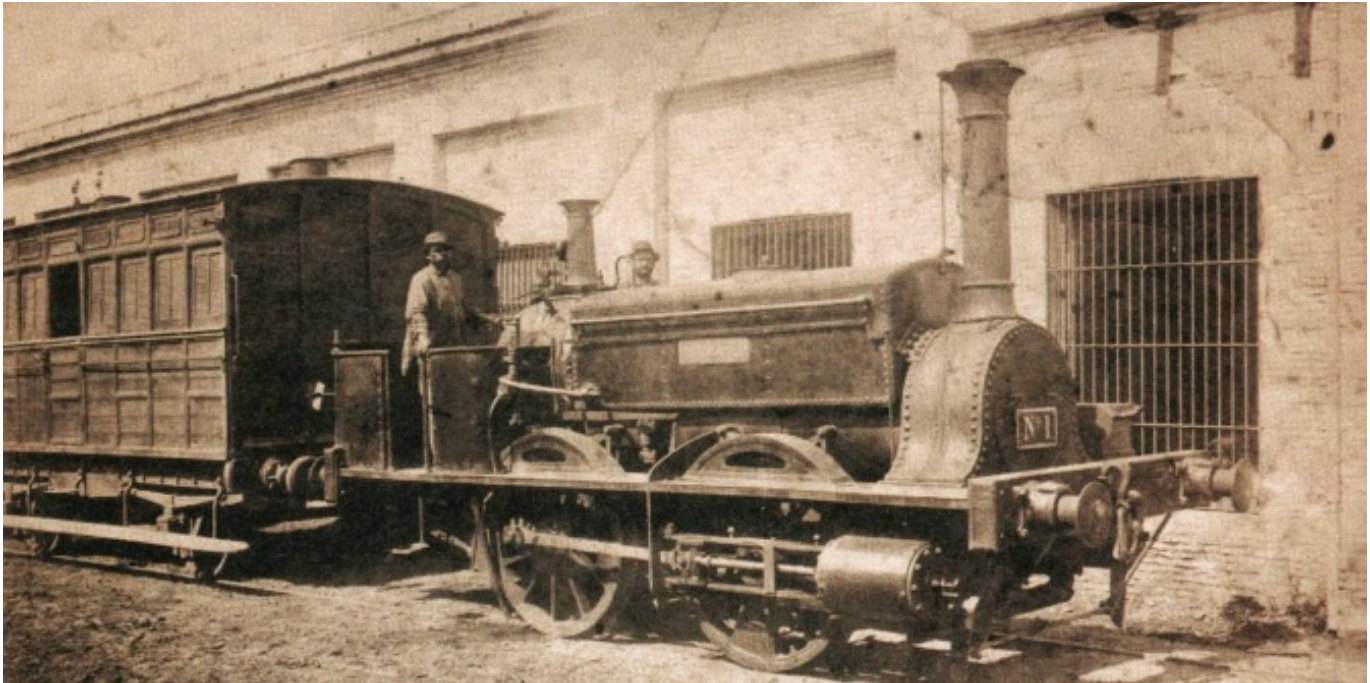


Early British railways in Argentina were not 'British' alone

 blogs.lse.ac.uk/businessreview/2017/01/23/early-british-railways-in-argentina-were-not-british-alone/

1/23/2017



My study adopts a broadly chronological approach, addressing the growth and development of the railway network from inception in the 1850s to maturity (though not maximum extension) around the time of the First World War. The principal chapters focus on the formative period from mid-nineteenth century to the 1870s, the consolidation of a national rail network in subsequent decades and corporate rivalry triggering zonal amalgamation in the years immediately prior to 1914.

There are also thematic chapters about the system of profit guarantees and its role in the first Baring Crisis of the early 1890s, and denationalization, which strengthened the position of private, mainly London-registered, enterprises. Sources used include limited accessible primary documents available in Argentina, more extensive collections held in the United Kingdom, and printed material such as company reports, the railway press and official publications.

The stance is broadly revisionist, stressing that the early development of railways was largely a British-Argentinian process, not an 'Anglo' venture, and that the state had a significant – often leading – entrepreneurial role, at least until the 1880s. The often-assumed British hegemony in the sector was 'late' and largely a feature of the twentieth century, roughly from c. 1900 to the 1920s – the heyday of London dominance and profitability for British firms.

The study shows that several pioneering companies, a number of which would become the most dynamic expression of business organisation in Argentina, may properly be described as 'local', that is, involving British resident and national expertise and locally raised finance, combined with London funds.

The decline of local entrepreneurial and managerial input was a function of the twin processes of state-retreat (privatisation) and the global investment boom that began around 1907. As a result, local 'ownership' was diluted, a process that was also accelerated by 'generational change', when pioneer investor/entrepreneurs and Buenos Aires-based directors were displaced by London Boards – [Chandlerian](#) technocrats and managers – reflecting the changing scale and scope of the integrated regional railway enterprises that consolidated after c.1900.

Around 1914 the nominal capitalization of major networks such as the Buenos Ayres Great Southern and the Central Argentine stood around £50 million, which was about two-thirds the nominal capital of the North Eastern Railway, a large regional network in the UK. Had the BAGS or the CA been listed on the Buenos Aires Stock Exchange, they would have been by far the largest quoted companies.

Railway profit guarantees, usually a fixed rate of return on officially recognized total investment, or a specific cost of construction per mile, was a fairly widespread feature of mid-nineteenth century railway history. Most, though not all, companies floated in Argentina in the 1850s and 1860s were accorded a 7 per cent profit guarantee, payable in gold (effectively sterling). Although by the 1880s the guaranteed rate of return had been reduced to 6 per cent, such was the weight of new construction franchised that the system became a massive drain on the treasury, particularly given the long lead-in period associated with lumpy social overhead projects like railways.

Guarantee arrangements were also open to abuse. Profit guarantees were a critical factor undermining overseas confidence in Argentinian public finances around 1890, and viewed as symptomatic of reckless growth and corruption. Following the crash, a recovery in commodity prices and a dramatic outward expansion of the frontier of settlement – the frontier of production caught up with the ‘rail frontier’ occasioned by overbuild in the 1880s, facilitated a surge in exports that secured the profitability of several companies, while also repairing state finances.

Creative destruction also induced administrative and technical modernization, along with efforts to underpinned operating efficiency: investment in network enhancement and renewals muted (for some time at least) criticism about service quality and cost. At the centenary of independence in 1910, the Argentine possessed the seventh largest rail system in the world. Railways had facilitated national integration and spectacular growth; the country one of the top ten economies in the global system.

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Notes:

- This blog post is based on the book [British Railways in Argentina, 1857-1914: a case study of foreign investment](#), London, Bloomsbury, 2015, pp. xvi+259
- The post gives the views of its author, not the position of LSE Business Review or the London School of Economics.
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