trousers or shirts. If someone came with better technology, better wages, those we welcomed. We never ventured in sewing because it generates a saturation of personnel with very low wages that causes great discontent and produces an unfavorable working environment,

[but] if they brought golf clubs they wanted to repair, if they came to manufacture glass, flat glass, glass, that did interest us.

We see the possibility of adding other concepts. If someone [produces] televisions, they bring the components from Korea, from Japan, where the oriental manufacturer comes from. We know that in time many [of these] components may be manufactured here at a better price because they wouldn't have the freight costs of their country of origin. Now the Fanosa factories manufacture insulation for assembled televisions. The box contains insulating and it is already manufactured here. Other components that televisions require, gradually integrates other industrial lines, and that's what we want, that other industries develop as a result of the presence of the *maquiladoras*.

### **Current Businesses**

If we start from east to west, the new assets we currently have are the Chihuahua cattle ranch, with 2,500 heads of cattle for breeding, with their respective bulls. We have approximately 2,000 calves, 50 percent male and the other 50 percent female. The males are exported to California, Texas, and Arizona. In this Chihuahua ranch we also sow 1,200 hectares of corn, beans, alfalfa, and oats with a spray system from underground wells, with electrification.

We have [other businesses] in Puerto Peñasco, Sonora. There we have the Playas de Peñasco housing complex, which is a tourist complex [with an extension] of 33 hectares of beach in the center of the city of Puerto Peñasco. There, we constructed 160 [housing] units with an approximate cost per unit and price to the public of 120,000 dollars. All the units sold and we are about to develop another similar complex. They are housing units for tourists.

We are also shareholders in PIMSA, which has four industrial parks: *PIMSA I*, *PIMSA II*, *PIMSA III* and *PIMSA IV*, the most important industrial parks in Mexicali. We have a larger capacity of workers, square meters of construction and buildings. Nearly 11,000 persons work there and are hired by the *maquiladora* companies and by assembly companies that operate in these industrial parks.

We also operate the four ice factories. We have a flake ice plant in Ensenada, the Ice Producing Company (*Compañía Productora de Hielo S.A.*) in Mexicali that makes ice cubes and processes bottled water in bulk: we bottle water in one gallon and five gallons.

We started with one ice plant that processed 20 tons of ice and now processes between 800 and 900 tons daily of ice flakes, in cubes and in bars. Most of the ice is [sold] for vegetables [produced] in Tijuana, Ensenada y Mandadero, [but we also supply] Mexicali and San Luis, Rio Colorado, Sonora. We have a large additional ice bar plant in Kilometer 43 and another one in San Luis for vegetables. We

started the ice plant business approximately in 1950 and it has remained steadfast and growing. We now ventured into the system of portable plants that only reaches the fields, which [requires] water and electricity plants with transformers. It connects to the water and electricity and they are portable plants that produce ice.

We have already installed three plants and are expanding the market to all the pacific coast, where there is great demand for quality ice. It is a portable plant which comes mounted on a kind of truck 30 meters long, which has compressors, an ice-making plate and all the system for its manufacture. [That equipment] allows the fishing activities that require ice for only 90 to 120 days to avoid an underused plant that works only for 120 days and is idle the remaining eight months. We have taken the portable equipment to Escuinapa in Sinaloa, Tijuana, Mandadero ,and Mexicali. That was the start of our system and now we are expanding because we see its potential in that market in the Pacific coast, both for vegetables as well as for fishing. We brought fifty percent of the equipment from the U.S. and the other 50 percent we adapted here. We formed a partnership with an American company that holds the patents to these systems.

We have self-service stores or outlets for the water we process. Drinkable water, treated with reverse osmosis, which we distribute in 36 selling points in Mexicali. We have the industrial laundry plant in Cerro Prieto, which provides laundry services to the Marines in San Diego and we are negotiating with three companies and three hospitals also owned by the U.S. army. We process approximately 80,000 to 100,000 pounds weekly for the San Diego Naval Hospital and a similar [amount] to the other hospitals. We also process denim for the California factories where pre-washing is required. And we provide services to the *maquiladoras*, both from Mexicali as well as Tijuana. The electronic processes used in *maquiladoras* require absolute cleanliness and hygiene. They obtain that from us now. We also offer services to all the Social Security, ISSSTE and ISSSTECALI hospitals and private hospitals in Mexicali, Tijuana and Ensenada. That's regarding laundry. We have distribution of the Nisan agencies in Ensenada and Tijuana and the Grupo Sentra activities. In addition to the buildings and land we manage as real estate.

### **Analysis of Mario Hernández Maytorena Life Story**

By 1907 the Maytorenas from Sonora constituted a prominent family of landowners established in the Guaymas district, owners of one of the most important and productive *haciendas* in the San José Valley in Guaymas. In the course of many years the Maytorenas held a long tradition of critique and opposition to the regime. They fought against the *Porfiristas* Governors Carlos Ortiz, Luis E. Torres, Izabal and Ramón Corral. Unlike most of the

Maricela González Félix, "Life Story of Mario Hernández Maytorena. Crisis and Border, a strategy to create wealth. 1935-1970," transl. María Antonieta López Moraga, *Oral History Forum d'histoire orale* 32 (2012), Edición Especial/Special Issue "Historia Oral en América Latina/Oral History in Latin America" 16

revolutionary generals, who amassed their fortune in the heat of the revolutionary movement and their close relation with the State apparatus, the Maytorenas lost most of their fortune in the course of the revolutionary movement.

Manuel Hernández migrated from Agua Prieta to Douglas, Arizona in 1916 due to the revolutionary commotion in Sonora. Once he lost his cattle ranch in Agua Prieta, he moved to Mexicali in 1918, a city bordering with Calexico. In that year he founded the Hernández and Villareal Corporation in Mexicali with a capital stock of 4,000 Pesos, in which Hernández was the majority stockholder. The corporation dedicated itself to commerce and established a clothing store known as *La Estrella Azul*.<sup>13</sup> But the corporation was dissolved shortly after.<sup>14</sup>

By 1921, and still determined to re-open the clothing business, Hernández, together with his wife, formed the *Sociedad Centro Mercantil de la Baja California*, under which the *Estrella Azul* was registered along with a bar known as *Monte Carlo*.<sup>15</sup> The new corporation had a capital of 10,000 pesos and it lasted 50 years.<sup>16</sup> At the time and for several years the business activity in Mexicali had many difficulties to overcome as a result of the Calexico competition. What little commerce existed in Mexicali had developed through smuggling.<sup>17</sup> It was also common for Chinese merchants to pay Mexicans to cross smuggled merchandise to supply their businesses.<sup>18</sup> Even though Mexicali had a dynamic economic activity based on agriculture it lacked the local commerce capable of covering the needs of its inhabitants, who had to rely on Calexico for their supplies, and which was, according to a testimony of the times, “Mexicali’s commercial sector, even though they were towns from different countries.” According to Mexicali commercial consumption statistics, between 1923 and 1924, its population required the importation of goods in the amount of 4,068,121 dollars, which, according to the exchange rate of that time of 2 pesos per dollar, would amount to

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<sup>13</sup> La Estrella Azul was a clothing store in Mexicali, located at the corner of Ferrocarril and Azueta streets, in front of the railroad crossing. RPPyC. Section of corporations and dominions, Volume I, Entry no. 58, f. 97-98. Incorporation of Hernández & Villarreal, Mexicali, Baja California, December 8, 1918.

<sup>14</sup> RPPyC. notary act., incorporation of Hernández & Villarreal, Mexicali, December 8, 1918, section of corporations and dominions, Volume I, Entry no. 58, f. 97-98, 1918.

<sup>15</sup> General Archives of the Judicial Branch (from now on AGPJ), notary act, incorporation of Centro Mercantil de la Baja California. Mexicali, January 8, 1921. Notaries. Notary # 1. Protocols. Vol. 22, f. 65-98, 1921.

<sup>16</sup> AGPJ, notary act, ratification of administrative acts between Manuel G. Hernández and Alberto G. Hernández, October 19, 1920, Notaries. Notary # 1. Protocols. Vol. 20, f. 225-226, 1920.

<sup>17</sup> Interview with Mario Hernández Maytorena conducted by Maricela González Félix, January 13 and 21, 1998, February 2 and 5, 1998 and March 13, 1998. Tijuana, Baja California. Oral Archives. Institute of Historical Research (from now on, IIH). PHO-M/1/14(1). PHO-M/1/14(2). PHO-M/1/13(3), PHO-M/1/14(4), PHO-M/1/14(5).

<sup>18</sup> Interview with Severiano Flores Gallego conducted by Maricela González Félix, 4/4, 30/12/97. Mexicali, Baja California. Oral Archives. IIH, PHO-M/1/13(1), 1997.

8,136,242 pesos per year, an average daily consumption of 22,603 Pesos yearly. At the same time, the consumption of national products only reached the meager amount of 800 to 1000 pesos.<sup>19</sup>

In all probability, due to the scarce commercial activity, Hernández Gándara started to explore other ventures and in 1924 decided to partner up with José María Hernández, Francisco and José Lamarque and established a company called *Compañía Comercial y Marítima del Pacífico*, whose purpose was to develop transportation by sea, river, and land, with a capital stock of 3,000 pesos.<sup>20</sup> In the same year Arnulfo Liera joined the company, but shortly after Liera and Hernández had strong disagreements which led them to dissolve the society.

In 1929, the commercial business *La Estrella Azul* burned down and Hernández Gándara decided to move to Tijuana to start the *Banco de la Baja California*. The corporation was integrated by Hernández Gándara, Joe López and Mariano Escobedo. Hernández invested most of his capital and was named General Director of the bank.

Hernández and his children lived for two years in San Diego, but the bank failed, Hernández lost all his capital, and he returned to Calexico. According to Mario Hernández Maytorena, son of Manuel Hernández Gándara, the *Banco de la Baja California* closed because in Tijuana its competition was controlled by a highly concentrated business sector which operated the *Banco del Pacífico*. Arturo Guajardo was president of the *Banco del Pacífico* and General [Abelardo L.] Rodríguez, Writ G. Bowman, and Baron Long were the owners. They also owned Agua Caliente, the Tijuana Race Track, and most of the entertainment centers located along the Revolución Street. According to Mario Hernández such was the power of this group that the Race Track alone generated 70 percent of Tijuana's income.

As Director of the *Banco de la Baja California*, Hernández Gándara believed he could capture the businesses that were outside the circle controlled by Rodríguez, Bowman, and Long; but he never imagined that the group would decidedly block him out. And that is how it was; the owners of the *Banco del Pacífico* provided large amounts of money to various persons so they would make propaganda in favor of the bank and offered them gratuities. For example, the *Banco del Pacífico* hired the employees that were already by the *Banco de la Baja California*. They offered them higher wages and benefits. Mariano Escobedo, Joe López, and Hernández Gándara could not keep up with this kind of competition because their capital was limited.

Even though General Rodríguez was not Governor of Baja California anymore, he had many interests and great economic strength. It was impossible to compete against him and his circle. At the end, the *Banco de la*

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<sup>19</sup> Octavio Herrera Pérez, *La zona libre. Excepción fiscal y conformación histórica de la frontera norte* (México: Secretaría de Relaciones Exteriores, 2004), 365.

<sup>20</sup> RPPyC. notary act., incorporation of *Compañía Comercial y Marítima del Pacífico, S.A.* Mexicali, June 9, 1924, section of corporations and dominions, Vol. III, Entry no. 275, f. 286-288, 1924.

*Baja California* closed its doors. Hernández Gándara returned to Mexicali and for two years looked for ways to start another business. He started again with *La Estrella Azul*. All the family worked in this venture. But just as the business was taking off, Hernández Gándara died. The difficulties in developing businesses, the constant dissolving of societies or closure of companies formed by Hernández Gándara and his sudden death, led his only son, Mario Hernández Maytorena, to venture into business from an early age.

Prior to the analysis of the life story of Mario Hernández, it is useful to provide a brief overview of his father's, Hernández Gándara, businesses, as the paternal experience became a focal reference in the business career of Hernández Maytorena. Sonora was the space where the first changes that impacted the family of Mario Hernández Maytorena took place. There the family migration started, first, with the search for shelter in the city of Agua Prieta, a haven that was not to be found because of the attack against José María Maytorena in that city. This caused the move to Douglas, and later to Calexico, California, then San Diego, and finally arriving in Mexicali, Baja California. Mexican border towns, such as Agua Prieta and Mexicali are difficult places to live in, first because of the revolutionary clashes and absence of medical services, and second because of a lack of minimum services indispensable for living.

Sonora became an initial and important reference for Mario Hernández Maytorena in the construction of meaning related to the business world. It is the beginning of the father's experience of failure. Taking into consideration the maternal family link, the Mexican revolution did not signify a possibility for betterment; on the contrary, it represented a decline of political power. The revolution also represented economic costs, like the cattle ranch that went into the hands of Francisco Elías, a member of the revolutionary elite of Sonora. At the same time, the revolutionary elite, including, among others, Plutarco Elías Calles, Álvaro Obregón, Arón Saénz, and Abelardo L. Rodríguez, experienced a process of economic rise derived from the political changes caused by the Mexican revolution movement.

His father's failure is among the most significant experiences in the life of Mario Hernández. From it he constructed the meaning of success and failure. Both meanings remain present and are articulated with another life experience: crisis, which crosses, as a central axis, his long trajectory in the business world. His life is a stand-on-alert to the crisis processes. For Mario Hernández the meaning of crisis is a concept under construction, that changes, is modified and transmuted until it becomes exactly its opposite: an opportunity.

In Hernández Maytorena's memory the idea of failure was constructed starting from his father experience in the business world. First, with the loss of the cattle ranch in Sonora, then with the fire at *La Estrella Azul*, later with the father's clash with a small group of businessmen that had great economic power and caused the bankruptcy of the *Banco de Baja California*, and finally with the death of the father at an early age.

Mario Hernández integrated the experience of the paternal failure in the business world into his own life experience and did it in an almost inverted manner. His father's businesses distinguished themselves because they were small businesses established in a city (in Mexicali and Tijuana). *La Estrella Azul* was limited by the possibilities of introducing goods from the other side of the border, in a strong smuggling setting. With the *Banco de la Baja California*, Manuel Hernández faced an economically powerful group of California and Mexican businessmen who exploited the market of vices and pleasure. Mario Hernández' businesses, on the other hand, for example the currency exchange activity, distinguished themselves for the almost non-existing competition and by the absence of headquarters. His mobile business along the Mexican border contrasted starkly with his father's experiences with the *Banco de la Baja California*.

The same happened with the leather business. Mario Hernández identified the weaknesses of the leather market, found out that the Gallegos operated as creditors to the butchers, but with high interest rates and that they made late payments to the butchers on the hides. He observed the disorganization and unfamiliarity with the market as well as the destination of the hides to northwestern México, with scarce communication and transportation routes. He identified his future competition and thus created some sort of nameless finance company that offered credit in cash to be paid off in hides, and introduced state-of-the-art technology.

The first businesses of Mario Hernández were commercial and speculative. He obtained his greatest surplus as a broker, through commerce and speculation. Unable to maintain ties with the national productive center of Mexico because of the distance and the insecurity of the communication routes, the main resource he exploited was the border geography when he introduced American products into the Mexican border market.

Later, he initiated productive investments with the opening of the *Fabrica de Hielo Estrella*, agriculture with an electric system for spray irrigation in underground wells in Chihuahua, and the industrial laundry business in Cerro Prieto, Baja California.

From the experiences with General Motors, Volkswagen, and Ford cars he knew how to take advantage of the Free Trade Zone junctures, of the conversion readjustments of the U.S. industrial plants after the Second World War and the ensuing shortages of goods. In his narrative about the war there exists an extension in time of the war into the 1960s and even into the present time, to close with a generalization – “they are the advantages that are always going to be present” – that he then applies to all time periods. The temporal extension of the war is associated with the extension of the favorable time provided by cycle of war and postwar years in the wake of the Second World War and the Korean War, extending into the 1960s.

We must remember that at the beginning of the 1930s the main economic links between Baja California and California had been severed. The arrival of Franklin D. Roosevelt to the U.S. presidency in 1932 and the

development of the New Deal with its goal of overcoming the havoc of the 1929 economic depression and starting economic growth, led to the repeal of the prohibition law in April of 1933. With the law repealed, beer and liquor acquired legal status in the United States; later temperance was abolished. Facing these changes on the other side of the border, the economy of the Baja California border towns collapsed because a large part of its economic activity was founded on the production and consumption of liquor and beer. For this reason at the beginning of the 1930s, the productive sectors of Baja California noted the imminent repeal of the prohibition law and started to promote, together with the federal government, the establishment of differentiated rates, free perimeters or the creation of a free trade zone, in order to face the problem. They were looking for the implementation of a fiscal exemption that would permit them free importation of most of the articles from abroad, with the exception of those articles produced or that could in the future be produced in Baja California, so as not to affect the regional industries and to stimulate the creation of new businesses.<sup>21</sup> The repeal of the Volstead Law in 1933 in the United States and its impact on the economy of the Baja California border towns led to the approval of the decree for the creation of free perimeters in Tijuana and Ensenada, on August 30, 1933, and later, in 1939, the implementation of the free trade zone or fiscal exemption in Baja California and part of Sonora.

It is relevant to highlight that the development of Mario Hernández Maytorena's first businesses occurred in a favorable context. On the one side and according to his narrative, the implementation of the free zone in the region that coincided with the beginning of the Second World War and the automotive boom in California, which became a context conducive to high profit rates, was important. We must retrieve from the narrative the double protection he received: one, from the Mexican state through the advantages derived from the free trade zone, and the other, from the car manufacturing plants in California, which granted financing to the dealers. Yet, we can observe a commercial development, essentially as an importer and for many years a beneficiary of a price overvaluation in products when crossing into the Mexican side of the border. Such was the case of the General Motors, Ford, and Volkswagen auto dealerships, or of other products such as the *Easy* washing machines, *Levi & Strauss* clothing, *Good Year* tires, *Fridge Air* refrigerators and *Cessna* airplanes.

An analysis of the life experiences of Mario Hernández in the business world uncovers a long process in constructing meanings of crisis and boom. In the analysis of a correlation between his perceptions and his practices in the course of his life, we can see the meaning of boom was born from a condition of crisis. For this reason, currency collapse, economic destabilization, world war, and crisis are events that transmute, change, unfold, and displace until they turn precisely into its opposite: a boom. In other words, from the presence

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<sup>21</sup>Herrera, *La Zona Libre*, 365.

Maricela González Félix, "Life Story of Mario Hernández Maytorena. Crisis and Border, a strategy to create wealth. 1935-1970," transl. María Antonieta López Moraga, *Oral History Forum d'histoire orale* 32 (2012), Edición Especial/Special Issue "Historia Oral en América Latina/Oral History in Latin America" 21

of these social and economic conditions it is possible to reach the surplus and profits that make economic success possible. Crisis means boom in the life experience of Mario Hernández Maytorena.

The polarities failure-success and crisis-boom are also constant. But there is a peculiarity; Mario Hernández positioned himself in the center of the crisis during the course of business career. On a personal level, he was attentive to the weaknesses of others: disorganization, high interest rates, slow procedures, distances to be shortened, late payments, unfamiliarity with the market, and few communication routes, among others. On the social and economic levels, he positioned himself in high risk processes with strong tendencies towards shortage, insufficiency, and imbalance such as currency devaluation, instability of the *Banco de Mexico*, shortage of dollars and all kinds of products, crisis, and war.

It is possible that the strength that the relation crisis-boom acquires in his narrative, a relation which gives meaning to Mario Hernández tale, is linked to the frontier context that distinguishes it. According to Octavio Herrera, since the beginning of the Mexico-U.S. border in 1848, there has been a profound asymmetry in which the Mexican side was at a disadvantage, the effects of which were expressed in the form of economic crisis, depopulation, illicit commerce, and political instability. This has been complemented by the fact that, for more than a century and a half, this region maintained insufficient ties to link it effectively and make it participate in the formative process and subsequent development of the domestic market, by finding itself at the same time tightly related to the American economy due to its proximity. Therefore, the free trade zone at the Mexico-U.S. border became a mechanism whereby no duties or tariffs compensated the asymmetry implied by the proximity to an economically stronger country, such as was experienced from its beginnings and which continues to this day.<sup>22</sup>

In fact, during the 1930s, when various members of the productive sectors of Baja California discussed and submitted their petitions for a free trade zone for Baja California to the President of México, the central arguments included low population, an economic crisis generated by the repeal of the Volstead Law, the difficulty of exploiting the available natural resources, the minimal production of consumption goods necessary for living in a region with few and mostly very recent population centers, a region with an incipient agricultural and industrial development, and the lack of overland communication and transport, as well as the irregularity of sea communication and transport.<sup>23</sup> As can be observed, there is a great similarity between the border context and the significant experience crisis-boom in the life trajectory of Mario Hernández Maytorena.

In another order of ideas, in the narrative of Mario Hernández the maternal figure is strong, in part because of family bonds to the main Sonoran

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<sup>22</sup> Herrera, *La Zona Libre*, 27.

<sup>23</sup> Herrera, *La Zona Libre*, 370.

leaders of the revolution, Maytorena and Obregon, while the father's figure is weak from the beginning. The reference to the father is distinguished by a permanent predominance of actions or processes that fall on the father. Frequently there is a construction of a passive self that faces an active "them" in the development of the father. First, the revolution forces him to leave Sonora, and Francisco Elias keeps his cattle ranch. This is followed by a series of social events and events even of a natural order that arose in an almost omnipresent manner and that had repercussions not only for the father but the family as well. The family group had to leave Sonora because of the revolution. Once settled in Calexico, the family worked to support the home. The father's commercial business *La Estrella Azul* burned down. The *Banco de la Baja California* closed its doors as a consequence of the actions of *others*, a social group that not only is its competition in the business world, but also has economic and political power and takes concrete actions against his father. To, finally, close the circle with the death of his father. Failure is associated with a chain of frustrated attempts to prosper and venture in new businesses. There is a direct relation between failure and death.

The paternal experience made an indelible mark on the memory of Mario Hernández. As such it is the main drive in the permanent pursuit of success – a success that was born, constructed, and fed on the most diverse and complex forms that success can take. The business strategy followed by Mario Hernández moved along this double relation of success-failure and boom-crisis. When Mario Hernández referred to the industrial laundry company, he said: "The goal we pursued was to exploit Cerro Prieto's steam, cheap labor, and Mexicali's abundant water." It is about limited and high cost resources in the United States, which due to their availability and low cost on the Mexican side become attractive. The geography of the Mexican border provides a spectrum of possibilities, which are more guarded on the other side of the border.

In a framework of limited resources, Mario Hernández identified another pathway to opportunity in the relation countryside-city. He pointed out that the low wages offered by the *maquila*, located in the city, were not enough to pay public transport by the Cerro Prieto dwellers that lived in the rural area of Mexicali. This made the industrial laundry company an attractive employment source, because of the savings in transportation costs. The low wages of the *maquila* in the city and the high cost of public transport created a captive labor market for the industrial laundry company.

The establishment of industrial parks also operated under this logic, but with some differences. Frequently the productive activities realized in the industrial parks are highly risky to health and environment. In the United States this type of company is subject to rigorous personnel protection and safety controls, which increase production costs, while on the Mexican side of the border the requirements for the protection of personnel and environment are minor, which is attractive to the company. Cheap labor and lower water, telephone, and electricity costs on the Mexican side of the border in relation to

the higher cost of these services in the United States also resulted in bigger advantages for these companies.

Mario Hernández seems to sketch two groups of businessmen with different interests: the Tijuana group and the Mexicali group. Their double origin – the Sonora space and the Mexican revolution time – is pronounced. José María Maytorena took office as Governor of Sonora in September 1911; he was the first *maderista* Governor. During the revolutionary movement the existence of various sides and interests led him to a clash with some of the revolutionary leaders, particularly Obregón, Calles, and Rodríguez in Sonora.

Surnames of current and prominent Baja California businessmen, who arrived in the region in the heat of the Mexican revolutionary movement, were originally from Sonora. Surnames like Hernández, Maytorena, Topete, Vildósola, Gallego, García, Terán, González, Tapia, Araiza, Luken, Valencia, Camou, and Peralta, among others, have a long history in the neighboring state of Sonora. For the purposes of this work it is useful to point out that Mario Hernández, whose ancestry comes from the strong patriarchal branch of the Maytorenas of Sonora, and Abelardo L. Rodríguez, linked to Plutarco Elías Calles, seem to have kept connections to their history in their native Sonora within the context of Baja California.

Even though we cannot make conclusive statements yet, would like to point out that some distinctive features are observed among the Baja California businessmen.

First, they were individuals that migrated from Sonora to California to later establish themselves in Baja California in the context of the Mexican revolution. The background of their ancestors in the Sonora region has had a significant influence in their present lives. To be clearer, let us think about two groups: the first one, composed of landowners from Sonora with strong experience in the business world previous to the Mexican revolution, whose businesses were at risk during the revolutionary riots. Their political affiliation was with the *maderismo* and the *villismo* and their strategies to sustain or consolidate their economic rise was not linked to the state apparatus, in some cases in spite of participating as public officials. The second group seems to be composed of members that were part of the professional group, as Aguilar Camín defines it, that later enlisted in the military and attained their advancement from the state apparatus.

The following example may illuminate the more general principle. At the cattle ranch in Sonora, Francisco Elías paid Manuel Hernández only for the cattle but not the property. Later the competition between Manuel Hernández and Abelardo L. Rodríguez drove him to the bankruptcy of *Banco de la Baja California*. On his part, the visible partners of Mario Hernández in his initial ventures were Fausto Topete and Miguel Vildósola, while Abelardo L. Rodríguez was linked to Writ G. Bowman, Baron Long, and Arturo Guajardo. Fausto Topete joined José María Maytorena in Sonora during the 1929 *escobarista* movement that decided to confront Plutarco Elías Calles. Agustín Olachea, led by Plutarco Elías Calles, pretended to join the

Maricela González Félix, "Life Story of Mario Hernández Maytorena. Crisis and Border, a strategy to create wealth. 1935-1970," transl. María Antonieta López Moraga, *Oral History Forum d'histoire orale* 32 (2012), Edición Especial/Special Issue "Historia Oral en América Latina/Oral History in Latin America" 24

*escobarista* movement and then immediately confronted the troops of Fausto Topete and José María Maytorena, disrupting the *escobarista* movement in which Maytorena participated. On instructions of the revolutionary elite, Abelardo L. Rodríguez gave financial support to Agustín Olachea to pay for assets and supplies for the troops that participated against José María Maytorena. Fausto Topete, José María Maytorena, and the *escobarista* movement failed before the forces of Calles and Rodríguez. A follow-up of these relationship networks is beyond the possibilities of this work; we are here only interested in pointing out that the Sonora history and the political stands and affiliations maintained during the revolution seem to extend into the Baja California space.