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**THE HISTORY OF THE ECUADORIAN CORPORATION AND ITS  
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1897-1986**

***LA HISTORIA DE LA ECUADORIAN CORPORATION Y SU  
CONTRIBUCION AL DESARROLLO ECONOMICO DEL ECUADOR; 1897-  
1986***

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**ABSTRACT**

The purpose of this article is to present the history of the Ecuadorian Corporation and its contribution to the economic development of Ecuador, 1897-1986. While much has been written about the construction of the Guayaquil and Quito railroad, relatively little has been written about the connection of the railroad to the Ecuadorian Corporation. In the first part of this article emphasis will be placed on the role of Archer Harman in organizing the railroad construction companies and the railroad's subsidiary companies between 1897 and 1910. In the second part emphasis will be placed on the role of Evermont Hope Norton in the organization of the Ecuadorian Corporation as a holding company for the subsidiary companies of the railroad. The third and final part of the paper will focus on the role of Norton's grandson Hope Norton Stevens in the management and liquidation of the company from 1861 to 1986. The research for this article is based on a bibliographical review of the primary and secondary sources on the Ecuadorian Corporation and the Guayaquil and Quito Railroad.

**KEYWORDS:** The Ecuadorian Corporation, Norlin Corporation, Archer Harman, Evermont Hope Norton, Guayaquil and Quito Railroad

**RESUMEN**

*El propósito de este artículo es presentar la historia de la Ecuadorian Corporation y su contribución al desarrollo económico del Ecuador, 1897-1986. Mientras mucho ha sido escrito sobre la construcción de la Guayaquil y Quito Railroad, poco se ha escrito sobre la conexión entre el ferrocarril y la Ecuadorian Corporation. En la primera parte de este artículo se enfocará en el papel de Archer Harman al organizar las compañías constructoras del ferrocarril y sus compañías subsidiarias entre 1897 y 1910. En la segunda parte del artículo se pondrá énfasis en el papel de Evermont Hope Norton en organizar la Ecuadorian Corporation como una compañía holding (conglomerada) para las compañías subsidiarias del ferrocarril. La tercera y última parte cubrirá el papel de Hope Norton Stevens, el nieto de Norton, en la administración y última liquidación de la corporación entre 1961 y 1986. La investigación para este artículo se basó en una revisión bibliográfica de las fuentes primarias y secundarias de la Ecuadorian Corporation y la Guayaquil y Quito Railroad.*

**PALABRAS CLAVE:** Corporación Ecuatoriana, Corporación Norlin, Archer Harman, Evermont Hope Norton, Ferrocarril Guayaquil y Quito

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**INTRODUCTION**

The discipline of business history is still a relatively young field in Ecuador. While separate studies of the electric power industry in Quito (Núñez and Logroño 2005), the beer industry (Estrada 2005), foreign companies (Albornoz 2001) and general business history (Navarro 1976), (Fierro 1991) and Arosemena (1996), there is still much to be done on the history of individual firms in Ecuador. Alfred D. Chandler, the professor of business history at Harvard, in his two most important works, identified the railroad as the “first big business” and the holding company as “the first essential step in the transformation (...) to the modern industrial enterprise.” The first big business to be organized in Ecuador was the Guayaquil and Quito Railway Company in 1897. In 1913 Ecuadorian Corporation was founded as a holding company for the subsidiary companies originally developed by the railroad.

The main thesis of this paper is that the Ecuadorian Corporation should be considered the first “modern industrial enterprise” to be organized in Ecuador. The purpose of this paper is to present a history of the Ecuadorian Corporation from its beginnings in 1897 to its ultimate dissolution in 1986. The principal sources on which this paper is based are the stockholder lists of the Guayaquil and Quito Railway company, the Ecuadorian Corporation, and the four construction companies organized to build the railroad.

## METHODOLOGY

The present article is based on a bibliographical review of the published primary and secondary sources on the Ecuadorian Corporation and the Guayaquil and Quito Railroad. The principal primary sources are the annual reports of the Ecuadorian Corporation, an unpublished internal history of the corporation by Hope Norton Stevens, the constitution of the subsidiary companies of the railroad in the National Archives in Quito, the stockholder lists of the Guayaquil and Quito railroad in the National Archives of Maryland, the stockholder lists of the Ecuadorian Corporation in the National Archives of Great Britain and the original stockholder list of the Ecuadorian Association in Edinburgh, Scotland. Use has also been made of file 422.11G93 on the Guayaquil and Quito railroad in the National Archives in Maryland.

The secondary sources consulted include extensive newspaper research in Quito and the Wall Street Journal and New York Times in the United States. The author also conducted interviews with a grandson of Evermont Hope Norton, Presley Norton Yoder of Quito and Carlos Romo Leroux, a former manager of *La Cemento Nacional* and a grandson of Alejandro Romo Leroux, a lawyer for the Guayaquil and Quito Railroad.

The original research for this paper was conducted in Quito at the *Archivo Nacional de Historia* over the course of three summers. The Quito research was followed by a trip to the National Archives in Maryland, where a complete Xerox copy was made of file 42.11G93 on the Guayaquil and Quito Railroad. A research trip to the National Archives of Great Britain resulted in a list of the original stockholders of the Ecuadorian Corporation. Access was also granted to the archives of the Royal Bank of Scotland, which houses the archives of the private banking firm of Glynn, Mills Currie, where a copy was made of the original holders of the first mortgage bonds of the railroad.

A side trip to the National Archives of Scotland enabled the author to obtain a copy of the original shareholder list of the Ecuadorian Association. The author also obtained a copy of St. George Lane Fox Pitt's lawsuit vs Archer Harman and the Ecuador Development Company, which covers the early construction period of the railroad between 1897 and 1902.

The theoretical framework for this paper is based on two works by the Pulitzer Prize-winning business historian Alfred D. Chandler. According to Chandler (1965) the railroad was America's first big business. The railroad introduced important changes in the structure of business organizations that created the conditions for the spectacular economic growth of the United States after 1850.

The growth of the railroads also led to the development of the holding company, which allowed individual companies to own stock in other companies. Chandler (1977) defined the holding company as “Any company (...) which is in position to control or materially to influence the management of one or more other companies, by virtue, in part at least, of its ownership of the securities in the other company or companies. (p. 10).” For Chandler the holding company was the “first essential step in the transformation (...) to the modern industrial enterprise.” (p. 320). According to Chandler’s criteria the Ecuadorian Corporation should be considered the first modern industrial corporation to be founded in Ecuador.

## **RESULTS AND DISCUSSION**

### **PART ONE: ARCHER HARMAN: PROMOTER OF THE GUAYAQUIL AND QUITO RAILWAY AND ITS SUBSIDIARIES, 1897 - 1911**

The triumph of General Eloy Alfaro’s Liberal Revolution on June 5, 1895 ushered in a period of radical social and economic transformation of Ecuador. Among Alfaro’s top priorities was the attraction of foreign capital to finance the completion of the Guayaquil and Quito Railroad. In the fall of 1896 Alfaro commissioned his representative in Washington, Luis Felipe Carbo, to interest North American investors in building the road. According to Archer Harman a syndicate of 12 capitalists was organized in the house of Mrs. John Jacob Astor in January of 1897 (*Grito del Pueblo*, 13 March, 1897). Each member contributed \$500 to pay the expenses of Harman’s trip to Ecuador to secure the concession contract from the government. (Norton n/d).

Archer Harman, the man selected by the syndicate, was a man with a wide variety of business experiences. As a young man Harman worked as a railroad subcontractor in the states of Virginia, Kentucky, Ohio and Indiana. From 1885-1886 Harman and a partner built a section of the Colorado Midland railroad. In 1890 Harman lost a lawsuit in a land speculation deal in eastern Kentucky coal lands and moved to Florida where he lost a lawsuit over the control of the Jacksonville, Mayport and Pablo River railroad. Harman then partnered with Edward Morley in a venture to establish a ferry service between the town of Key West and Miami.

To finance this venture Harman engaged in a filibustering expedition to run guns and ammunition to the rebels fighting against Spanish rule in Cuba (Washington Evening Star, June 29, 1896). Harman’s ship the City of Richmond was impounded by the US government and later sold to Henry M. Flagler, the former partner of John D. Rockefeller in the Standard Oil company. Harman then moved to New York City where he was invited to join the Ecuador syndicate.

Harman arrived in Guayaquil on March 9, 1897 and spent the next three months in Ecuador conducting a survey of the route between Durán and Quito. After intense negotiations the Government of Ecuador awarded the concession to Harman and the syndicate on June 14, 1897. While Harman was in Ecuador he claimed that the syndicate had already assembled the funds to construct the line. But the truth was that Harman was merely the promoter and the syndicate itself had not yet raised any funds to build the road.

The cost of construction was estimated at \$17,532,000: \$12,282,000 in 6% First Mortgage Bonds with principal and interest guaranteed by the Government of Ecuador, and \$5,250,000 in Preferred Stock of the Guayaquil and Quito Railroad issued to the promoters. The concession called for the further issue of \$7,032,000 in Common Stock to be divided 49% to the government and 51% to the stockholders of the railroad.

The \$5,250,000 shares of preferred stock issued to the promoters made them the real owners of the railroad. Upon his return to New York Harman reported to the syndicate that the cost of construction was only \$5,000,000, a gross miscalculation of the true cost of road! (Harman 1897). On September 1, 1897 the Guayaquil and Quito Railroad was incorporated in the state of New Jersey. The subscribers were the following:

**Table 1:** Incorporators of the Guayaquil and Quito Railway Company

Archer Harman	1 Share	\$100.00
George Hoadly	1 Share	\$100.00
Charles H. Lee	1 Share	\$100.00
Nelson B. Burr	1 Share	\$100.00
Evermont Hope Norton	1 Share	\$100.00
Robert M. Thompson	1 Share	\$100.00
T H Powers Farr	1 Share	\$100.00
John C. Kilbreth	1 Share	\$100.00
Peter Dumont	1 Share	\$100.00
Peter Cooper Hewitt	1 Share	\$100.00
Total:10	10 Shares	\$1,000.00

Source: Certificate of Incorporation of the Guayaquil and Quito Railway Company, 1 September, 1897, State of New Jersey. Elaborated by Author.

Immediately after incorporating the Guayaquil and Quito Railroad Company Harman left for London to negotiate the purchase of Ecuador's foreign debt with the Corporation of Foreign Bondholders. A second purpose of Harman's trip was to secure an underwriter for the first mortgage bonds and place the bonds on the London market. He also presented his project to Lord Revelstoke, the head of Baring Brothers bank, who rejected his proposal. (Baring Archive, 1897-1898). Harman also failed to place any of the first mortgage bonds on the London bond market.

### **THE SOUTH AMERICAN RAILWAY CONSTRUCTION COMPANY (SARCCO)**

On his return to New York Harman organized the South American Railway Construction Company with a minimum capitalization of \$1,000. The subscribers were four members of the original syndicate plus Charles H. Sherrill, a New York lawyer who also drafted the articles of incorporation of the Ecuadorian Association. Article 34 of the 1897 concession allowed the railroad to assign the actual construction to a separate construction company which could in turn subcontract the work. Two days later, on February 10, 1898 the Guayaquil and Quito Railway company signed a contract with the South American Railway Construction Company to construct the railroad for \$4,050,000. A week later the South American Railway Construction offered \$4,000,000 to the Drake and Stratton construction company to build the road—a million dollars less than the estimate Harman made in his report to the syndicate, eight million dollars less than the estimated \$12,282,000 in first mortgage bonds that the government of Ecuador had agreed to finance! (Cooper-Hewitt, 1898) The contract with Drake and Stratton was signed on March 12, 1898.

Drake and Stratton sent their chief construction engineer George L. Riley to Ecuador in June of 1898 to make a preliminary survey of the line. Riley then cabled that all financial arrangements to construct the line had been finalized. But opposition to the Harman contract had been growing in Ecuador and in September of 1898 congress voted to rescind the Harman concession and Drake and Stratton backed out of their contract (*Grito del Pueblo*, September 14, 1897).

### **THE ECUADOR DEVELOPMENT COMPANY**

The only funds SARCCO had available beyond the initial capitalization of \$1,000 were \$650,000 in first mortgage bonds and the \$650,000 in preferred stock promised to them, but not yet issued by the Government of Ecuador. Of this amount Harman was to receive \$250,000 in bonds and another \$250,000 in preferred stock as his commission for obtaining the concession (Mumford 1901). Harman returned to London in the summer of 1898 in search of British capitalists to invest in the South American Railway Construction company. While in London Harman made the acquaintance

of St. George Lane Fox Pitt, the brother-in-law of Sir John Lubbock, the chairman of the Council of Foreign Bondholders. According to this author (Uggen 2008a) Harman was so impressed with Fox Pitt's aristocratic connections that he sold one half of his interest in the South American Railway Construction Company to Fox Pitt with the condition that Fox Pitt would organize a syndicate in Great Britain to finance the construction in Ecuador. (pp. 7-8). Harman returned to New York in August of 1898 accompanied by Fox Pitt.

On September 16, 1898 Harman, Fox Pitt, Evermont Hope Norton and Thomas Carmichael, the New York representative of the London banking firm of Dent, Palmer and Co. organized the Ecuador Development Company. Dent, Palmer then agreed to underwrite the construction of the road in return for a controlling interest in the company. The Development Company was organized with an authorized capital of only \$200,000. The initial subscription was \$161,600, of which Dent, Palmer subscribed \$73,900 or 47%, giving them a controlling interest in the company.

In August of 1898 the Congress of Ecuador repudiated the 1897 contract with Harman and the Syndicate. According to General Alfaro the 1898 Congress repudiated the Harman contract because it was dominated by enemies of the liberal revolution. But as this article will demonstrate, the Congress had good reason to question the terms of the 1897 concession.

Upon hearing the news of the repudiation of the concession, Harman departed immediately for Ecuador in the company of Fox Pitt and George Mumford, the lawyer for the New York office of Dent Palmer and Co. While in Quito Harman had a falling out with Fox Pitt and Mumford over the amendment of Article 6 of the 1897 concession, which stipulated that the company would be paid for construction work at the beginning of each mile. But the congress of 1898 modified Article 6 so that the company would only be paid for work completed in the previous month.

According to Fox Pitt, "Harman was totally opposed to this change in the 1898 contract but Mumford, as the lawyer for the Development Company, accepted it without Harman's authorization." (Uggen 2008b:7). Upon their return to New York Mumford gave an unfavorable report on Harman to Thomas Carmichael, which resulted in Dent, Palmer's withdrawal from the Development company. After Dent, Palmer's withdrawal, Harman was once again without funds to finance the construction of the road. Harman then made an arrangement with Evermont Hope Norton to buy out Dent Palmer's interest in the Development company and transfer the control to the American investors.

## **THE ECUADORIAN ASSOCIATION**

Harman returned to London again in the winter of 1899 where he made the acquaintance of Sir James Sivewright, a wealthy Scotsman who had made his fortune in South Africa. On April 4, 1899 Harman and Sivewright incorporated the Ecuadorian Association in Edinburgh with an initial capitalization of £70,000 pounds. On September 6, 1900 Harman and Norton transferred the Ecuadorian Development Company stock, the construction contract, and all the first mortgage bonds and the preferred stock, to the Ecuadorian Association. The stockholders of the Ecuador Development company then exchanged their shares for shares in the Ecuadorian Association.

The most difficult obstacle encountered in constructing the line from Chimbo to the crest of the Andes was the famous "Devil's Nose." On June 8, 1901 the Ecuadorian Association floated an issue of £1,000,000 of 6% Debenture Bonds to raise the capital to finish the line from the Devil's Nose to Quito. (NY Times, 1901). According to Harman the high cost of construction around the Devil's Nose resulted in the bankruptcy of the Ecuadorian Association.

In March of 1904 Archer Harman and his associates, who controlled a majority of the stock, voted to liquidate the association over the protest of the minority shareholders. The minority shareholders argued that the association was not bankrupt and accused Harman of mismanagement.

They further charged that no proper accounting of the funds of the association had ever been made and that a million and a half dollars were missing and unaccounted for. The loss of this large sum of money has never been explained and the true cause of the bankruptcy of the Ecuadorian

Association remains a mystery to this day.

To counter their opposition, the minority shareholders were offered the opportunity to exchange their shares in the Association for shares in the Guayaquil and Quito Railway company at the rate of 40% in preferred stock and 60% common stock in the railroad in exchange for every share issued by the Ecuadorian Association for a total of \$2,500,000. (Ecuadorian Association Liquidation vs. Lord Stanmore and Others, 1904).

## **THE INCA COMPANY**

After the Ecuadorian Association was liquidated Harman organized the Inca Company on November 22, 1904 with an authorized capital of \$150,000 divided into 150 shares of \$1,000 each, 149 of which were subscribed by Archer Harman personally (Inca Company 1904). The Guayaquil and Quito Railroad then assigned the construction contract to the Inca Company, which included the rights to \$3,010,000 First Mortgage Bonds and \$2,100,000 shares of Preferred Stock for a total compensation of \$5,110,000, making the Inca Company (i.e. Archer Harman) the owner in fact of the Guayaquil and Quito Railroad.

The Inca Company took charge of the construction from the Laguna de Colta to Quito and finished the construction of June 25, 1908. Archer Harman claimed that three of the four construction companies were “wrecked” in the construction of the railroad. This author would argue, on the other hand, that the formation of the separate construction companies was part of an elaborate pyramiding scheme engineered by Harman to transfer the ownership of the railroad to himself.

## **THE SUBSIDIARY COMPANIES OF THE GUAYAQUIL AND QUITO RAILWAY**

Although Harman was the majority holder of the 6% Preferred Stock of the railroad, the shares would not pay dividends until the interest and capital on the First Mortgage Bonds had been paid. As President of the Guayaquil and Quito Railway Harman earned an annual salary of \$5,000 (\$170,000 in 2022 dollars) in addition to a generous expense account. But Harman’s financial ambitions far exceeded his income from the railroad. To increase his income Harman was actively searching for other business opportunities as early as 1901, before the line to Huigrahad been opened for traffic. In November of 1901 the Paris banking firm of Serminario Freres, “Ecuador’s largest exporter of cacao,” (Chiriboga 1980:57) ran into financial troubles and was forced to declare bankruptcy.

In December, 1901, Harman initiated negotiations with the National City bank of New York for the purchase of three of the Seminario plantations in the province of Los Ríos. The bank sent Louis Wessels, the senior member of the firm Wessels and Kulenkampff, cacao experts, to examine the properties. (*Archivo Historico del Guayas*, d15347-d1561). In his report to the bank Wessels recommended against purchasing the properties. The following is a translation of a letter dated June 23, 1902 from Archer Harman to General Alfaro expressing his disappointment over the failure of the negotiations:

Mr. Wessels has greatly disappointed me. (...) As a result of his negative report it was impossible to raise the funds for this project. But this is never the less not the only business opportunity in Ecuador and I have no doubt that we can organize other businesses that in all probability will give a better profit than the purchase of the cacao plantations. (Corporación del Centro Cívico Ciudad Alfaro, 2013)

Once the rails had reached Guamote in 1903 and the line opened for traffic, Harman dedicated his time to organizing other businesses that would “give a better profit than the purchase of the cacao plantations.” Between 1905 and 1910 Harman organized the following subsidiary companies:

**Table 2:** Subsidiary Companies of the Guayaquil and Quito Railway Company

Anglo French Pacific Syndicate	May 26, 1905
Quito Electric Light and Power Co.	November 5, 1905
Quito Tramways Company	November 14, 1905
El Recreo Company	December 5, 1905
Inca Sprngs Company	August 6, 1905
New Guayaquil Land Company	January 10, 1909
Ecuador Express Company	May 1, 1909
The Farms Company	June 1, 1910

Source: *Archivo Nacional de Historia, Artículos de Incorporación*. Elaborated by the Author.

## ANGLO FRENCH PACIFIC SYNDICATE

On May 26, 1905 Archer Harman organized in London the Anglo French Pacific Syndicate to purchase 28 acres of prime real estate north of the Ejido Park in Quito. The syndicate contracted Modesto Sánchez Carbo, the manager of the Quito branch of the Banco Comercial y Agrícola to purchase the lands in his name and then transfer the title to the syndicate. Sánchez Carbo was given S/.125,062 by Archer Harman to purchase seven properties between October 23 and November 24 1905.

The syndicate formed the *Ciudadela del Centenario* in anticipation of the 100 year celebration of Ecuador's independence from Spain in 1824. On June 1, 1910 the AngloFrench Syndicate was liquidated and title to its lands in Quito transferred to the Farms company, a new real estate holding company to hold the title to all of the lands owned by the the subsidiary companies of the railroad in Quito and Duran. On March 20, 1920 the *Junta del Centenario* approved the plans for the urbanization of the *Ciudadela del Centenario*.

The Farms company then sold the entire property two years later to the *Empresa de Mejoras Urbanas* of Guayaquil for the sum of S/.450,000. The *Empresa de Mejoras Urbanas* changed the name to *Ciudadela Mariscal Sucre* and developed the site which was to become Quito's modern business district. The Farms retained the title to the 8,000 acre *El Recreo* property which surrounded the city of Duran. (Uggen 2021, pp. 6-8)

## QUITO ELECTRIC LIGHT AND POWER COMPANY

On November 5, 1905 Harman and Norton organized the Quito Electric Light and Power Company in New Jersey and purchased a controlling interest in *La Eléctrica*, a small power plant built in 1897 by Manuel Jijón Larrea, Víctor Gangotena Jijón y Francisco Joé Urrutia on the falls of the Machángara river. The Ecuadorian owners of *La Eléctrica* had run out of funds and needed fresh capital to expand the plant. The railroad interests supplied the capital and service to Quito was inaugurated on October 8, 1908, only three months after the arrival of the railroad to Quito. (*El Comercio* 1908)

## QUITO TRAMWAYS COMPANY

On November 14, 1905 Harman and Norton organized the Quito Tramways company in the state of Delaware and were awarded the franchise to establish tramways service on November 19, 1910. Tramways service was inaugurated on October 8, 1914 to provide transportation from the railroad station in Chimbacalle all the way to the new *Avenida Colón*, the northern boundary of the tract of land owned by the Anglo French Pacific Syndicate, today *Barrio Mariscal Sucre*. Unfortunately for the historian, the records of the Quito Tramways company, which were stored in the brewery in Guayaquil, disappeared when *la Cervecería Nacional* was sold to the Colombian conglomerate Bavaria. (Personal communication Jenny Estrada 2004).

## **THE RECREO COMPANY AND THE NEW GUAYAQUIL LAND COMPANY**

On December 5, 1905 Harman organized the Recreo Company in New York to purchase the 8,000 acre *Recreo Hacienda* from Belisario J. Luque for S/.150,000 (\$70,000 in US dollars). The lands of El Recreo surrounded the city of Duran and the land on which the terminal of the railroad was located. Four years later (January 1, 1909) title to the Recreo hacienda was transferred to the New Guayaquil Land Company. Harman's plan was to develop the Recreo estate and build a "new Guayaquil" to rival the "old Guayaquil" which had been destroyed by the 1896 fire.

To raise the capital to develop the estate Harman travelled to Paris where he interested a large number of small French investors in the project. When the plan failed, the railroad company retained title to the property. The French investors sued Harman in New York and won a judgement of \$22,643 against Harman and the railroad. (NY Times 1909).

But they lost in the Ecuadorian courts and title to *El Recreo* was retained by the railroad. In recompense the French investors were offered the opportunity to exchange their shares in the New Guayaquil Land Company for equivalent shares in the Ecuadorian Corporation.

## **THE FARMS COMPANY**

On June 1, 1910 Harman and the G and Q board of directors created the Farms Company as a holding company to acquire title to all of the lands owned by the railroad in Ecuador, including the *Recreo* estate in Durán and the properties purchased by the Anglo French Pacific Syndicate in Quito in 1905. The Farms Company was liquidated in 1922 and title to the Quito and Duran properties were transferred to another real estate holding company *La Inmobiliaria*.

## **THE ECUADOR EXPRESS COMPANY**

The Ecuador Express Company was organized on May 1, 1909 to skim off the profit from the freight carried by the railroad, leaving no money to pay interest charges on the first mortgage bonds. The railroad was forced to liquidate the Express Company due to the intense opposition of the Ecuadorian government, which expected the railroad to begin paying its fair share of the interest on the bonded debt once the line began operating between Duran and Quito (*El Comercio*, October 18, 1911).

In 1911 the US State Department, upon request from the Ecuadorian government, published a list of the preferred and common stock holders of the Guayaquil and Quito Railroad. The original issue consisted of 122,820 shares of the par value of \$100 each for a total of \$12,282,000. The shares were divided in 70,320 common shares and 52,500 preferred shares. The Common shares were distributed 51% to the Guayaquil and Quito Railroad and 49% to the Government of Ecuador. All 52,500 preferred shares were allotted to the Guayaquil and Quito Railway Company.

Of the shares allotted to the railroad, 28,629 of the common shares and 20,331 of the preferred shares were listed as belonging to the Inca company for a total of 48,960 shares with a par value of \$4,896,000 US dollars, or 62% of the 78,768 shares issued to the railroad company, making the Inca Company the largest single owner of the shares. 149 of the 150 shares of the Inca Company were the personal property of Archer Harman, thus making Harman the owner of the majority of the stock of the railroad. Unfortunately for Harman his almost 5 million dollars in stock could not pay interest or dividends until the bonded debt of the railroad had been cancelled. (File 422.11G93/478, National Archives 1911).

## **DEATH OF ARCHER HARMAN, 1911**

Ecuadorian opposition to Harman had been building for years and came to a head after it was revealed that he was involved in the negotiations for the sale of the Galapagos islands to the United States. Archer Harman left Ecuador for New York on April 17, 1911 to discuss the Ecuadorian opposition to the railroad and to him personally with the Department of State.

In August, 1911 Harman met with Henry L. Janes, the official in charge of Latin American affairs at the Department. Harman was presented with a letter from Huntington Wilson, the Assistant Secretary of State which requested Harman's immediate resignation as president of the Guayaquil and Quito Railroad and his promise never return to Ecuador. According to Wilson: "It appears essential that you withdraw from all official connection with the railroad company which will satisfy the feelings of the Ecuadorians..." (File 522.11G93/346-352 Guayaquil and Quito Railway File 1911). Harman accepted the decision of the State Department under protest and never returned to Ecuador.

Archer Harman died on October 11, 1911 from injuries suffered from falling off his horse while vacationing at the Virginia Hot Springs with his daughter Kate. After Harman's death his Inca Company shares eventually passed to Archer Harman Jr., the son of Archer's brother Major John A. Harman. On April 13, 1925 the Inca Company sold 57,069 shares of a par value of \$5,706,900 (28,638 common and 28,431 preferred shares) to the Ecuadorian Government for \$600,000 (New York Times 1925). With the sale of the Inca Company stock, the Government of Ecuador became the majority owner of the Guayaquil and Quito Railroad and the Harman family interests in Ecuador and the railroad came to an end.

## **PART TWO: E H NORTON AND THE ECUADORIAN CORPORATION: 1913-1961**

Evermont Hope Norton was named president of the railroad after the resignation of Archer Harman. General Alfaro himself was forced to resign as president on August 11, 1911. Later in the year his supporters staged a revolt in an attempt to return him to power. When the revolt failed Alfaro was arrested and taken to Quito on the same train that he had dedicated his life to build. On January 28, 1912 he was assassinated and his mutilated corpse dragged through the streets of Quito and burned in the Ejido park in the infamous *hoguera bárbara*.

The burning of Alfaro's corpse was witnessed by Norton at his residence in the *Villa Floresta* on the *Avenida Colombia* directly across from the bonfire. According to Norton's grandson, Presley Norton Yoder (Personal communication, November 1-3, 1989) the brutal death of Alfaro and the opposition to Harman and the railroad convinced Norton that the subsidiary companies could best be protected by separating them from the railroad and re-incorporating them under the laws of Great Britain. On April 19, 1913, Norton founded the Ecuadorian Corporation in London as a holding company to take title to the railroad's subsidiary companies. According to the corporation's prospectus published in London, the following subsidiaries were transferred to the new holding company:

**Table 3:** Ecuadorian Corporation Prospectus, April, 1913

Ecuador Breweries Company (Beer)	2/3 Shares
Ecuador Express Company	100% Shares
Quito Electric Light and Power Company	50% Shares
Quito Tramways Company	100% Shares
Banco de Pichincha	16% Shares (176,000 Sucres)
Inca Sprngs Company	100% Shares
El Recreo Company (Durán Lands)	100% Shares
The Farms Company	100 % Shares

Source: The Guardian: April 24, 1913, P. 14, London Elaborated by Author

The shares of the Ecuadorian Corporation were divided among British, French and American investors, with E H Norton the largest single shareholder:

**Table 4:** Distribution of Ecuadorian Corporation Shares, 1913

Great Britain	53,801	23 %
France	64,156	27 %
United States	115,419	49 %
Total:	233,376	99 %
E H Norton Shares	81,576	35 %
E H Norton % US Shares		71 %

Source: Shareholders Ecuadorian Corporation. File: BT31/32153/128446. Elaborated by Author

When the prospectus of the corporation was published in the press in Ecuador it was attacked in a series of articles in the *El Comercio* newspaper in Quito. The articles warned of the danger that the Ecuadorian Corporation “trust” posed and the fear that it would create a monopoly which could devour Ecuadorian owned businesses (*El Comercio* June, 1913).

## ECUADORIAN CORPORATION ACQUISITIONS, 1913-1938

Barely one month after publishing its prospectus, the Ecuadorian Corporation purchased a two thirds interest in the *Fábrica de Hielo y Cerveza* (Ice and Beer Factory) from the Guayaquil businessman Enrique Gallardo. The Ecuador Breweries name would later be changed to *la Cervecería Nacional*, the most profitable of all of the Ecuadorian Corporation’s subsidiaries. (Personal Communication, Carlos Romo Leroux, June 15, 1995).

In 1929 the Corporation purchased the 15,000 acre San Miguel property on the outskirts of Milagro, along with the San Miguel rice peeling plant. The Corporation developed the San Miguel property as a successful cattle ranch and rice growing operation on the cacao plantation that had once belonged to the Seminario family.

In the same year the Corporation purchased an interest in the 75,000 acre Salango Island property in the province of Manabi with the purpose of cultivating hemp to manufacture the canvas sacks used for the bagging of cacao and rice. The Salango acquisition was met with stiff resistance from the peasant farmers located on the land and was eventually liquidated by the corporation. (Personal Communication, Carlos Romo Leroux June 16, 1995).

In 1934 the Ecuadorian Corporation purchased the San Eduardo cement factory for S/.210,000 from José Rodríguez Bonín. The plant began operations in 1924 but ran into financial difficulties and ceased operations in 1929. According Carlos Romo Leroux, Forrest Yoder negotiated a ten-year lease-purchase agreement in 1934 and changed the name of the plant to *La Cemento Nacional*. (Interview Carlos Romo Leroux, June 14, 1995). The Corporation invested heavily in expanding cement production and from 1935-1956 was the sole producer of cement in Ecuador until *Cementos Chimborazo* began operations in 1956.

In 1938 the Ecuadorian Corporation made its first international acquisition when it purchased a controlling interest in 2 million acres of quebracho forest and grazing lands in Paraguay from the International Products Corporation. The quebracho forests were at the time the principal source of tannin used in the tanning of leather, which gave them a monopoly of tannin extract produced in South America (Ecuadorian Corporation Annual Report, 1938).

## LIQUIDATION OF SUBSIDIARY OF THE ECUADORIAN CORPORATION

In 1946 the Ecuadorian Corporation liquidated the Quito Tramways company as it was no longer able to compete with bus and automobile transportation in Quito. This was followed the same year with the sale of its Quito Electric Light and Power Company to the Quito municipal power company

for \$/8,000,000 (*El Comercio* 1946). In 1956 the Corporation sold its 34 ½ % interest in the International Products Corporation for \$1,100,000 to Pamela J. Woolworth of the Woolworth Department store fortune (Miami Herald 1956, p.1).

### **PART THREE: NORTON STEVENS TAKES CONTROL, 1962-1965**

Evermont Hope Norton died on Tuesday evening April 4, 1961 at Hopemont, his luxurious residence on the Virginia peninsula. Upon his death Norton's favorite grandson Hope Norton Stevens, was named to replace him as the head of the Corporation. The following is a list of the subsidiary companies owned by the Corporation upon the death of E Hope Norton:

**Table 5:** Ecuadorian Corporation Subsidiary Companies, 1961

La Cervecería Nacional	Beer Plant
Compañía de Maltas y Cervezas	Malt Plant
Compañía Agrícola Mojanda	Cultivation of Barley for Brewing
La Cemento Nacional	Cement Plant
Productos Rocafuerte	Concrete Blocks
Frigorífico del Guayas	Ice Making Plant
Canteras Nacionales	Limestone Quarry for Cement Plant
Compañía Agrícola San Miguel	Cattle Ranch and Banana Plantation
Piladora San Miguel	Rice Peeling and Cleaning Plant
La Agricultura Ecuatoriana	Panigón Rice Plantation (Milagro)
La Agricultura Tropical	Salango property in Manabí
Mecánica Automotriz Nacional	Automotive Maintenance Service

Source: Ecuadorian Corporation Annual Report, 1961. Elaborated by Author.

According to Carlos Romo Leroux (Personal communication, June 15, 1995), the triumph of the Cuban Revolution in 1959, led the officers of the corporation, now renamed ECL Industries, to assess the long-term future of the company in Ecuador. Accordingly, a fateful decision was made to invest in new businesses in the United States, which was seen as a safe haven should there be a Cuban style revolution in Ecuador.

Over the next six years' management identified electronics and musical instrument manufacturing as promising fields of investment. In 1963 the corporation purchased a controlling interest in four electronics firms. In 1969 ECL Industries purchased a majority of shares in the Chicago Musical Instrument Company, at the time the largest manufacturer of musical instruments in the United States and the owner of several well-known instrument brands, including Gibson Guitars. One of Norton Stevens classmates in the Harvard MBA program was Arnold Berlin, the son and successor to Maurice Berlin, the founder of the Chicago company. Shortly thereafter ESL Industries changed its name to Norlin, a combination of Norton/Berlin, the name by which it would be known at its final liquidation barely a decade and a half later.

The acquisition of the Chicago company increased the assets of Norlin by a staggering 250%, from \$52,848,778 in 1968, the year prior to the merger, to \$130,663,013 a year later. The decade of the 1970s saw a steady increase in the company's assets, which reached their all-time high in 1979 of over a quarter a billion dollars. But at the same time all was not well with the company's music subsidiary, which began to show losses as early as 1975 due to the recession in the United States and the subsequent drop in consumer spending.

The music unit, which made up fully 60% of the company's earnings in the first half of the decade, saw its share of the operating income fall to a mere 15% at the end of the decade. The decline in the music business would also be an early sign of the mistake the directors had made by abandoning Ecuador for what they hoped would be greener pastures in the United States (Uggen, 2010).

The original mistake in abandoning Ecuador was compounded in 1974 when the corporation sold

51% of its ownership stake in *La Cemento Nacional* to the Corporación Financiera Nacional.

According to Carlos Romo Leroux (Personal communication June 15, 1995) Norlin decided to get out of the cement business it lacked the capital to meet the expanding needs of the petroleum industry. In January of 1976 the remaining 49% of the *Cemento Nacional* was sold to the Swiss conglomerate Holderbank, the world's largest producer of cement.

In October, 1981 Norlin sold off its electronics unit in an attempt to ward off a hostile takeover by Camelia Investments, a British tea company. The following year Norlin sold the *Cervecería Nacional* to Bavaria, bringing to a close the Ecuadorian Corporation's seventy years of profitable operations in Ecuador. The sale of the electronics and beverage units raised Norlin's cash balance to \$64,341,000 at the end of 1982, further enhancing the company's attractiveness as a target for a hostile takeover (Uggen 2010, p. 5).

Norlin became the target of a hostile takeover for the second time in January of 1984 by the Rooney Pace Group, which had managed to purchase 47.6% of Norlin's outstanding shares. On September 6, Randolph K. Pace was named chairman of the board and Norton Stevens demoted to vice president of the company that he and his grandfather E H Norton had controlled for 70 years. Stevens resigned on March 5, 1985, severing the final link between the company and Ecuador.

Under the management of the Rooney Pace group Norlin barely survived a year and was closed on March 10, 1986. To make matters worse, Randolph Pace was charged with securities fraud and would eventually serve time in jail. On May 26, 1988 Patrick J. Rooney was convicted of income tax evasion and also sentenced to jail. The remaining assets of Norlin, renamed Ameriscribe Corporation, were bought for \$83 million by the international conglomerate Pitney Bowes on April 23, 1993.

Although Norlin itself disappeared in 1985, the business that were originally developed by the Ecuadorian Corporation have continued to thrive. In a survey conducted in 2002 by the Ecuadorian business journal *Gestión*, the National Cement Company, now owned by the Swiss firm Holderbank and operating in Ecuador under the name of Holcim, and the National Beer Company, now wholly owned by the South African firm of Saab/Miller, were both listed in the top ten companies in Ecuador as measured by both capital investment and profits (*Gestión* 2002).

When E Hope Norton died in 1961 the Ecuadorian Corporation's consolidated balance sheet was \$14,861,066. By 1979 under his grandson Norton Stevens the corporation's consolidated balance sheet had grown to \$238,426,000, a spectacular 16 times the balance of 1961. The following table illustrates the spectacular growth and decline of Norlin under the management of Hope Norton Stevens:

**Table 6:** Norlin Consolidated Balance Sheet: 1962-1985

Year	Consolidated Assets
1962	\$ 16,127,867
1963	\$ 24,271,191
1965	\$ 29,802,646
1970	\$115,272,017 (Music Business)
1975	\$168,813,000
1978	\$229,386,000
1979	\$238,426,000

Net Income Loss:	
1980	(\$ 3,866,000)
1981	(\$14,055,000)
1982	(\$37,806,000)
1983	(\$ 3,649,000)
1984	(\$ 32,794,000)
1985	(\$ 19,548,000)
Total Losses 1980-1985:	(\$111,718,000)

Source: Annual Reports Ecuadorian Corporation. Elaborated by Author.

One of the main causes of Norlin's failure was the 1973-1976 recession which was beyond the control of both Norlin and Rooney Pace. A further contributing factor was the plain incompetence and dishonesty of the Rooney Pace Group (Forbes, 1986). Another factor that contributed to the ultimate failure of the corporation was the changing membership of the board of directors.

Under Norton the board was composed of directors who had been with the corporation from its inception. By the time Norton Stevens came on the board in 1962 E H Norton had already passed away and only Forrest Yoder of the founding members was still on the board. The only other senior member was George Herbert Walker, Jr., the maternal uncle of President George Herbert Walker Bush. Norton Stevens replaced the old Ecuador hands by Ivy League graduates with degrees from Yale and Harvard with no previous experience in Ecuador.

Although impossible to prove empirically, perhaps the slow but steady growth of the Ecuadorian Corporation under his grandfather were not spectacular enough for a young Norton Stevens fresh out of graduate school and armed with an MBA degree from Harvard. But the root cause of the demise of the Norlin Corporation must be sought in the fateful decision of Norton Stevens and his board of directors to sell off their cement and beer business in Ecuador to acquire new lines of business in electronics and music in which they had no prior expertise.

## CONCLUSIONS

The Ecuadorian Corporation was the first modern holding company to be founded in Ecuador. The contributions of the corporation to the economic development of Ecuador included the construction of the Guayaquil and Quito Railroad, the establishment of Quito's street railway system, the urbanization of Quito's *ciudadela* Mariscal Sucre, the Quito Electric Light and Power Company, the *Cemento Nacional*, and the *Cervecería Nacional*.

The Ecuadorian Corporation also served as a model of modern business management practices and a training ground for three generations of Ecuadorian businessmen. The members of the board of directors over the years were among the most qualified businessmen in Great Britain and the United States.

Two of the principal objectives of Alfaro's Liberal Revolution were the completion of the Guayaquil and Quito railroad and the attraction of foreign investment. The railroad and its

subsidiary companies were the first important North American and British investments in Ecuador. *La Cemento Nacional* and the *Cervecería Nacional* are among the most important businesses founded in the Twentieth Century in Ecuador.

The success that the Ecuadorian Corporation enjoyed during its almost 100 years of operations in Ecuador is owed in large part to the managerial expertise of Evermont Hope Norton. Mention should also be made of Forrest L. Yoder, who was the resident manager of the corporation for many years. But the real secret of the corporation's success was the employment of talented Ecuadorians, including Alejandro Romo Leroux, his grandson Carlos Romo Leroux, Capitan César Monge and many others. It is ironic that one of the reasons for leaving Ecuador was fear of being expropriated, while in fact the real danger lay in New York city and the sharks hunting for easy prey on Wall Street.

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