



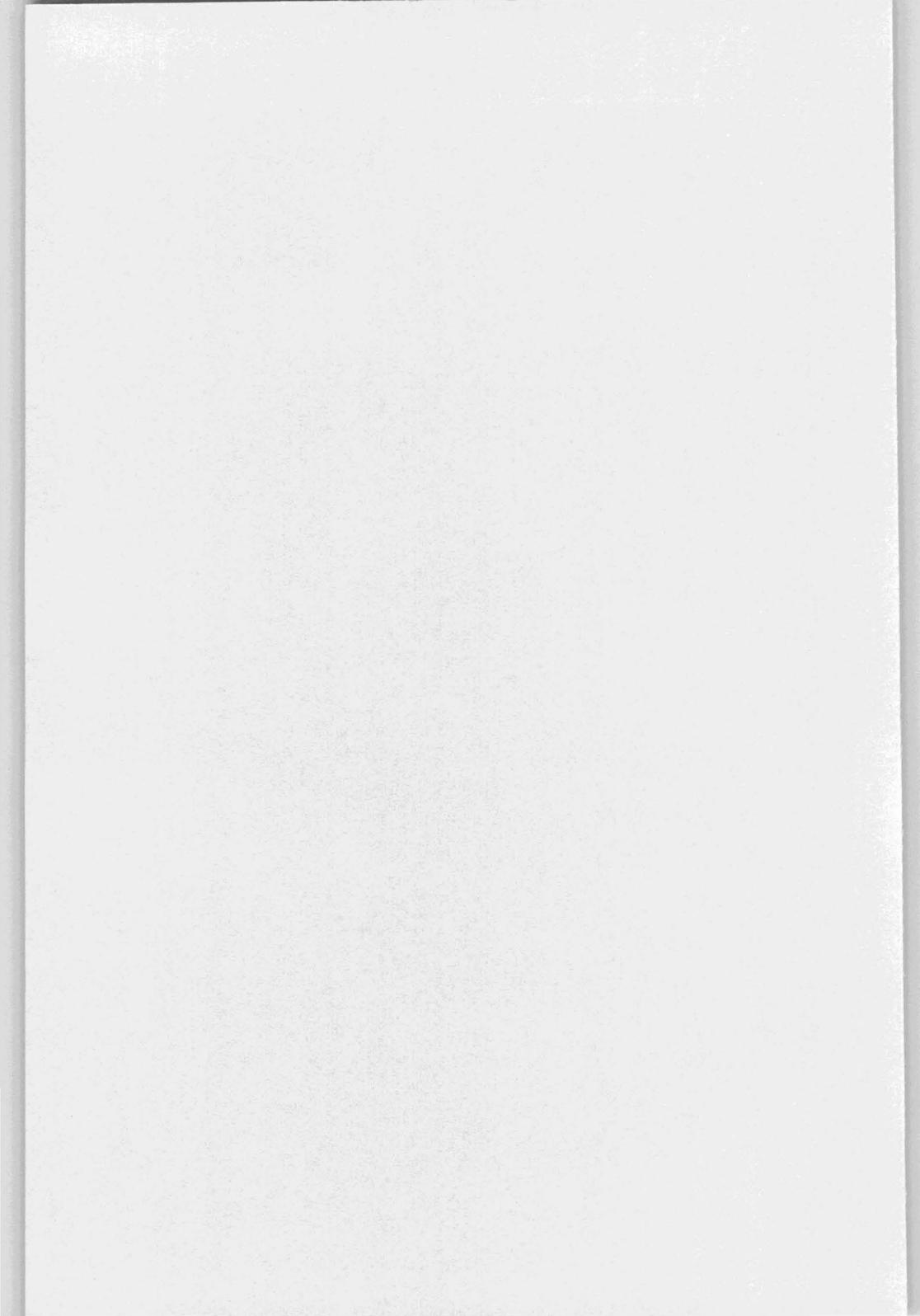
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BRITISH BUSINESS IN ARGENTINA

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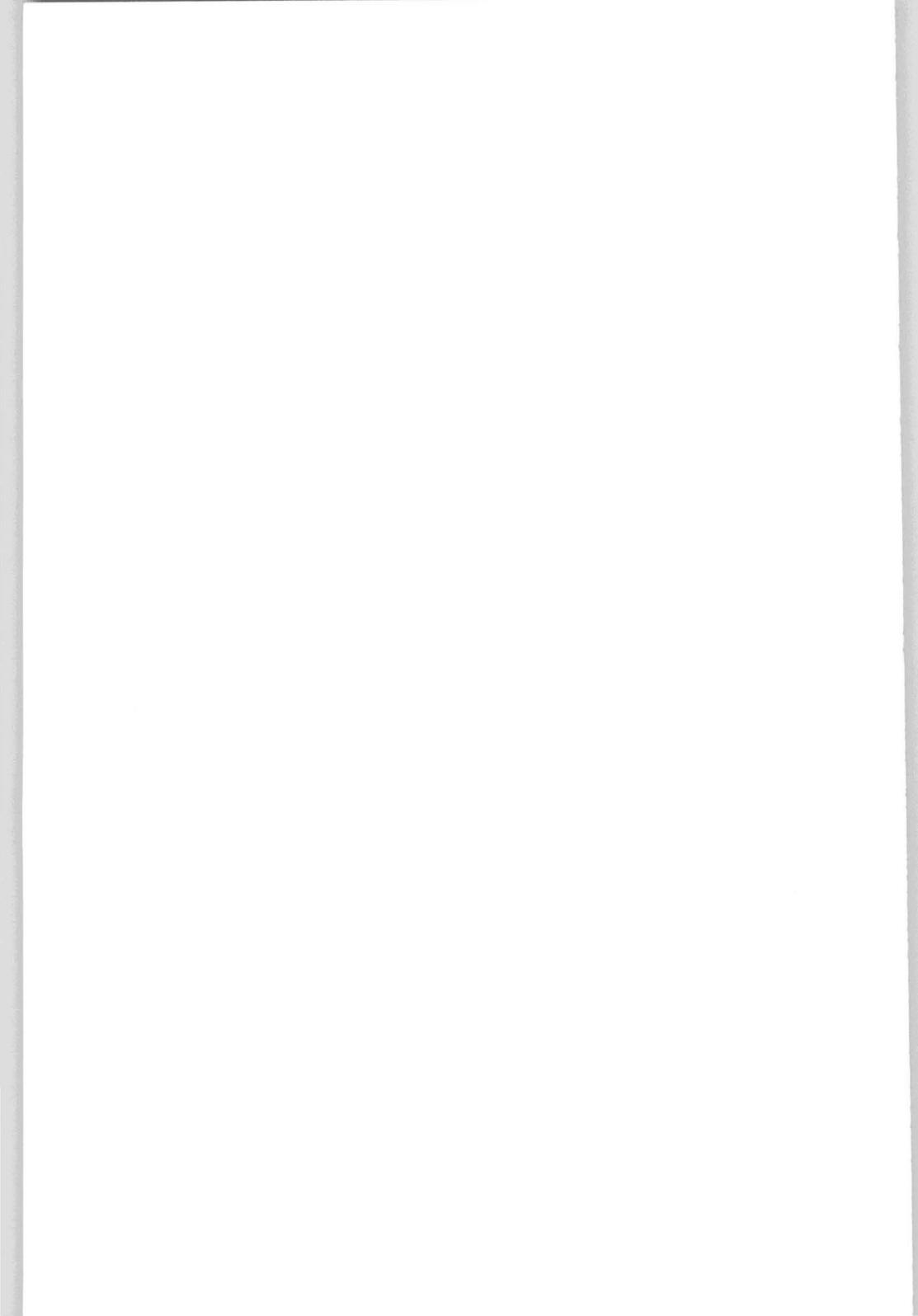
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BRITISH BUSINESS IN ARGENTINA

This paper examines the scope of British business initiatives in Argentina from the mid-nineteenth to the mid-twentieth century and factors that influenced the growth and profitability of individual firms. The rapid pace of Argentine economic growth for most of the period from the 1870s until the 1940s established the framework within which all businesses operated. Growth was defined in terms of the outward movement of the frontier, population expansion, increasing foreign investment and overseas trade, the creation of social overhead capital and rising public revenue. Yet, whatever indicators were used, economic expansion was predicated upon an international division of labour in which the country emerged as a major producer of temperate agricultural foodstuffs and raw materials. British businessmen, in particular, benefitted from the scale and diversity of interests in the country and from a high level of support for the Anglo-Argentine connection in the host society, at least until the 1930s. British groups applauded Argentine attempts to harmonise domestic institutions and practices with international norms. As importers and remitters, the large public utility companies and railways recognised the advantages of exchange rate stability. Although few British enterprises were registered in the country, most business groups in London were also encouraged by the tone of administrative reform and measures such as the codification and modernisation of commercial legislation implemented around the mid-nineteenth century and by subsequent action designed to foster investment, immigration and trade.

Concurrent with efforts by segments of the Argentine elite to create a new domestic order, the accelerating pace of technical innovation and associated restructuring of the international economy which occurred after the 1870s had an immediate impact upon the organisation and character of British business in the River Plate. The communications revolution of the late nineteenth century promoted economic integration, reduced entry costs for firms seeking a foothold in new industries and markets, and accelerated business decision-making. Improved communications

between Europe and the River Plate, increased political stability, government franchises and profit guarantees all served to reduced risk. Furthermore, the more immediate dissemination of information associated with telegraphic communications and greater reliability of the mails made for more effective control from London. This - coupled with international liquidity in the 1880s followed by recession during in the 1890 - stimulated first horizontal and later vertical integration amongst British firms. Corporate consolidation (and de-nationalisation associated with the first Baring Crisis) enhanced the British profile in several sectors of the Argentine economy.

Nevertheless, by the turn of the century British companies were exercised by increased competition from domestic and other foreign quarters. By the First World War, commercial and financial interests were especially concerned about the German 'menace'. Throughout the twentieth century, British firms were alarmed by an enlarged US presence, initially amongst processing activities but later in virtually every area. During the inter-war decades, the international financial position of Wall Street enabled US interest to establish a foothold even amongst the railways and utility companies, sectors long regarded as a British preserve and the bastion of British business and commercial predominance in the republic. At this stage British companies had also to confront a rising tide of economic nationalism in Argentina itself. On the other hand, some of these processes occasionally operated to the benefit of British firms. Industrial concentration, new business practices and the growth of US influence in South America in fact provoked a profound fear of US 'big business' in Argentina. Heightened international rivalry in the republic during the 1920s, rather perversely, sustained the Anglo-Argentine connection and possibly broadened the pro-British lobby. British firms continued to enjoy good relations with a government reputedly disposed to favour London registered companies over their US counterparts.

But this was a temporary respite. Britain's piecemeal response to US competition in the 1920s and subsequent reaction to the economic crisis of the 1930s tended to place immediate gains above long-term strategic interests. Ultimately, this undermined the

consensus in favour of sustaining Anglo-Argentine links which had re-surfaced in the 1920s. By the 1940s, many Argentines had come to view British firms as obsolescent and clustered in politically sensitive sectors of the economy. While railways and public utilities became increasingly anxious about exchange losses and the need to sustain a flow of remittances to London, Argentines complained of deteriorating services and dearth of new investments. Once the Argentine economy began to grow again after 1932, the structural constraints imposed by the failure (or the inability) of London-based companies to provide the infrastructural services demanded by a dynamic diversifying economy became all too obvious. Perhaps traditional British business had simply assumed too high a profile in an area that was becoming increasingly dominated by state initiative. With the major exception of companies engaged in manufacturing, most British firms were unable to respond effectively to nationalism and protectionism. Arguably these same factors were responsible for an attitudinal change amongst the British. The last decades of British predominance in Argentina were distinct from those of the mid-nineteenth century. In the main, anxiety and caution were the order of the day, contrasting with the optimism and aggressive behaviour that characterised British business in the third quarter of the nineteenth century.

As implied above, Argentine perceptions of British business in the twentieth century were largely shaped by the volume and distribution of investment on the eve of the First World War. The massive inflow of new funds from London during the immediate pre-war boom consolidated the British position in several sectors and heightened Argentine sensitivity to the predominance of British firms. Estimates of the absolute weight and relative importance of investment in the republic differ but most sources accept that British funds represented around 60 per cent of total foreign investment before the war.¹ By 1913 around one-fifth of the total stock of British

1 Vernon Phelps, *The International Economic Position of Argentina* (Philadelphia, 1938), p. 246; Guido Di Tella and Manuel Zymelman, *Las etapas del desarrollo económico argentino* (Buenos Aires, 1967), p. 66.

overseas investment was located in Latin America, about one-half in Argentina which had begun to attract an increasing proportion of British capital flows to the continent

Distribution of British Investment in Argentina, 1910	
Portfolio	£63,854,644
Direct	£227,256,302
Railways	£166,360,683
Utilities	£25,437,296
Commerce & banking	£7,862,400
Land	£10,866,212
Miscellaneous	£14,729,709
Total	£291,110,709

Source: Albert B. Martínez and Maurice Lewandowski, *The Argentine in the Twentieth Century* (London, 1911). p. 358.

since the 1880s when direct investment in railways and utilities were particularly favoured by the London market.²

Around the war years, several Argentine scholars devoted a considerable amount of effort to estimating and collating information about the value of foreign capital invested in the country. The data generated at this time served to fuel a debate about

² J. Fred Rippy, *British Investments in Latin America, 1822-1949* (Minneapolis, 1959), see especially chapters 3 and 4.

both the British presence and the prevailing economic and social structure among contemporaries and latter historians. Clustered in transport (railways and shipping), urban services and banking, British companies were a visible manifestation of foreign involvement in export-related activities and of the importance of the external sector. Increasing instability in foreign trade, which was echoed in repeated domestic commercial, financial and fiscal crises, as well as difficulties provoked by the First World War and subsequently the events of the 1930s, fostered a re-appraisal of the relationship with Britain and about the growth model which had emerged from the so-called 'liberal project' of the 1880s.³ As the external environment deteriorated and domestic conditions changed (most obviously, the 'closing' of the frontier, the beginnings of middle class political mobilisation and social protest by urban workers), conflict between Argentine interest groups and British firms mushroomed and the welfare gains resulting from openness to the world economy and *laissez faire* political economy were questioned.

Conservative nationalists associated with the influential *Revista de economía argentina* began to detail the economic problems of the republic, emphasising the inadequate development of 'national' industries, high labour costs, external indebtedness and short-comings in fiscal and monetary policy.⁴ Later, during the 1930s and 1940s, radical critics - from the left and the right - focused attention more narrowly on the

3 For accounts of the project, the period and some of the debates, see Gustavo Ferrari and Ezequiel Gallo (eds.) *La Argentina del ochenta al centenario* (Buenos Aires, 1980)

4 See, in particular, the works of Alejandro E. Bunge, *La economía argentina* (Buenos Aires, 1928-30), *Los problemas económicos del presente: población, trabajo, costo de la vida, poder de la compra de la moneda, producción e industrias nacionales* (Buenos Aires, 1920) and *Riqueza y renta de la Argentina: su distribución y su capacidad contributiva*, (Buenos Aires, 1917). For an informative account of the intellectual origins and policy impact of writers associated with the *Revista de economía argentina*, see Mark Falkoff, 'Economic Dependency in a Conservative Mirror: Alejandro Bunge and the Argentine frustrations, 1919-43' *Inter-American Economic Affairs* 34:4 (1982).

British connection. Polemicists attacked British investment, held responsible for disrupting the Argentine growth trajectory, and the asymmetry in Anglo-Argentine relations typified by 'unequal' bilateral trade and clearing pacts signed during the 1930s.⁵ The controversy was more than academic. It had a policy impact. Absorbed by Peronist and Radical politicians and strategists, these sentiments triggered measures which, initially conceived as anti-British, subsequently became antagonistic to foreign interests in general. While revisionist historians, writing mainly in English, later challenged the nationalist-cum-dependency thrust of much scholarship produced in the middle decades of the twentieth century, the nationalist historiography has had a profound and enduring effect. Hence, having been quantified by Argentine analysts in the early decades of the century, British investment (and by extension British firms) was successively depicted as distortive, inefficient and moribund.

These issues will be explored below in a sectoral analysis of British enterprises. It will be argued that the position of British firms has often been exaggerated, that in many cases British preponderance was limited in terms of period or impact. Similarly, that the 'Britishness' of many firms may be questioned, certainly during

5 For a review of the literature, see Peter Alhadeff, 'Dependency, Historiography and Objections to the Roca Pact' in Christopher Abel and Colin M. Lewis (eds.), *Latin America: economic imperialism and the state* (London, 1991), especially pp. 367-8 and Guido Di Tella 'Economic Controversies in Argentina from the 1920s to the 1940s' in Guido Di Tella and D.C.M. Platt (eds.), *The Political Economy of Argentina, 1880-1946* (London, 1986). For nationalist and radical accounts, see also the works of Raúl Scalabrini Ortíz, [*Política británica en el Río de la Plata* (Buenos Aires, 1940), *Historia de los ferrocarriles argentinos* (Buenos Aires, 1957)] and Jaime Fuchs, [*Argentina: su desarrollo capitalista* (Buenos Aires, 1965), *La penetración de los trusts yanquis en la Argentina* (Buenos Aires, 1959)] and 'replies' by Harry S. Ferns, *Britain and Argentina in the Nineteenth Century* (Oxford, 1960) and Peter J. Cain and Anthony G. Hopkins, *British Imperialism* (London, 1993, 2 vols.). Recent re-statements of the liberal position can be found in Carlos F. Díaz Alejandro, 'No Less than Once Hundred Years of Argentine Economic History Plus Some Comparisons' in Andrés Velasco (ed.), *Trade, Development and the World Economy: selected essays of Carlos F. Díaz Alejandro*, (Oxford, 1988) and Yair Mundlak, Domingo Cavallo and Roberto Domenech, *Agriculture and Economic Growth in Argentina, 1913-84* (New York, 1989).

earlier decades. Organisational changes around the turn of the century consolidated a British position in several industries but at the cost of flexibility of response to changing conditions in the republic, notably (as already indicated) competition and nationalism.

Merchant Houses: trade, diversification and displacement

Between 1818 and 1869 the number of 'British' houses trading in Buenos Aires fluctuated wildly. According to Reber, there were 55 firms in 1818 but only 28 in 1825. Numbers picked up again towards the end of the decade and again during the 1830s. By the mid 1860s around 27 houses are recorded.⁶ On the other side of the Andes, Mayo shows that 16 British merchants were resident in Chile in the 1820s. The figure was 24, out of a total merchant population of 98, in 1849.⁷ This compares with an average of 14 British firms reported as operating in the whole of Mexico between 1822 and 1825. By 1861-65, while the actual number of firms may have been greater, there is hard evidence for only seven British houses trading in Mexico.⁸ In contrast there were about 60 houses in Rio de Janeiro in 1820 and perhaps as many again elsewhere in Brazil, though some may have been branches of the larger Rio firms.⁹ At the time Brazil was Britain's most important market in Latin America.

6 Vera B. Reber, *British Mercantile Houses in Buenos Aires, 1810-1880* (Cambridge, Mass. 1972), p. 56; D.C.M. Platt, *Latin America and British Trade, 1806-1914* (London 1972 pp. 42, 49).

7 John Mayo, *British Merchants and Chilean Development, 1851-1886*, (Boulder, 1987), Table 1.2, p.5.

8 Hilarie H. de Bohigas, 'British Commercial Houses in Mexico, 1821-1867' (University of London, unpublished PhD dissertation 1988) p. 48. See also Hilarie J. Heath, 'British Merchant Houses in Mexico, 1821-1860: conforming business practices and ethics', *Hispanic American Historical Review* 73:1 (1993) pp.263-5.

9 Platt, *British Trade*, p. 42.

The success and failure of commercial houses, signalled in the changing number of firms, indicates that River Plate mercantile activities were conducted within a shifting set of parameters. First, business practices were constrained by the condition of communications with the outside world. Secondly, the prevailing political environment had a profound impact upon opportunities for, and the conduct of, business. Thirdly, the general level of trade, conditions in the local market and international commercial trends clearly influenced the scale, nature and direction of the trade of individual houses. These factors affected opportunities for specialisation and determined whether or not firms that initially engaged in transatlantic commerce might be drawn into up-country trade or even retailing and local production. The same factors also shaped the internal organisation of houses and influenced levels of commercial competition.

In the 1810s British merchant houses had been attracted to the River Plate by the force of pent-up demand. Markets that had been starved of imports for years as the result of the French Revolutionary and Napoleonic Wars and the struggles for independence against Spain were suddenly opened to British merchants at a time when continental Europe and briefly the USA were closed to trade. For a time South America became Britain's principal overseas market and houses proliferated.¹⁰ During the 1820s and for some years thereafter, two distinct factors compelled merchant houses to diversify. It rapidly became clear during the 1810s that a shortage of exports constrained the growth of the import trade once readily realisable stocks of specie and bullion had been liquidated. Later, glutted markets, the international commercial and financial crisis of the late 1820s, and resulting stagnation, demonstrated that dependence upon import business alone was not viable. As a result some houses moved into production in order to service imports or to compensate for reduced commercial activities.

10 T. Halperín Donghi, *Hispanoamérica después de la independencia: consecuencias sociales y económicas de la emancipación* (Buenos Aires, 1972), pp. 84-142; Peggy K. Liss, *Atlantic Empires: The Network of Trade and Revolution, 1713-1826* (Baltimore, 1983), pp. 213-21.

Others shifted into up-country trading as transatlantic commerce contracted or sales became more difficult in overstocked coastal markets.¹¹ From the crisis of the 1820s until mid century, diversification and a quest for general business characterised the activity of surviving commercial houses. British merchants functioned as bankers, extended credit to government and invested briefly in mining and more extensively in agriculture, while continuing to finance overseas trade and develop northern hemisphere markets for Argentine produce. More especially during the 1830s and 1840s, merchants acquired substantial estates and produced for local as well as world markets. New opportunities developed after the 1850s. British and Irish merchants, along with other foreign and native *estancieros* played a key role in the flotation of all early railway companies. It mattered little whether these enterprises were registered in Buenos Aires or London.¹²

Railway construction had both a direct and indirect impact upon mercantile business. In the long-term railways facilitated the growth of markets and rural production and, with the expansion of the network during the 1880s, would permit once again a focus on trade and the concentration of business in the capital. Although most of the British-owned Argentine railways and/or their contractors imported material and equipment direct from Britain, railway building by the state allowed merchants to act as agents, handling loans earmarked for railway construction and receiving material on consignment.¹³ Merchant houses might also offer local financial management services to railway companies or fulfill an even broader range of management and

11 Platt, *British Trade*, pp. 6-10.

12 Colin M. Lewis, *British Railways in Argentina, 1857-1914: a case-study of foreign investment* (London, 1983), pp. 18-21 and 'The Financing of Railway Development in Latin America, 1850-1914', *Ibero-Amerikanisches Archiv* 9: 3/4 (1983) 257-9.

13 Reber, *British Mercantile Houses*, pp. 121-2.

administrative tasks for 'small' London-registered utilities.¹⁴ Certainly most railways and utilities drew upon merchant networks in Buenos Aires and financial contacts in London when seeking concessions or raising capital. Nevertheless, few merchant houses committed large sums to long-term investment in railways. On the contrary, while merchants were anxious to promote railway building and provided pump-priming funding for several lines, the mercantile psychology was pathologically averse to large enterprises requiring both substantial finance and a lengthy gestation period.

By the end of the century the growth and diversification of Argentine overseas trade (in terms of markets and commodities) induced further responses from British merchants. Two problems confronted the houses at this point. First, direct contacts between producers/suppliers and final consumers resulted in the marginalisation of traditional merchant houses. Wheat was increasingly handled by the major grain firms who bought locally and supplied European millers directly. Wool tended to be purchased in Argentina by representatives sent out by the main Belgian, French and even Bradford buyers.¹⁵ In the import trades, larger consumers, like the railways and state utilities, set up their own buying agencies overseas, while the establishment in Argentina of British retail outlets, such as Harrods and Maples, selling directly to the public, also constrained conventional merchant business.¹⁶ Second, British merchants came under pressure from foreign houses. Originally foreign firms dealt in British goods, later in competitive lines produced by their respective home industries and subsequently in new items that were in great demand but not manufactured in Britain. Market penetration by foreign houses was said to be due to better marketing (in terms

14 C. Jones, 'The State and Business Practice in the Argentine' in Abel and Lewis (eds.), *Latin America*, pp. 188, 193-4; Reber, *British Mercantile Houses*, p. 126.

15 Hilda Sabato, *Agrarian Capitalism and the World Market: Buenos Aires in the pastoral age, 1840-1890* (Albuquerque, 1990), pp. 209, 212-1; Roger Gravil, *The Anglo-Argentine Connection, 1900-1939* (Boulder, 1985), chapter 2.

16 Gravil, *Anglo-Argentine Connection*, pp. 94-5.

of packaging and labelling) and also, when dealing in their national products, by closer links with financiers and manufacturers which enabled them to offer easier credit and operate on tighter margins.¹⁷

Several responses were available to British merchant houses. According to D.C.M. Platt, British houses, like British manufacturers, relocated when confronted by competition.¹⁸ But this was not the whole story. Some firms offered facilities to buyers sent out from Europe, providing office space and charging overheads to the representative of firms for whom the houses had previously bought on consignment. Possibly this was a temporary expedient. Along this road lay the prospect of absorption by the European principal. Specialisation in new lines of business, or the consolidation of dynamic aspects of existing domestic operations, was another alternative for houses prepared to concentrate more resources locally. Some houses might expand banking activities but this was also a limited option for the future growth of the business was circumscribed by the increasing role of British overseas banks and the closer relationship that existed between European commercial houses and banks. Yet other houses might focus on land, and develop *estancia* operations while at the same time cultivating additional profit as land agents.¹⁹

Of course, there was still much business. Notwithstanding heightened competition from other houses, it was possible to accumulate several profitable agencies and the sheer size of the British presence generated opportunities for merchants. The formation of Anglo-Argentine utility companies and later the establishment of manufacturing enterprises entailed a demand for the skills, judgement and expertise of individual merchants. Perhaps these very opportunities, as much as the

17 *Parliamentary Papers*, 1899, 96, 449-613.

18 Platt, *British Trade*, especially p. 306.

19 See Herbert Gibson, *The History and Present State of the Sheep Breeding Industry in the Argentine Republic* (Buenos Aires, 1893).

restructuring of industrial organisations, facilitated the passing of the 'heroic' merchant house. Such was the scale and diversity of British corporate links with Argentina by the turn of the century that merchants were no longer required to venture their capital in risky commercial enterprises. Instead, their advice was much sought after by London enterprises or their Buenos Aires branches. As the Anglo-Argentine connection grew, traditional merchant houses became less visible. They were dwarfed by modern business organisation but 'niche' market opportunities proliferated

Land: family enterprises, colonisation and conglomerates

Land commanded the attention of the British in Argentina throughout the period. Interest in land took three distinct forms: purchase of mortgage bonds; direct private investment in real estate; corporate rural enterprises. These modes were not mutually exclusive but they did tend to be period specific. Initially there was fairly substantial direct investment and settlement, leading in some cases to the formation of *estancia* companies. Subsequently colonization schemes, along with mortgage bonds, briefly commanded attention. Finally, large integrated corporate initiatives came to characterise new business ventures.

Arguably, mortgage bonds (*cédulas*) lie beyond the scope of this work but deserve a passing reference as at one time, in the 1880s, they attracted much attention. London became the most important overseas secondary market for *cédulas* denominated in paper pesos. (Berlin virtually monopolised dealings in gold peso mortgage paper.) Presented as secure, semi-official paper designed to attract *rentier* capital, the bonds soon became synonymous with unbridled speculation and played a key role in the financial debacle of 1890.²⁰ Estimates of British purchases of mortgage bonds vary. Rippy, for example, indicates that bonds to the value of £21 millions had been placed

20 Harry S. Ferns, *Britain and Argentina in the Nineteenth Century* (Oxford, 1960), pp. 370-1, 420-4. See also, Ferns 'The Baring Crisis Revisited', *Journal of Latin American Studies* (hereafter *JLAS*) 24,2 (1992) 241-73.

in London by 1890; others claim that the City absorbed nearer £30 millions before the bubble burst.²¹ This was a large sum. But *cédulas* were quite distinct from direct investment in, and management of, land as an area of business initiative.

An entrepreneurial approach to the opportunities offered by cheap land was manifest in early British contacts with the River Plate. Although it is impossible to quantify, qualitative evidence suggests that immigrants from Britain and Ireland were well represented amongst landowners in the province of Buenos Aires by the 1860s. As indicated in the descriptive accounts of the Mulhalls, extensive British-owned properties were characteristic of the centre of the province and were also encountered in the south and to a lesser extent the west. More modest properties were to be found in northern Buenos Aires.²² The growth of direct private British investment in land, particularly in the province of Buenos Aires, may be explained by two sets of circumstances. First, the buoyancy of the foreign trade sector which initially attracted merchants to the area during the period of independence and subsequent contraction in overseas commerce which compelled traders to diversify. Second, the wool cycle which stimulated immigration from Ireland and Scotland during and after the 1840s, a period of economic crisis and famine in Celtic countries.²³ Shepherds settled extensively in the northern and western *partidos* of the province and large British-owned sheep runs were encountered in other districts.

21 Rippy, *British Investments*, p.38; Ferns, *Britain and Argentina*, p. 422.

22 M.G. and E.T. Mulhall, *Handbook of the River Plate Republics. Comprising Buenos Aires and the Provinces of the Argentine Republic and the Republics of Uruguay and Paraguay* (London, 1875), pp. 101, 103, 113-53 and *Handbook of the River Plate Comprising the Argentine Republic, Uruguay and Paraguay* (Buenos Aires, 1892), pp. 77, 78, 80-92, 95-6, 99-100, 115-6, 313-4, 328-71.

23 Juan C. Korol and Hilda Sabato, *Cómo fue la inmigración irlandesa en Argentina*, (Buenos Aires, 1981), p. 7.

Most merchants were primarily interested in supplying the domestic market with imports, and only became involved in agriculture when sluggish export expansion constrained import demand. Merchants also invested in land during moments of commercial depression, or blockade, as an alternative to abandoning the River Plate. Land, like gold, was a convenient store of capital at a time of currency and exchange fluctuations. Above all land was cheap and, for British merchants, a relatively secure medium-term investment. The particular character of the Rosas regime (1829-1852) ensured that there was always demand for land even if the land market was occasionally glutted. Land, or rather land certificates, served as currency and was sold to finance government expenditure. Moreover, given the near perpetual state of warfare that existed for much of the Rosas dictatorship, the state was itself a consumer of rural products such as draught animals, mounts, meat, leather and fodder. Local demand was solid even when overseas trade was slack. Amidst the turmoil, British merchants held a privileged position. They and their property enjoyed consular protection: of the principal landowners they alone were virtually immune from sequestration.²⁴

Sheep raising promised to be even more lucrative, and imparted renewed vigour to the land market. Wool production entailed more than a substitution of sheep for cattle; it necessitated a new approach to land management and the attraction of specialist labour. Immigrant Scots, Irish and Basque shepherds rapidly built up their own flocks since they were rewarded by a share in the increase in the flock and output of wool. During the early decades of the wool cycle, it was common for 50 per cent of new born lambs and the wool clip to go to the land owner and the other half to the shepherd. With land relatively easy to obtain, immigrant shepherds soon acquired estates.²⁵ Accordingly, the density of rural settlement increased (the land could carry

24 John Lynch, *Argentine Dictator: Juan Manuel de Rosas, 1829-1852* (Oxford, 1981), p.220.

25 Sábato, *Agrarian Capitalism* pp. 89-92, 107-114, 158-60.

more sheep than cattle and sheep raising was more labour intensive than ranching). In the *partidos* where sheep runs were first established, estates were subdivided and landownership became more diffuse. Population increased and demand for imports grew.²⁶

British investment in Argentine land underwent a major change in the 1860s and 1870s, namely, diversification and institutionalisation as corporate entities took the place of family-run businesses. Two forms of corporate initiative may be observed. One involved the productive exploitation of land and presupposed a long-term commitment to estate management and development. The other, colonisation, was more speculative and assumed a quick return on capital following the disposal of property to settlers. The origins of these land companies can be traced to the British merchant community in Buenos Aires, to London-based emigration agencies and to British-owned joint stock companies already functioning in Argentina. Why did landowners dispose of their estates at this time? As Míguez has shown, some estates were converted into private joint stock companies for administrative convenience, others to raise funds for improvements, notably during the 1870s.²⁷ The cost of estate modernisation certainly explains why some proprietors went public, while the profit record of these firms demonstrates why issues were well received on the London market. Most early companies raised additional funds by selling debentures. Equity stock continued to be held by a narrow circle of individuals, usually the descendants or close associates of the original *estanciero*. Yet others may have sold up in settled areas to buy cheaper, fertile land on the frontier.

26 Gibson, *Sheep Breeding Industry*, *passim*; Ricardo M. Ortíz, *Historia económica de la Argentina* (Buenos, Aires 1955), I pp. 67-72; Eduardo J. Míguez, *Las tierras de los ingleses en la Argentina, 1870-1914* (Buenos, Aires 1985), p. 25; Korol and Sábato, *Cómo fue la inmigración*, pp. 89-101; Jonathan C. Brown, *A Socio-economic History of Argentina, 1776-1860*, (Cambridge, 1979) pp. 84-5, 87.

27 Míguez, *Las tierras*, pp. 32-58, especially pp.38, 46-7, 48-9, 55.

If individual *estancieros* wished to sell, there was also official support for immigration.²⁸ Some provincial governments - notably Córdoba and Santa Fé - signed contracts with European colonisation companies and progressive legislation was widely reported in the press. Little of substance was achieved in terms of a US-style homestead act, but it was a good time to sell land. Unsurprisingly some landowners looked to colonisation schemes to valorise their properties and to realise capital. This was a good time for merchants to liquidate investments in land.

The first agricultural colonies were established in 1858 but most early foundations led a precarious existence. Some 34 colonies had been set up by 1872, the majority being laid out between 1867 and 1871. Of these, the Mulhalls list 12 - including the Welsh colony in the Chubut - that had either been founded, or were administered, by British interests in 1875. Some colonies were organised by British merchants based in Buenos Aires; other firms operated from London. Nevertheless, at this time the largest colonisation businesses were run by companies principally involved in quite distinct sectors, namely the Central Argentine Railway and the London and the River Plate Bank Limited. The Central Argentine Land Company Limited was originally set up as a subsidiary of the railway to administer its land grant. The grant was exceptional in Argentine railway history: it was virtually the only company to obtain a land grant on the US model. The bank acquired property by foreclosing. Both the bank and railway used the opportunity provided by the conjuncture - official support for colonisation, immigrant interest and London stock market preference for Argentine paper - to float colonization companies and dispose of land. But generally the business received a bad press in Britain almost as soon as it started. Many schemes were transparently speculative, risky for prospective emigrants and potential

28 H. Mabrugaña (ed.), *Los mensajes: historia del desenvolvimiento de la nación Argentina redactada cronologicamente por sus gobernantes, 1810-1910* (Buenos Aires, 1910).

investors.²⁹ The history of colonisation companies, as opposed to some of the *estancia* enterprises, was disappointing. The unhappy fate of several colonies and the growing appeal of *cédulas* undermined the position of land companies registered in Britain during the late 1870s and early 1880s. Encumbered with land bought at inflated prices, most collapsed during the Baring Crisis.

The final phase of British investment in River Plate land was less speculative. Undertaken around and after the turn of the century, some enterprises emerged from restructured and recapitalised companies bankrupted in the 1890s; others were modelled on private *estancia* companies of the 1860s. Nevertheless, these new enterprises were distinguishable from earlier entities by the extent of their landholding and scale of operations, and by their enduring success. Most of the new businesses were major public companies involved in various activities in Argentina and/or engaged in similar operations elsewhere. These firms also operated in distinct areas of the republic. Controlling huge territories, the newest ventures were to be found in the far north and north east, from where operations sometimes extended across the frontier into neighbouring republics, or in the far south. Operations in the two areas were, of course, quite different. In Patagonia proper companies were involved mainly in sheep and wool production: on the northern fringe of the territory hard and stone fruit was grown. In sub-tropical zones along the frontier with Paraguay and Brazil - in the Gran Chaco and northern mesopotamia - cattle, timber and quebracho extract were the main products, with some corporate initiative also in cotton, tobacco, sugar and citrus fruit. Colonisation constituted a relatively small part of this business. These companies were primarily involved in production.

Arguably, the expansion of British interests in the south was initially the most dramatic. As cereal cultivation spread south and west across the *pampa húmeda*

29 Colin M. Lewis 'La consolidación de la frontera Argentina a fines de la década de 70: los indios, Roca y los ferrocarriles' in Ferrari and Gallo (eds.), *La Argentina*.

around the turn of the century both in response to increased world demand for grain and also as part of the process of land improvement associated with the preparation of estates to take the prime fatstock required by the new frozen and chilled meat trade, sheep were displaced to 'marginal' land in the south. According to Bayer, substantial tracks of Patagonia were acquired by the British, both by means of direct private investment in national land and, more especially, the transfer of huge estates to the new wave of land companies such as the Argentine Southern Land Company Limited, the Port Madryn Land Company, the Rio Negro (Argentine) Land Company Limited and the Tecka Land Company.³⁰

Corporate land holding certainly increased in the north during the inter-war decades. The major British companies were the Argentine Estates of Bovril Limited, Liebig Extract of Meat Company and the Forestal Land, Timber and Railways Company. All were engaged in ranching but Liebig and Bovril specialised in the manufacture of bouillon cubes and paste, and canned and frozen beef. Operating in the River Plate since before the turn of the century, Leibigs and Bovril possessed ranches and plant in neighbouring republics. Leibigs, in particular, had extensive interests in Paraguay, Uruguay and southern Brazil. These companies were atypical of British meat processing firms based in Argentina in that they were involved in cattle production besides processing and the marketing of branded products. But with the restructuring of the world meat industry during the early decades of the twentieth century both firms were forced to reorganise their South American business. Between the 1900s and the 1920s international trade in meat products was transformed by two key developments. First, there was a decline in meat exports from the United States of America and a corresponding rise in the importance of River Plate suppliers. Secondly, technological changes fostered the production of high grade chilled beef. This displaced frozen meat and traditional commodities such as canned meat and extract. Consequently,

30 O. Bayer, *Los vengadores de la Patagonia trágica* (Buenos Aires, 1974), I p. 38; Buenos Ayres Great Southern Railway Company Limited, *Directors' Annual Statement of Accounts, 1910* (London, 1910), see map; Míguez, *Las tierras*, pp. 251-3.

producers wishing to remain in the canning and extract business were forced to reduce production costs by moving to areas of cheap, low grade pasture and by integrating their operations. By relocating, Liebigs and Bovril were able to meet the challenges of the period because they ran tightly organised operations in several areas and had established brand leadership for their 'low grade' products. They were able to command a larger share of a declining market.³¹

Other British land companies operated in northern districts. For example, the Santa Fe Land Company and the Santa Fe and Cordoba Great Southern Land Company whose names consciously echoed those of regional railways. The railways and land companies were usually closely connected; they shared bankers, directors and some shareholders. These land/railway firms originated in attempts by provincial governments before 1890 to promote settlement and infrastructural modernisation. Public land had either been made available to speculative ventures or mortgaged to secure loans for state initiatives. Following governments default and the failure of official colonisation projects, land and railways were transferred to European bankers representing the bondholders. Yet, as Míguez shows, second generation of northern colonisation companies were no more successful than their predecessors. Only when these companies turned to other activities were they even moderately prosperous.³² Success and prosperity, however, were the hallmark of the Forestal Land, Timber and Railways Company Limited. Forestal was the local flagship of a constellation of River Plate companies associated with the d'Erlanger group.³³ The group was initially a financial consortium involved in the flotation of inter-locking enterprises, notably

31 Colin Crossley and Robert G. Greenhill 'The River Plate Beef Trade' in D.C.M. Platt (ed.), *British Imperialism, 1840-1930: an inquiry based on British experience in Latin America* (Oxford, 1977), pp. 322, 324, 325, 327, 334.

32 Míguez, *Las tierras*, pp. 183-8, 195, 198-9.

33 See M. Cowen, 'Capital, Nation and Commodities: the case of Forestal Land, Timber and Railway Company in Argentina and Africa, 1900-45' in J.J. van Helten and Y. Cassis (eds.), *Capitalism in a Mature Economy* (Aldershot, 1990).

railways, utilities and land companies. Funds were mobilised in various markets; London, Paris and Berlin as well as the Low Countries. Forestal owned extensive estates in Argentina and Paraguay and, as its name implies, provided the transport and processing facilities required for its logging and cattle businesses. Tannin extract constituted the core of the company's activities and Forestal rapidly assumed a dominant position in the industry and in the region.

Drawing upon London finance and stimulated both by opportunities for expansion provided by the First World War and the need to readjust during the post-war collapse, Forestal bought out or merged with several single plant operators. An unassailable position was established and by the late 1920s the company accounted for over two-thirds of the capital invested in the quebracho industry and over two-fifths of tannin extract production.³⁴ From this leading position Forestal was better able to weather the storm of the inter-war depression and to respond to the recovery in world demand towards the end of the 1930s. Overseas Forestal operated an international marketing division which functioned in most of the main centres of consumption.³⁵ In Argentina the company possessed some three million acres of forests, several processing plants, almost 350 miles of railways which together with a fleet of river tugs and barges channelled timber from the logging camps to processing stations. The expansion of the cattle business gave the firm added flexibility as did the option to develop cotton and tobacco, cash crops that became increasingly important domestically in the 1930s.

British holdings of land in Argentina during the twentieth century are clearly underestimated in the published data. Míguez argues that the real value of corporate land holding in 1913 was substantially greater than the £13 - £15 millions recorded in most sources and that this figure should be written up by 50 percent and possibly 100

34 The Times, *The Times Book on Argentina* (London, 1927) p. 237.

35 Cowen, 'Capital, Nation and Commodities', pp. 194-6, 208-11.

per cent.³⁶ Published data underestimates the value of investments made in Argentina even by companies listed on the Stock Exchange. In addition, conventional data fails to capture most of the private land companies and totally ignores investment in farming and ranching by Britons resident in the River Plate. If Míguez's arguments are accepted, the resulting figure would place investment in land at around 10 per cent of the global figure in 1913, assuming total nominal British direct investment to be £357 millions.³⁷ With the consolidation in the 1920s of *estancia* businesses in the south and with the growth of ranching in the north at a time when there was little or no increase in the principal areas of British initiative, the proportion of investment in land may have been even greater by 1929.

The scale and diversity of investment in land, notably the survival of a large private investment stake, coupled with the tendency to set up family *estancia* enterprises, created openings for a new type of local British company, the *estancia* management agency. Gibson Brothers was the best - and also the most enduring - example, becoming by the 1920s the largest company of its kind in the country. These companies survived - and even prospered - for some time after the railways and utility companies which experienced virtually a permanent crisis in the 1930s and disappeared in the 1940s. For example, the Argentine Land and Investment Company Limited declared ordinary dividends of around 10 per cent a year fairly consistently during the 1920s and paid shareholders between 2 and 4 per cent in the 1930s. Tecka similarly declared 10 per cent in the mid 1920s and managed from five to eight per cent the following decade.³⁸ Some land companies even contrived to provide shareholders with a dividend during the Second World War: Tecka declared eight per cent although the record of the other companies was more modest. Thereafter,

36 Míguez, *Las tierras*, p. 320.

37 J. Fred Rippy, *British Investments in Latin America, 1822-1949: a case study in the operations of private enterprise in retarded regions*, (Minneapolis, 1959) p. 67.

38 *The Stock Exchange Year-book, 1939*, (London, 1939), pp. 2207 and 2403.

however, the situation deteriorated. While Argentine Land and Investment paid between three and five per cent during the early 1950s, Tecka and Argentine Southern declared nil dividends.³⁹ State price regulation, exchange controls and the general agricultural crisis of the period finally undermined the position of these companies.

Later land companies were relatively large integrated businesses involved in the production of a diverse mix of products (or a staple and several bi-products) for domestic and overseas markets. Moreover, operating alongside domestically-owned firms, they were less strategically visible when economic nationalism and interventionism ousted *laissez faire* as the prevailing ideology. These firms may also have been less obviously British.

Banking, Finance and Financial Syndicates

Argentine financial institutions grew and diversified in response to the needs of the economy. Three factors influenced British participation in the sector. First, the restructuring of international finance at world level had an impact upon the internal organisation of banking houses: the emergence of a global market increased competition. Secondly, scope for private initiative was conditioned by interaction with the state. The increasing role of government in the banking sector was a constant of the period. Finally, rights of issue and monetary policy were factors of first-order importance to bankers, particularly during the early part of the period before the adoption of the Gold Standard.

The early history of money and banking in Argentina was one of confusion. Diverse regulations applied and distinct currencies circulated. In the north and some central provinces, Bolivian silver pesos constituted the principal coinage, and issuing institutions often denominated their notes accordingly. Chilean coins and notes were to be found in the west. In the littoral (and in Uruguay), Buenos Aires provincial

39 *The Stock Exchange Year-book, 1956*, (London, 1956) I, 616, 618, 768-9.

bank notes were widely accepted. Most domestic transactions were conducted in paper. External transactions were settled in sterling bills and gold, either bullion or specie, and foreign coins had the status of legal tender although were normally only encountered in Buenos Aires. Not until 1881 was there an attempt to establish a national currency.⁴⁰ Opinions diverged regarding the developmental function of money and banks. Nevertheless, at various points attempts were made to establish the peso successively on a silver standard, a bimetallic standard and the gold standard.⁴¹ These reforms were defeated by a combination of circumstances such as sharp deteriorations in the external accounts, pressures upon the budget, and seasonal and cyclical demands for credit during phases of rapid economic expansion.

However, circumstances changed by the turn of the century. Following the Baring Crisis, government expenditure was subject to tighter control and more orthodox attitudes to banking, finance and currency prevailed. By this time Argentina was thoroughly integrated into a world trading and financial system. In 1899 Argentina returned to the gold standard. Notwithstanding war-time inflation, the general suspension of the gold standard in 1914, piecemeal re-adoption during the 1920s and final abandonment in the early 1930s, there followed a period of remarkable currency and exchange stability.⁴² From the late 1890s until the 1940s currency supply was rigidly controlled - possibly excessively so - and the external value of the peso carefully managed. The story after the late 1940s was very different, with multiple

40 Ortíz, *Historia económica*, I pp. 143, 289-91.

41 José Panettieri 'La ley de conversión monetaria de 1864 y la oficina de cambio de 1867: causas y consecuencias económico-sociales' *Desarrollo Económico* 20 79 (1980) 383-412.

42 José Panettieri, 'La ley de conversión monetaria argentina de 1899 en el marco de formación de la Argentina moderna' *Desarrollo Económico* 21:82 (1981) 231-56 and *Devaluaciones de la moneda (1822-1935)* (Buenos Aires, 1983), pp. 102-5, 153-4; Angel M. Quintero Ramos, *History of Money and Banking in Argentina* (Río Piedras, P.R. 1965), *passim*.

rates of exchange, repeated abrupt devaluations and a widening gap between the free market and official rates.

For many years, the most important institution in the country was the Banco de la Provincia de Buenos Aires which, as its name implies, was the Buenos Aires state bank. Founded in 1863, the Banco de la Provincia was soon regarded as both a reputable and an expansionist institution. By 1882 the bank had established 24 branches (including the head office) in the city and province of Buenos Aires, was responsible for the lion's share of capital invested locally in banking, and held the greater part of total deposits. At that point, the premier British bank, the London and River Plate Bank Limited, had four branches. In 1884, when the country was enjoying one of its early, brief attachments to the gold standard, the provincial bank accounted for 44 per cent of capital invested in the Buenos Aires banking system and 68 per cent of deposits. The national bank was responsible for 28 per cent of capital and 14 per cent of deposits while the two British banks held 17 per cent of capital and 8 per cent of deposits.⁴³ Nevertheless, both the provincial and national banks failed during the Baring Crisis of 1890, and the surviving British institutions accordingly found their share of total deposits soar.

There were other official banks. Most of the provinces founded state or semi-official banks during the 1860s and 1870s but these institutions were of little importance. The other major creation was the Banco Nacional, floated by the central government in 1872. It remained but a pale shadow of the Banco de la Provincia until the Baring Crisis. However, in the early 1890s it was reorganised as the Banco de la Nación Argentina. From this point, as the principal official bank, it gradually grew in prestige until it became the dominant institution in the local market. Although chartered as a commercial bank, the BNA was performing quasi-central banking functions by the 1920s. At one point, indeed, it appeared that the Banco de la Nación

43 Mulhall, *Handbook*, 1892, p. 37.

might by re-constituted as a central bank. But this was not to be. When a central bank was chartered in 1936, the BNA remained by far the largest clearing bank in Argentina, in terms of capital, share of deposits and number of branches. Later it came to operate a near complete network of branches in the country with outlets or affiliates in most of the principal American and west European capitals.

For much of the nineteenth century, when the British banks were primarily engaged in financing overseas trade, regulation rather than competition with state institutions was the issue most likely to exercise firms incorporated in London. However, the potential for conflict with local firms should not be underestimated during the early years. As Charles Jones has shown, local bankers were infuriated by the unwillingness of the principal British bank to come to their assistance at moments of difficulty, and were thoroughly displeased by the ability of some London institutions to survive when domestic firms were forced to close their doors. Even more disappointing were the conservative practices of British institutions, which were considered ill-tuned to the requirements of an expanding capital and credit hungry economy.⁴⁴ The first major attempt at regulation occurred in 1887 with the Guaranteed Banks Law. Modelled on US free banking legislation, the act was intended to increase the number of banks of issue, which would be subjected to official supervision (thereby promoting public confidence) and to establish a national system of development banking consistent with the requirements of the country. The latter objective would, in part, result from the repatriation of the external debt (the banks were to purchase national gold bonds, the proceeds of which was to be employed to amortise the overseas debt) and the encouragement of new foreign investment in the sector.⁴⁵ Discriminatory taxation was also threatened. These

44 Charles A. Jones, 'Commercial Banks and Mortgage Companies' in Platt (ed.) *British Imperialism*. See also Jones 'The State and Business'.

45 Ortíz, *Historia económica*, I pp. 297-8; Charles Jones 'The Fiscal Motive for Monetary and Banking Legislation in Argentina, Australia and Canada before 1914' in D.C.M. Platt and Guido Di Tella (eds.), *Argentina, Australia and Canada: studies*

reforms were implacably opposed by the British banks, but in fact the threat of action by the Argentine state disappeared with the Baring Crisis, which brought down all the major official banks. Thereafter - and until the 1940s - Argentine official banking practice was highly conservative. When established as an autonomous mixed entity in the 1930s, the Banco Central de la República Argentina included a substantial representation of foreign banks on its board, a feature that prompted outrage in some quarters.⁴⁶

It is generally acknowledged that Britons and British institutions played an important role in the initial stages of the development of Argentine banking. British merchants contributed in various ways. First, they were active in the establishment of official banks. Secondly, some merchant houses developed an extensive banking business and, with the passage of time, were transformed into banks. Thirdly, resident British merchants served as officials of institutions registered overseas.⁴⁷ Finally, when British overseas banks were floated in London, they sought expertise as well as custom amongst the merchant community resident in Buenos Aires. This is illustrated by the history of the London, Buenos Aires and River Plate Bank Limited (later renamed the London & River Plate Bank). Registered in 1862, the London Bank was the first British overseas bank to operate in Latin America, and it became by far the most successful. Over the next few decades it was joined by several British rivals. The Mercantile/Commercial Bank was re-structured as a limited company in 1872; the English Bank of the River Plate Limited founded in 1880; and the Anglo-Argentine

in comparative development, 1870-1965 (London, 1985), p. 130.

46 Scalabrini Ortíz, *Política británica*, pp. 142-4. See also Jorge Fodor, 'The Origins of Argentina's Sterling Balances, 1939-43' in D.C.M. Platt and Guido Di Tella (eds.), *The Political Economy of Argentina, 1880-1946* (London, 1986), pp. 158-9.

47 David Joslin, *A Century of British Banking in Latin America: to commemorate the century in 1962 of the Bank of London and South America Limited* (London, 1963), pp. 17-41; Reber, *British Mercantile Houses*, pp. 114, 118, 120.

Bank Limited in 1889. There were also foreign competitors. During the early 1870s, before the failure of the privately-owned Brazilian Banco Mauá in 1875, some eight banking firms functioned in the city of Buenos Aires, including the national and provincial banks. On the eve of the Baring Crisis there were approximately twice that number. French, German, Italian and Spanish houses opened, promoted by their respective local merchant communities during the 1870s and 1880s, drawing to a greater or lesser degree upon European capital. A further round of foundations took place between 1899 and 1906 when five new institutions opened to receive deposits. In 1910, before the appearance of US institutions, there were 17 banks doing business in the city of Buenos Aires, including four British houses - the Anglo-South American Bank Limited, the British Bank of South America Limited, the London and Brazilian Bank Limited and the original foundation, the London and River Plate.

The First World War effected dramatic changes and, in particular, two tendencies became clear. First, there was an improvement in domestic credit provision associated with an enlargement of branch banking, mainly by the official banks. Second, the overseas banking community continued to grow. The proliferation of US banks was the most pronounced feature of this second trend.⁴⁸ By the 1920s the British banks accounted for about 12 per cent of capital invested in the sector, held a little under 10 per cent of total deposits and were responsible for a shade above 9 per cent of discounts and advances. The British banks held well above 10 per cent of the system's cash reserves.⁴⁹ As Jones confirms, the position of British banks was one of declining relative importance throughout the twentieth century, notwithstanding a flourishing business in the 1920s and scope for diversification thereafter.

48 Barbara Stallings, *Banker to the Third World: US portfolio investment in Latin America, 1900-1986* (Berkeley, 1987), pp. 66.

49 *Times Book*, p. 191.

In these circumstances, the British experience was one of growth, rivalry, collapse, fusion and ultimately more direct control from London. The course of competition and amalgamation is well known from David Joslin's work.⁵⁰ As he indicates, there were British banks and British banks. Joslin points to differences of approach in British institutions but fails to acknowledge fully the non-British nature of several houses. In terms of the origin of capital, the Mercantile/Commercial Bank could hardly be described as a London institution: most of its capital was raised locally. The Anglo-Argentine depended heavily upon European finance. It may also have been the case that later creations, confronted by the established position of the London Bank, perforce had to cultivate new business. In this there may be parallels between the later British banks and German houses.⁵¹ British and other late-comers tended to become more directly involved in production and lent long. Indeed, the failure of the Anglo-South American was largely attributable to the scale of loans advanced to Chilean nitrate producers and long-term credits advanced elsewhere.⁵² Earlier British failures can also be explained by an incorrigible trait all too readily acquired by firms well versed in the ways of the local market or excessively influenced by positivist European banking traditions associated with the *crédit mobilier*, namely of lending long against ordinary deposits.

From the first, the London Bank decided to confine business to short-term loans secured upon concrete, easily realisable, assets. In practice this meant accommodating the seasonal credit demands of producers and exporters and the acceptance of nothing but the very best merchant paper. Similarly, exchange business was supposedly conducted only on the basis of commercial requirements and managers were expressly

50 Joslin, *A Century of Banking*. See also, Geoffrey Jones, *British Multinational Banking, 1830-1990* (Oxford, 1993), pp. 24-5, 88-89, 141-2, 167-8.

51 George F.W. Young, 'British Overseas Banking in Latin America and the Encroachment of German Competition, 1887-1914', *Albion* 23,1 (1991) pp. 75-95.

52 Joslin, *A Century of Banking*, pp. 265-73.

forbidden to speculate. Of course, in practice, circumstances often diverged from London's emphasis upon the ideal. But after early conflicts over the most appropriate forms of business and modes of operation, London views prevailed.⁵³ A focus upon only the best traditional operations was also possible because new lines of virtually risk-free business emerged later. By the turn of the century, the London Bank held the accounts of virtually all the premier British railway and utility companies. Good profits by these firms underwrote a significant proportion of local business conducted by British banks. Survival and a reputation for prudence meant that the Bank soon attracted the private and business accounts of local firms and prominent *estancieros*. The growth of deposits and the stability of funds placed on deposit was crucial.

It was the guiding principal of British overseas banking in this period that only local funds should be employed in local business. While this convention may have disappointed Argentines who had initially viewed the opening of the London Bank as likely to trigger an inflow of loanable capital from overseas, it was rigidly adhered to by a large number of British institutions. In this the British banks differed from US overseas banks which initially transferred large sums to Argentina in order to develop operations. The practice of British River Plate banks also differed from that of local European competitors, especially the Germans, who tended to have much closer links with major domestic banks and were consequently able to transfer large sums to Argentina when required. Yet, with the passage of time, the practices of even the London Bank changed. Having cautioned managers against accepting mortgages as security during the early decades, by the turn of the century large advances were being made under this head.⁵⁴ During the early twentieth century, the London Bank took a large volume of government paper to the City - possibly on the strength of its connection with Lloyds - and also handled short-dated stock in the local market.

53 Jones, 'Commercial Banks', pp. 3-40 and 'The State and Business Practice', pp. 185-8.

54 Jones, 'Commercial Banks', p. 48.

Much of this business must have been financed from the growth of local deposits associated with the proliferation of British corporate account. However, unlike its competitors in Argentina, the Bank never granted much accommodation to industrialists.⁵⁵

Perhaps the greatest change in the London Bank's business occurred in the 1930s, 1940s and 1950s. Given conditions in London, federal and provincial governments began to look to New York for long-term finance in the 1920s.⁵⁶ Despite the issue of some sterling obligations during the inter-war decades, it would not be until the late 1960s and more especially the 1970s that Buenos Aires looked again to Europe for official accommodation. Government business clearly contracted during the 1930s, and any expectation that improvement might take place after the War was dashed by the weakness of sterling and heightening nationalism in Argentina. The introduction of *ad hoc* exchange controls in 1931 and greater effective management thereafter by the Exchange Control Commission and the Central Bank meant that there was little space for private banks. Finally, with a sharp contraction in Anglo-Argentine trade and the disposal of the railways and some public utilities after the Second World War, the Bank's original staple business went much the same way. Searching for a new role, the Bank of London focused upon an area that it had long neglected, domestic commercial banking. Surprisingly the 1950s proved to be years of new vigour and initiative, particularly towards the end of the decade. Drawing upon the large number

55 M.I. Barbero, 'Grupos empresarios, intercambio comercial en la Argentina: el caso de Pirelli (1910-1920)' *Estudios Migratorios Latinoamericanos* 5:15/16 (1990) 311-341; Donna J. Guy, 'Dependency, the Credit Market and Argentine Industrialization, 1860-1940' *Business History Review* 48:3 (1984) 532-61; Joslin *A Century of British Banking*, pp. 166, 171.

56 US Military Intelligence Reports (Argentina) Reel IV-0503, No. 2864, 13 September 1922; D.E. Moggridge, 'British Controls on Long-term capital movements, 1924-31' in Donald McClosky (ed.), *Essays on a Mature Economy: Britain after 1840* (London, 1971); Carlos Marichal, *A Century of Debt Crises in Latin America: from Independence to the Great Depression, 1820-1930* (Princeton, 1989), pp. 184-5.

of branches inherited as a result of the takeover of the Anglo-South American, the London Bank addressed itself seriously to internal Argentine needs. Additional agencies were opened in the city of Buenos Aires and ultimately a financial subsidiary was set up. As a result the bank began to recapture some of the influence, though not the pre-eminence, that it had enjoyed in the 1880s and 1890s.⁵⁷

The overseas banks present the most public image of a British business presence in the financial sector. But there were other, less visible groups, namely the mortgage companies. The most important British firms were the River Plate Trust Loan and Agency Company and the Mortgage Company of the River Plate. These two houses were amongst the largest in the sector and dwarfed other British *exotica* such as the Buenos Ayres Building Society. Their business grew steadily after the turn of the century and by 1910 they accounted for over 30 per cent of non-official mortgage bank capital.⁵⁸ The Trust company was probably the premier firm in the field. It enjoyed good links with the London market, acted as local trustee for various groups of stockholders, and from time-to-time managed the affairs of small mesopotamian and northern railway and utility companies. The mortgage business proved particularly lucrative into the 1920s, but then further growth was limited by a dearth of funds in London and competition from official agencies. Thereafter the firm survived on agency and liquidation business (particularly the settlement of the affairs of smaller utilities nationalised in the 1930s and 1940s), continuing in business until the 1970s.

In some respects the Trust prefigured investment groups that appeared briefly in Argentina during the early decades of the twentieth century. The most notable were the Farquhar Syndicate and the more established d'Erlanger group. These, even more

57 Bank of London and South America Limited, *Report of the Directors and Statement of Accounts for the Year Ended 31st December 1964*, (London, 1964), p. 4.

58 Albert B. Martínez and Maurice Lewandowski, *The Argentine in the Twentieth Century* (London, 1911), p. 277.

than the Trust, were involved in speculative funding ventures characteristic of smaller European investment banks. The nationality of these agencies was at best opaque. Whether registered in Europe or the USA (some operations were also registered locally), they drew funds from several sources and were welcomed in Argentina because they promised new 'developmental' finance. As indicated below, they were active in areas such as manufacturing which were ignored by more established British banks. These institutions were important because their operations expanded at precisely the moment that the relative position of firms such as the London Bank were challenged by a renewed growth in official banking business and competition from US houses.

Railways and Utilities: flawed primacy

From the perspective of the mid-1920s, railways (and to a lesser extent utility) companies epitomised British business in the republic. Most firms were profitable, had weathered the difficult wartime years with success, and were about to embark on a new wave of construction, thereby indicating their blue-chip status on the London market and their commitment to Argentine development. Yet within a generation these firms had virtually disappeared. Why did railways and utilities first come to assume such a dominant position within the constellation of British business in Argentina and then disappear so quickly?

The crucial role of mercantile capital in the formative phase of many railway and utility companies in the nineteenth century has been acknowledged.⁵⁹ Tramways, railways and power companies drew upon Anglo-Argentine merchant capital and managerial expertise. London finance was present, though rarely dominant. Overseas interests around mid-century were largely technical and subordinate, represented by contractors not concessionaires. State interest was manifest both in the political contacts of franchisees and forms of support ranging from tax waivers to capital

59 Lewis, *British Railways*, pp. 18-21; Reber, *British Mercantile Houses*, pp. 124-7.

injections. However, during the expansion which occurred in the final third of the nineteenth century, two tendencies may be discerned. Local financial participation (though not necessarily managerial control) was diluted due to a surge in foreign investment, and state involvement grew, often financed through external borrowing. Both these trends highlighted the transient role of mercantile capital in the sector. Yet even when companies were registered overseas, local luminaries were recruited onto Buenos Aires boards and merchant interests continued to be represented by directorships in London.

Early tramways in the city of Buenos Aires were promoted by members of the merchant community. The first company was franchised in 1869. Thereafter expansion was rapid and accompanied by consolidation on a scale even more spectacular than that observed amongst the British overseas banks.⁶⁰ The somewhat misnamed Anglo-Argentine Tramways Company Limited was formed in 1876 to acquire the lines of the first company to open services in the city, the *Tranvía Argentino*. The Anglo raised capital in Britain and Europe. Continental markets became increasingly important as additional funds were required to finance takeovers. Mergers occurred in the late 1870s and 1880s and again in the late 1900s. Other systems, financed with local and European capital, were incorporated in 1908 and 1909.⁶¹ At its maximum extent the Anglo ran services over some 430 miles of track, about 75 per cent of the total system. An identical process of consolidation occurred in the city gas service where the *Primitiva* company played a role similar to that of the Anglo in tramways. For the tramways, the critical factor under-pinning consolidation was technical innovation, the shift from animal traction to electrical power. Before the advent of electricity, small locally-financed and foreign-registered firms had competed more-or-less equally. Once the feasibility and efficiency of electrical power had been demonstrated, companies with access to the new technology enjoyed a

60 Reber *British Mercantile Houses*, p. 127; *Times Book*, pp. 122-3.

61 *Times Book*, pp. 122-3.

considerable advantage over their rivals. As de Saes has shown for Brazil, electricity was not scale-neutral. A large capital outlay was required to install plant but thereafter operating costs were relatively low. The economics of electricity generation prompted vertical integration: power companies invested in tramways to guarantee a market for their product. Consequently, integrated urban transport and power companies rapidly emerged in major cities such as São Paulo and Rio de Janeiro.⁶² García Heras argues the point convincingly for Buenos Aires.⁶³

Hence, the response of utility companies to competition was often amalgamation or operating agreements with rivals. Initially, this strategy was accepted by franchising authorities, particularly when firms were being pressed to extend services and responded that substantial new investment necessitated arrangements to limit competition in order to secure profits and shareholder confidence. Subsequently, as the Anglo discovered, mass political participation made urban authorities more open to the demands of taxpayers and consumers and less amenable to the technical and financial arguments advanced by utility companies. As the twentieth century progressed, the volume of protest mounted. Many complaints were common to virtually all utilities, and involved criticism about the quality of service, charges and sluggish network expansion or upgrading.

Given the nature of its operations, the Anglo was blamed for traffic congestion in central Buenos Aires. Its proposed solution was the construction of additional tramways in the outer suburbs and underground railways in the centre. However, these schemes necessitated agreement with the municipality over fares and competition from unregulated minibus (*colectivo*) operators. In the mid 1920s, when buses were

62 Flávio Azevedo Marques de Saes, *A grande empresa de serviços públicos na economia cafeeira* (São Paulo, 1986), pp. 146-55). See also, Ana C. Castro, *As Empresas Estrangeiras no Brasil, 1860-1913* (Rio de Janeiro, 1979), pp. 102, 110.

63 Raúl García Heras, *Transportes, negocios y política: la compañía Anglo Argentina de Tranvías, 1876-1981* (Buenos Aires, 1994), pp. 16-8.

running along only a few routes, the Anglo handled over 80 per cent of passenger journeys. By 1939 the tramways were carrying only 30 per cent of total passengers.⁶⁴ Competition from buses could not have occurred at a worse time, as by the 1930s dividend remittances were further eroded by exchange losses. The result was inadequate provision for depreciation and reduced operating efficiency which triggered a further deterioration in relations with customers and the municipal authorities. Echoing earlier stratagems, the Anglo maintained that transport co-ordination, the establishment of an urban transport monopoly embracing trams, underground and buses, was the only possible solution to its financial difficulties and the means most likely to secure an efficient urban transport system. The project triggered huge public hostility and was only grudgingly accepted by the municipality following pressure from the federal government and diplomatic intervention by the British authorities. But by then it was too late to save the company. While private capital initially enjoyed a majority interest in the mixed Buenos Aires Transport Corporation, as the result of a *coup de main* in 1943 the government effectively nationalised the company, marginalising the managerial role and revenue of private, largely foreign, shareholders.⁶⁵

The predicament of the tramway company in the 1930s and 1940s was singular but not entirely unrepresentative. The tendency for local capital to be displaced by foreign in the 1870s and 1880s had occasioned little criticism, certainly not when accompanied by a promise of new investment and often the retention of the existing management. Later denationalisation, for example following the Baring Crisis, when foreign capitalists foreclosed following a failure to service mortgage bonds issued overseas, was less well received. Utilities were highly visible 'natural' monopolies, an easy

64 Raúl García Heras, *Automotores, norte americanos, caminos y modernización urbana en la Argentina 1918-1939* (Buenos Aires, 1985), p. 101.

65 Raúl García Heras, 'State Intervention in Urban Passenger Transportation: the Trandpost Corporation of Buenos Aires, 1939-1962', *Hispanic American Historical Review* 74,1 (1994) 81-110, especially pp. 85-8, 98.

target for aspiring municipal politicians. As providers of essential services consumed by a wide spectrum of the population, and large employers of labour, foreign-owned utilities faced protest on many fronts. In addition, as the first foreign investors in the field, British firms were sometimes subsequently confronted by aggressive competition from European and US entities who appeared to offer consumers more up-to-date services. In the 1920s, British operators in sectors such as electricity generation and supply and telephones had to face challenges from Italian, Spanish and US firms. In these circumstances, many British firms, like the telephone company, simply sold up. Even 'flagship' enterprises like the railway companies were not immune.

The year 1928 was a traumatic one for British business in Argentina. The transfer of some utilities to US conglomerates was but one of several incidents. More alarming was news that US financiers were buying into the premier broad-gauge pampean railways.⁶⁶ The events of the late 1920s were regarded as much more serious in Anglo-Argentine railway circles than the pre-First World War involvement of the Farquhar Syndicate in British-owned mesopotamian standard gauge lines. Occurring on the eve of the inter-war depression, the incident appeared to reveal the fragility of British interests in what was still regarded as the key sector. At its maximum extent after the Second World War, the Argentine railway network ranked sixth in the world with British-owned lines accounting for 57 per cent of total mileage.⁶⁷ Mileage comparisons at this juncture tend to minimise the participation of non-state enterprises as the purchase of most British-owned metre-gauge companies by the federal government towards the end of the 1930s clearly reduced private mileage. Nevertheless, the contrast with the position in 1896 is marked: after the

66 Sir Malcolm Robertson, British Ambassador, Buenos Aires, to R.L. Craigie, Foreign Office, 14 March 1929. Public Record Office (Hereafter PRO), Foreign Office Correspondence (Hereafter FO) 371/13460.

67 F. Barres 'Reseña de los ferrocarriles argentinos' *Boletín de la Asociación Internacional Permanente del Congreso Panamericano de Ferrocarriles* 38:86 (1944) 40, 64.

denationalisation which followed the Baring Crisis, British companies had held 88 per cent of total railway route mileage.⁶⁸

As already stated, merchants had been active in the promotion of all early railways. Having formed the first company, the FC Oeste, without a profit guarantee but with a great deal of direct state funding, merchant capital withdrew and the line was taken over by the province. Private initiative was then sustained by the Buenos Ayres Great Southern and the Buenos Ayres and San Fernando (franchised by the province) and the Central Argentine (licensed by the federal government). Anglo-Argentine capital was involved with all these enterprises and was especially well represented in the Southern. But the momentum of British railway building began to falter within a few years. Between 1876 and 1880 not a single mile of new British-owned track was opened. For almost twenty years after 1870 by far the greater part of the expansion of the Argentine railway system was accounted for by state construction. New British-owned companies were floated around 1880 and the rate of increase of construction picked up after 1883 but substantial accretions to the non-state sector did not occur until the period 1886-93.

With the liquidation of most government railways after the Crisis, private participation rose. Between 1900 and 1914 total route mileage doubled. Expansion was particularly rapid after 1907, when the Mitre Law extended for a further 40 years exemption from taxation, and was largely accounted for by British lines.⁶⁹ Another new round of expansion was initiated by the British railways in 1924 and closed in 1931. National and provincial government had also re-entered the field just before the First World War. At about the same time governments also sought to re-activate

68 República Argentina, *Segundo censo de la República Argentina* (Buenos Aires, 1898), III pp. 463-4.

69 Colin M. Lewis, *British Railways in Argentina, 1857-1914: a case-study of foreign investment* (London, 1983), chapter 8.

continental European interest in Argentine railway development, in part due to conflict between established British companies and the rural elite. Three companies were floated in Paris after 1902, mainly franchised by provincial governments.⁷⁰ At nationalisation, French-owned lines accounted for something less than 10 per cent of total mileage. Government initiative increased again in the 1920s and became crucial subsequently: every mile of new track opened after 1935 was inaugurated by the state railway executive. Thus alternating (sometimes overlapping) cycles of British and government initiative may be observed in the railway sector.

Like urban utilities, British-owned railways were criticised by contemporaries for high charges and tariff structures. Poor quality of service, especially a shortage of rolling stock, was a charge frequently heard during periods of rapid export growth.⁷¹ Labour relations were always an issue and particularly poor around 1907, during the 1910s, from time-to-time during the 1920s and from the late 1930s into the war.⁷² The calibre of management was criticised as was the responsiveness of London boards to local requirements.⁷³ With the rise of economic nationalism and a general questioning of the utility of the Anglo-Argentine connexion, these attacks become more frequent and persistent. For their part, British companies were often exercised by other concerns. The issues of competition and regulation were omnipresent. The non-fulfilment of financial obligations by government always irked the companies. There were perpetual moans about tardy settlement of government accounts (particularly

70 Andrés Regalsky, 'Foreign Capital, Local Interests and Railway Development in Argentina: French investment in railways, 1900-1914', *JLAS* 21,3 (1989) pp. 427, 428-30, 435-8, 439-41, 442.

71 *The Economist*, 30 June 1888, 46, p. 824; *The Railway Times*, 14 July 1888, 54, p. 50.

72 Alejandro E. Bunge, *Ferrocarriles Argentinos: contribución al estudio del patrimonio nacional* (Buenos Aires, 1918), chapter 12; Paul B. Goodwin, *Los ferrocarriles británicos y la U.C.R., 1916-1930* (Buenos Aires, 1974).

73 *Evening Standard*, 11 December 1928.

(particularly profit guarantees) and the failure of state lines to honour railway clearing house commitments. After 1907, with the enactment of the Mitre Law which placed a ceiling upon profits and gave government the right to adjust tariffs, capital account verification concerned every company, since profit rates were determined by the ratio of earnings to investment. Exchange losses emerged as an issue after 1925 and became of even greater importance with the introduction of exchange controls as did the competition from road transport.⁷⁴ Relations with home and host governments assumed increasing importance during and after the inter-war years. Although they had initially been hesitant about involving the Foreign Office in disputes with the Argentine authorities, by the 1930s the companies had become incensed at the increasingly frequent direct contacts between governments in Buenos Aires and London about their long-term fate, and protested vehemently at the lack of consultation.⁷⁵

Twentieth-century perceptions of British railway enterprises in the republic were largely forged in the years immediately following 1907. This was a period of corporate amalgamation, sustained construction and good profits. It was at this time that popular cartoonists conjured the image of the English octopus (*el pulpo inglés*). British-owned trunk lines radiating from Buenos Aires were depicted as tentacles firmly in control of the economy, constraining Argentine growth to the requirements of British traders and financiers. This view was not entirely accurate: railway amalgamation was often only achieved after competitive trunk line construction which

74 Raúl García Heras, 'Hostage Private Companies under Restraint: British railways and transport coordination in Argentina during the 1930s', *JLAS* 19,1 (1987) pp. 41-67.

75 Sir Nicholas Henderson, British Ambassador in Buenos Aires, to Anthony Eden, Secretary of State, 30 April 1936, Public Record Office, Foreign Office correspondence (hereafter FO) 371/19760: A4446/65/2; FO Minute (meeting with representatives of the Argentine railway companies) 20 July 1936 FO 371/19761: A6105/65/2.

resulted in hostile groups that engaged in periodic tariff wars.⁷⁶ Moreover, federal and provincial governments were only too anxious to promote competitive railway construction. Concessions were often awarded with this object. Rivalry was most acute when funds were readily available, for example, during the 1880s and immediately before the First World War. Precisely the periods when British companies were alarmed by the spectre of continental European, US or state railway investment in the highly profitable pampean zone. Hence their alarm at the appearance of the Farquhar Syndicate after the turn of the century and rumours of share-buying by US capitalists in the 1920s. However, the most telling challenge to the primacy of British broad-gauge railway supremacy in the pampas would come with highway building projects, notably in the 1930s.

In attempting to resolve conflicts with labour and disputes with government about concessions, operating efficiency and tariffs, the British-owned railways invariably preferred to mobilise local contacts before seeking diplomatic assistance. Only in the 1930s did they come to recognise the importance of seeking official support in London. But by that stage the initiative lay with the British authorities themselves who, much more than in the 1920s, were prepared to open discussion with Buenos Aires about railway matters in advance of an approach by the companies or even to act without prior consultation. In 1935 it was the Board of Trade, rather than the companies, which inaugurated discussions about railway profitability and purchases in the run up to the renewal of the bilateral commercial and clearing agreement.⁷⁷ It would be interesting to learn of the companies' reaction to an exchange of telegrams between the Bank of England and the Argentine Central Bank in 1939 in which the

76 Lewis, *British Railways*, chapters 6 and 7.

77 W. Runciman, President of the Board of Trade, to Sir John Simon, Secretary of State for Foreign Affairs, 14 March 1935, PRO FO 371/18632: A2872/418/2.

former suggested that the federal government might wish to employ blocked sterling balances to purchase railway equity stock.⁷⁸

Increasingly during the twentieth century railway labour relations were also drawn more firmly into the political sphere as government paid more attention to welfare issues and working conditions. Between the 1890s and the early 1920s railway labour struggled to establish cohesive, effective representation that would be recognised by companies and state.⁷⁹ Following waves of labour unrest before 1914, the federal government became closely involved in virtually all major disputes, a tendency which grew under Radical administrations of the 1910s and 1920s and did not diminish under the more authoritarian political arrangements of the 1930s.⁸⁰ And, for some years after 1943, labour generally had much greater access to government in the shape of Colonel Juan Domingo Perón who was anxious to establish a following amongst workers. But the railway unions were circumspect in their relations with Perón, aware of the corporatist tendencies of the regime and anxious to maintain their independence of the state.⁸¹

78 S.D. Waley, Treasury, to Foreign Office, 2 October 1939 (see enclosed telegram) PRO FO 371/22705: A6820/29/2. See also, Raúl García Heras, 'World War II and the Frustrated Nationalisation of the Argentine British-Owned Railways, 1939-1943', *JLAS* 17,1 (1985) pp. 135-55.

79 Sir John Macleay, British Minister in Buenos Aires, to Foreign Office, 7 September 1920, PRO FO 371/4417: A6335/6335/2; Macleay to Sir W.G. Tyrell, 14 October 1921.

80 See Goodwin, *Los ferrocarriles británicos*; C. Portantiero and Miguel Murmis (eds.) *Estudios sobre los orígenes del peronismo* (Buenos Aires, 1974); Joel Horowitz *Argentine Unions, the State and the Rise of Perón, 1930-1945* (New York, 1990).

81 Daniel James, *Resistance and Integration: Peronism and the Argentine working class, 1946-76* (Cambridge, 1988), pp 8-12; Robert A. Potash, *The Army and Politics in Argentina, 1945-1962: Perón to Frondizi* (London, 1980), pp.11-13; Samuel L. Baily, *Labor, Nationalism and Politics in Argentina* (New Brunswick, 1967), pp. 122-4.

By the 1930s, managerial independence in railway companies and public utilities was highly circumscribed and was conditioned as much by government action in London as in Buenos Aires. Even before the onset of the Second World War, the approaching expiration of the 40 year tax break conceded by the Mitre Law was viewed by some as signalling the likely end of British railway companies in Argentina. The critical question concerned the nature of the end - expropriation or the establishment of a mixed corporation with transfer of ownership and management phased over a longer period.

Processing and Manufacturing: early initiatives and delayed developments

Early Argentine official publications divided 'industry' into three categories: extractive, manufacturing and non-factory. For most of the post-1900 period, the major 'industries' were meat packing, flour milling, wine making and sugar refining. Textiles, clothing and footwear combined were the second largest branch of manufacturing but factory-based production was a twentieth-century phenomenon and the output of cotton textiles only grew dramatically during the 1930s.⁸² Even factory-based manufacture was mainly small-scale. Large plants, employing more than 500 workers accounted for just over 20 per cent of industrial workers in 1935 and hardly 25 per cent in 1954.⁸³ This situation did not change dramatically until the 1960s.

At the beginning of the century, manufacturing output represented around 15 per cent of gross domestic product. During the 1930s the proportion was 21 per cent and in the 1950s about 25 per cent, peaking at 28 per cent in the 1960s before falling away.⁸⁴

82 O. Colman, 'La industria textil y la reconversión extensiva del sector industrial argentino, 1930-1943' *Revista CICLOS en la historia la economía y la sociedad* 2:2 (1992)

83 Carlos F. Díaz Alejandro, *Essays on the Economic History of the Argentine Republic* (London, 1970), pp. 415-6. 504, 513.

84 Bernardo Kosacoff, 'La industria argentina: un proceso de reestructuración desarticulada' in B. Kosacoff *et al*, *El desafío de la competitividad: la industria*

In 1935 there were over 37,000 establishments engaged in manufacturing and 148,000 in 1954.⁸⁵ Foreign capital accounted for almost 12 per cent of investment in manufacturing in 1955 while representing only a shade over 5 per cent of total fixed investments. The areas of greatest foreign concentration were to be found in chemical and pharmaceutical products (where 35 per cent of the capital was provided by foreign firms), electrical machines and appliances (25 per cent), and rubber products (14 per cent). There was also a significant presence in non-electrical machinery and metal goods, foodstuffs and beverages, glass and ceramic ware, and extractive activities.⁸⁶ How did British businesses fit into this picture? In 1940, funds in industry represented 8.1 per cent of total British investment in Argentina or 9.7 per cent of direct investment.⁸⁷ At that time British capital probably accounted for between 15 per cent and 20 per cent of total foreign investment in industry.⁸⁸ Meat packing alone absorbed one-third of British investment in Argentine industry.

Given the nature of the export trade during the early part of the nineteenth century, many merchant houses had invested in meat salting plants, the *saladeros*, which supplied salted and dried meat to national and slave markets in the Americas. The first modern meat packing plant was the River Plate Fresh Meat Company Limited, floated by George W. Drabble in 1882, followed by the Sansinena plant set up in 1884 and by the Las Palmas *frigorífico* inaugurated by Hugh Nelson in 1886. These early

argentina en transformación (Buenos Aires, 1993), p. 15.

85 FIAT Concord, *Argentina económica y financiera* (Buenos Aires, 1966), p. 170.

86 J.C. Esteban, *Imperialismo y desarrollo económico: la Argentina frente a nuevas relaciones de dependencia* (Buenos Aires, 1961) pp. 84-5.

87 UN Economic Commission for Latin America, *Foreign Investment in Latin America* (New York, 1955), p. 36.

88 Estimates vary: see F.J. Felix, *Argentine Riddle* (New York, 1944), pp. 282-3; Vernon L. Phelps, *The International Economic Position of Argentina* (Philadelphia, 1938), appendix II; UN, *Foreign Capital*, p.36.

firms were financed by Anglo-Argentine or Argentine capital and were closely connected with pastoralists, although the processing outlets were formed as distinct businesses, separate from *estancieros*' cattle interests.⁸⁹ Several other firms, such as the La Plata Cold Storage Company, the Smithfield and Argentine Meat Company, Frigorífico La Blanca and Frigorífico Argentino, entered the business in the 1900s. The River Plate meat industry was highly differentiated and small-scale at a time when the global business was becoming internationalised, integrated and extremely competitive.

These structural deficiencies became only too obvious with the entry of US capital in 1907. US packers looked to Argentina to compensate for a declining export surplus in the USA which threatened their overseas markets, especially in Britain. Unlike the Anglo-Argentine houses, they possessed extensive investments and expertise in specialised refrigerated transport facilities, handling services, retail outlets and in 'brands'. Within the space of a few years US packers dominated the most lucrative business: in 1911 Anglo-Argentine firms still accounted for 67 per cent and 78 per cent respectively of frozen mutton and frozen beef exports but US packers commanded 64 per cent of chilled beef exports. With each successive 'meat war' that erupted after 1907, US firms gained a larger slice of business. Only after 1922, with the entry of Vestey's, did British firms regain some of their ground. Indeed, Vestey's might be more accurately described as the first British conglomerate to operate in the sector and was quite different from the original Anglo-Argentine houses. Like the US packers, Vestey's was an established firm in the international meat industry: the company drew supplies from diverse sources and was a fully integrated business. Moreover it was financed from London and did not rely on traditional sources of River Plate capital. But even with Vestey's, which operated its own fleet of refrigerated vessels (the Blue

89 Peter H. Smith, *Politics and Beef in Argentina: patterns of conflict and change* (New York, 1969), pp.33-4; Horacio C.E. Giberti, *Historia económica de la ganadería argentina* (Buenos Aires, 1961), p. 170.

Star line) and butchery chain (Dewhurst), British enterprises could do little more than recapture about one-third of the business.⁹⁰

At first, cattlemen welcomed the appearance of the US packers as likely to promote competition. However, the rapid displacement of smaller 'local' firms by US companies soon provoked fears of a meat trust. The response of *estancieros* was to press for greater regulation.⁹¹ Later there were demands for state support for a producers' co-operative which, following Anglo-Argentine bilateral trade agreements during the 1930s, would be allocated a specific export quota.⁹² In the face of strenuous opposition by existing meat packers and following a congressional enquiry, the establishment of the Corporation of Argentine Meat Producers (CAP) was authorised in 1934 and an export quota allocated to it when the Roca-Runciman Pact was renewed in 1936.⁹³ Although some meat was shipped for the company in 1937 and a processing plant was subsequently acquired, the CAP had little long-term impact upon the trade. Notwithstanding the ability of US and British meat-packers to contain domestic competition, the long-term future of the companies and the business was not good. Cattle production and the chilled beef trade was subject to increasing regulation and exports threatened by the growth in domestic consumption.⁹⁴ In the late 1940s

90 For an account of the 'meat wars' see, Simon G. Hanson, *Argentine Meat and the British Market: chapters in the history of the Argentine meat industry* (Stanford, 1938).

91 Smith, *Beef and Politics*, chapters 3 and 4; Fuchs, *La penetración*, pp. 193-201.

92 Daniel Drosdoff, *El gobierno de las vacas (1933-1956): tratado Roca-Runciman* (Buenos Aires, 1972), see especially chapters 3 and 5.

93 Carlos A. Miró, *Las intervenciones de los ganaderos en el comercio de carnes: reseña de las experiencias realizadas desde agosto de 1932 a mayo de 1938* (Buenos Aires, 1942), pp. 23-4; José V. Liceaga, *Las carnes de la economía argentina* (Buenos Aires, 1952), pp.174-5, 176-81.

94 Richard D. Mallon and Juan V. Sourrouille, *Economic Policymaking in a Conflict Society: the Argentine case* (Cambridge, Mass., 1975) p. 40.

Argentina was hardly able to fulfil meat export quotas to Britain set in post-Second World War commercial agreements.⁹⁵ The situation improved somewhat thereafter as cattle stocks increased during the early 1950s but numbers fell again in the late 1950s and early 1960s.⁹⁶ The Anglo-Argentine meat trade never really recovered from the foot-and-mouth embargo of 1968. By the 1970s most *frigoríficos* were functioning well below capacity, some had ceased to operate and others were considering closing operations in Argentina, frustrated as much by a rising tide of government regulation in Argentina as an increasingly hostile international environment.⁹⁷

As with meat-packing houses, the operations of foreign oil companies were also subject to closer scrutiny in the 1930s. Here, too, there were fears that overseas companies were acting in concert against local interests. This led to frequent, increasingly hostile, amendments to regulatory regimes during the 1950s and 1960s.⁹⁸ Shell, for example, which had engaged in local exploration and production in the 1920s found its business increasingly limited to distribution thereafter.⁹⁹ Seeking to supply the local market, British oil firms were subject to growing competition from national and foreign firms and ultimately an expanding state enterprises that achieved a high degree of integration in the national market, something that was denied to foreign companies. Dependent upon overseas sources of supply, British firms were

95 *Review of the River Plate*, 107, 3030 (1950) p. 18, 111, 3102 (1952) p. 28.

96 FIAT Concord, *Argentina* p. 137.

97 Paul H. Lewis, *The Crisis of Argentine Capitalism*, (Chapel Hill, 1990), pp.320-8.

98 See George D.E. Philip, *Oil and Nationalism in Latin America* (Cambridge, 1982), chapter 21; Carl E. Solberg 'YPF: the Formative Years of Latin America's Pioneer State Oil Company, 1922-30' in John Wirth (ed.), *Latin American Oil Companies and the Politics of Energy* (Lincoln, 1985); Marcos Kaplan, *Economía y política del petróleo argentino, 1939-1956* (Buenos, Aires 1957).

99 Philip, *Oil and Nationalism*, pp. 166-7.

particularly vulnerable both to supply constraints and to domestic competitors, much more so than their US counterparts.

Organizational structure and flexibility of response to a changing political order were also critical for the performance of British manufacturing firms. By the mid 1930s a number of British manufacturers had set up operations in Argentina. Household names such as Dorman Long, Crosse & Blackwell, Bryant and May, Lever Brothers, Pilkingtons, and ICI were manufacturing under the *industria argentina* banner.¹⁰⁰ Many of these companies were highly successful and their share of the market ensured that their operations were already more valuable than indicated by nominal capitalization. Most, but not all, of these firms had opened in Argentina during the 1920s; others had supplied the market from their own depots and agency chains. The decision to set up in Buenos Aires was obviously influenced by the buoyancy of the market and a lucrative export business previously conducted through specialist importers. As the list of members of the Buenos Aires British Chamber of Commerce (founded in 1914) indicates, most major British manufacturers were represented or had agents in the country. In some cases the sheer volume, and nature, of the business encouraged manufacturers to shift from exporting to local production. But the drift towards protectionism during the 1920s was another reason. Faced with increased duties, and often by modest local competition, the options facing British companies were either to manufacture locally or to abandon the market.¹⁰¹ And competition was

100 F.O. Memorandum, Chancery, Buenos Aires Embassy to American Department, Foreign Office, 25 March 1935, PRO FO 371/18628: A2903/111/2. See also Theo. C. Barker, *The Glassmakers, Pilkington: the rise of an international company, 1826-1976*, (London, 1976), p. 389; Patrick Beaver, *The Matchmakers*, (London, 1985); William J. Reader, *Imperial Chemical Industries, a History: Volume II, the first quarter century*, (London, 1975), Charles Wilson, *The History of Unilever: a study in economic growth and social change*, (London 1954) II, 353-9.

101 J.H. Leche, Charge D'Affaires, Buenos Aires, to Sir R.G. Vansittart, Under-Secretary of State for Foreign Affairs, 27 May 1924. PRO FO 371/9545: A3729/1136/51.

not entirely local. During the 1920s US firms were also beginning to manufacture in Argentina. Whether or not they were led by US firms, British companies recognised that once a foreign competitor had set up operations in Argentina, they were compelled to do likewise.¹⁰²

The principal differences between most US manufacturers and their British counterparts was that British firms often bought into local business. US companies were inclined to construct new branch factories. Arguably, this was in part due to the sectoral configuration of manufacturing in Britain in the pre-First World War years. US manufacturing investment in Argentina focussed largely on technically complex capital goods and consumer durables, areas where there was virtually no local manufacture before the 1920s. Conversely, domestic firms were fairly well represented in the production of basic wage goods such as food, beverages and tobacco and simple chemicals.¹⁰³ A classic example of this strategy is provided by the d'Erlanger group which bought into several manufacturing businesses. D'Erlanger also introduced local companies to potential British buyers looking for outlets in Argentina. Pilkingtons, Bryant and May, and ICI had all pursued the same strategy.

An estimate of 1935 places British investment in manufacturing and extractive industries at £15.4 millions.¹⁰⁴ By 1955 the nominal value of direct British investment in Argentina was £35 millions (about US\$110 millions) of which the greater part must have been in manufacturing. By 1965 the total value of investments had increased to US\$181 millions: almost half was in manufacturing and engineering companies, the second largest holding, US\$63 millions, was in 'distribution' of which

102 Tower to Balfour 18 August 1919 PRO FO 371/3505: A129279/3379/2.

103 Ernesto Tornquist, *The Economic Development of the Argentine Republic in the Last Fifty Years*, (Buenos Aires, 1919), pp.30-31; Lewis, *Crisis of Argentine Capitalism*, pp.35, 41-5.

104 Sir H. Chilton, Ambassador in Buenos Aires, to Simon, 18 March 1935 PRO FO 371/18628: A2903/111/2.

by far the greater part was represented by oil and petroleum facilities. This data takes no account of changes in the value of money over time but is the best proxy for the distribution of business activities. However, if the data is accurate, it indicates that there was little real growth in the book value of investment in manufacturing between 1935 and 1955 and possibly 1965. Indeed, there was a tendency for investment in manufacturing to contract in the post-War period, particularly after 1965. In 1968 the total nominal value of British investment had declined to US\$162 millions with the absolute decline of capital in manufacturing almost equalling the total contraction. Some 59 companies accounted for 95 per cent of British investment in Argentina in 1968; 22 smaller firms were responsible for the balance.¹⁰⁵ Amongst the large enterprises were traditional processing companies like Forestal, Bovril and Leibigs; equally established firms such as British-American Tobacco and Alpargatas (an Anglo-Argentine family textile business); and companies with more recently established branches, such as Babcock and Wilcox, Perkins, Plessey, Pilkingtons, Shell, Beechams, Lever Brothers and ICI associates.

How is the cautious approach of British firms in the manufacturing sector to be explained? There were hardly any new entrants after the 1950s. Perkins, producing tractor motors and compressors, opened a factory at Córdoba in 1963. It was one (possibly the only one) of a very small number of British companies to set up operations in Argentina at this time.¹⁰⁶ Existing firms appeared content to do little more than maintain existing operations, losing market share when competitors were prepared to invest in additional capacity. In the surge of new foreign investment which occurred in the mid and late 1960s, British firms were largely conspicuous by their absence. Between 1962 and 1968 several local businesses were absorbed by

105 N. Minsburg, *Inversiones extranjeras y dependencia* (Buenos Aires, 1975), pp. 81-2.

106 James P. Brennan, *The Labor Wars in Córdoba, 1955-1976: ideology, work and labor politics in an Argentine industrial city*, (Cambridge, Mass. 1994), p.36.

foreign capital, mostly by US conglomerates but also by continental European companies seeking to challenge their North American competitors.¹⁰⁷

Perhaps, given the character of the immediate post-war decades, it would be more reasonable to enquire why these firms did not, like the meat packers, abandon operations in Argentina. The general contraction in the British business community in the late 1940s, with the nationalisation of the railways and public utilities, must initially have had an adverse impact on the confidence to those firms and managers who remained. Subsequently, the poor performance of the economy which was characterised by shortening cycles of modest growth and stagnation, accelerating inflation, repeated balance of payment crises, and an unpredictable regime of exchange control also discouraged initiatives. Sluggish market expansion and the deteriorating political environment - corruption and capricious intervention were specifically mentioned by some managers - would have had a similar impact.¹⁰⁸ Perhaps of equal concern was the burgeoning set of regulations associated with policies of import-substitution and social welfare. Peronist economic policies undoubtedly had an adverse impact on most large foreign companies. The near prohibition on profit remittances and a system of import licensing designed to favour domestic firms resulted in the paralysis of several US operations. Rigid control of manufacturing failed to promote industrial development. On the contrary, it fostered the growth of small, labour-intensive units and stalled the expansion of foreign investment in manufacturing set in motion before the Second World War.¹⁰⁹ After the fall of Perón

107 Gary W. Wynia, *Argentina in the Post-war Era: politics and economic policy-making in a divided country*, (Albuquerque, 1978), pp.209-210; Lewis, *Crisis of Argentine Capitalism*, pp.313-4.

108 Mallon and Sourrouille, *Economic Policymaking*, chapter 1; Charles Wilson, *Unilever, 1945-1965: challenge and response in the post-war industrial revolution*, (London, 1968), III, 256-7.

109 Brennan, *The Labor Wars*, pp.6, 30; Lewis, *The Crisis of Argentine Capitalism*, p.298.

in 1955 the debate about the role of foreign capital in the manufacturing sector intensified rather than subsided. Nationalist sentiments were fuelled by the growth new foreign direct investment in the 1960s. There were sharp shifts in official policy, regulations became more stringent and terrorist attacks on the property and personnel of transnational corporations began.¹¹⁰ When these policies were reversed after 1976, the opening of the economy to imports hardly encouraged optimism on the part of existing producers.

Nevertheless, the sub-sectoral spread of British firms in Argentina probably accounts for the relatively poorer performance of British business, compared with US and other foreign rivals, during these difficult years. Official data indicates that the sector underwent a substantial transformation between 1954 and 1974. As indicated above, one feature of this period was concentration. There was a substantial increase in new investment and the number of firms declined. Another was marked differences in sub-sectoral performance. Dynamic branches such as metallurgical goods, motor vehicles and machinery registered dramatic increases in output and participation in total industrial production while the share of traditional branches such as food and beverages, textiles and leather goods in total output contracted.¹¹¹ British firms tended to be over-represented in the latter sub-sectors.

110 Lewis, *The Crisis of Argentine Capitalism*, pp.310-313; Wynia, *Argentina in the Post-war Era*, pp.209-10.

111 Lewis, *Crisis of Argentine Capitalism*, pp.298-301.

A Century of Expansion and Ossification

Three phases can be determined in the Anglo-Argentine business connexion: the first drew to a close in the 1880s and may be characterised as one of growth and diversification; the second ran until the 1920s and might be depicted as a period of consolidation; the final phase was one of survival, but little substantive innovation, and it ended in sharp contraction. While individual firms may have displayed a vibrant response to changing local and international circumstances throughout the period, the general picture is one of increasing structural rigidity in the sectoral profile of British activities.

During the first cycle, almost all enterprises, with the possible exception of one or two railways, might have been described as Anglo-Argentine entities. The vast majority of firms had attracted at least token local capital or had recruited effective indigenous representation. The profile of business activity changed after the 1890s. The pattern of export-led growth placed greater emphasis upon infrastructural investment and for various reasons the readjustments which occurred following the Baring Crisis tended to enhance the role of foreign private companies. By the turn of the century, the focus of British activities had tilted sharply towards railways and utilities and the administration of many firms became British rather than Anglo-Argentine. This tendency was assisted by the withdrawal of the state, the insolvency of many River Plate enterprises that had looked to London for debenture capital in the hectic 1880s and by a re-focusing of indigenous capital upon agriculture and related activities. Thereafter there was little radical change in the overall profile of British business initiative. Consequently, as the international environment became more competitive for Argentina during the immediate pre-First World War period and again in inter-war decades, British enterprises became more visible. Structural problems of the period were blamed on British firms. It was perhaps inevitable that the British-owned railway companies should become a focus of discontent. Urban utilities became another butt of near universal criticism. Economic nationalists regarded the persistence of foreign enterprises in these fields as a singular affront, a sentiment that

was popularised and generalised in the 1930s. By this stage, the Anglo-Argentine connexion was perceived as benefiting but a narrow spectrum of Argentine society.

There had been a moment during the last major investment boom before the First World War when it appeared that the structure of British business interests in Argentina might evolve once again rather than stagnating. New initiatives in manufacturing and the proliferation of earlier extractive enterprises mirrored changes taking place amongst German and US investments in Argentina. This precocious trend was frustrated by a number of factors. The reduced availability of funds for overseas investment in London clearly inhibited, even if it did not entirely suffocate, the process. The location of manufacturing operations in Argentina by several conglomerates demonstrates that the spirit of transnational enterprise was alive if not particularly well in Britain. An equally critical factor may have been responses by traditional businesses and by the British government to the problems of the moment. Aware that British companies were increasingly exposed to foreign competition in Argentina in the 1920s and even more sensitive to the condition of some firms in the 1930s, the authorities in London began to take a direct interest in British business affairs in the River Plate. This is not to say that government had not intervened on behalf of individual firms before the 1920s. The difference in the 1930s was that a co-ordinated strategy for Anglo-Argentine commercial and financial relations was gradually evolved at a time of recession when Britain's position was seen to be threatened by the twin problems of economic nationalism and US rivalry. The official British policy response was first to protect existing operations - and safeguard the interests of bond-holders - so as to secure a flow of remittances from the republic rather than to encourage diversification. Later, an official British emphasis on trade (associated in part with the continuation of exchange controls) rather than investment and production overseas, coupled with pessimism about long-term prospects for demand growth in Argentina, discouraged initiatives.



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