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Business History in Latin America

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This issue of *Enterprise & Society* is dedicated to new, innovative business histories focused on Latin America, an area that has been emerging for the discipline of business history only in the last decade or two. Latin American business history is not well entrenched in the teaching and research programs of Latin American economic and social history. Guiding traditions and prevalent theoretical approaches, as well as limited access to sources and resources, marginalized the subject in most of its countries until recently. This introduction sets out to discuss briefly the impediments that Latin American business history has faced so far and then outlines some of the contributions made by the authors of this issue.

A set of old and remarkably persistent historiographical traditions has permeated almost all of the literature on Latin America for centuries. The study of Latin American economies has been shaped by notions of a "New World" with new economic laws that already appeared in Christopher Columbus's first letters to his Spanish sovereigns. The continents were portrayed alternately as glittering "El Dorados" of abundant wealth and innocent aborigines or as benighted and backward regions of jungles, slaves, and hostile Indians. A corollary to this Columbian dichotomy is what has come to be known as the "Black Legend," the Latin American equivalent of what Edward Said termed "orientalism" when discussing the Middle East. Growing out of the Protestant Reformation, the Black Legend blamed "obscurest" Catholicism symbolized by a caricatured nefarious, totalitarian Inquisition and supposedly overweening Iberian monarchs.

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The Black Legend blamed excessive state and Church regulation and rents for the failure of capitalism to take root in Latin America. The Iberian elite was seen as an effete aristocracy addicted to routine and repulsed by hard labor; they employed wealth as only a means to status and power, concentrating on consumption and accumulation much more than on production. High birth and politics were much more important than entrepreneurship in achieving success. Family connections outran business acumen on the path to riches. The individual had limited freedom to innovate. The lower classes, in good part racially determined, were predestined to lives of sweat and misery. The argument was not that Latin America was in some sense poor or underdeveloped, however. Parts of Latin America clearly enjoyed wealth on the level of many parts of Europe. Rather, the Black Legend preached that Protestant northern Europe deserved to enjoy the fruits (and silver) of the New World on moral grounds.

This view preceded Max Weber's notion of the Protestant Ethic (and Catholic indolence) by almost three centuries and remained firmly ensconced in views of Latin America, not only by foreigners, but by many Latin Americans as well. Independence was thought to have failed to free the former Spanish and Portuguese colonies from their Iberian heritages.[1] Indeed, economic historians have come to recognize that independence in fact *created* Latin American underdevelopment, as much of the nineteenth century was rife with coups and banditry while the United States and western Europe enjoyed the fruits of what economic historian Kenneth Pomeranz calls "The Great Divergence."[2] Before 1800 few considered Latin America "underdeveloped." After 1800, the cannibal side of Columbus's contradictory view of Amerindians came to prevail over the innocent Noble Savage account and was transmogrified to describe all Latin Americans. Rather than thick-headed and passive, Latin Americans were increasingly seen as fiery, passionate, emotional, driven by oversexed urges that needed to be satisfied immediately, rather than by calmer, rational drives that demanded strategies for the future. The "caudillo" (warlord) came to supplant the courtier, but neither was fertile material for state and nation building or for the construction of capitalist economies. The supposedly rigid, entrenched colonial mercantilism of the Spanish Empire was replaced by hotheaded warlords and bandits seizing tribute and booty. Markets faded in

1. Perhaps the most eloquent statement of this position is Stanley J. Stein and Barbara H. Stein, *The Colonial Heritage of Latin America: Essays on Economic Dependence in Perspective* (New York, 1970).

2. Kenneth Pomeranz, *The Great Divergence, China, Europe and the Making of the Modern World Economy* (Princeton, N.J., 2000).

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Latin America's nineteenth-century Dark Ages as cities dwindled and landed estates predominated.[3]

Just as these perceived cultural and social barriers inhibited the rise of business society in Latin America, so too did structural impediments retard the study of Latin American business. One impediment was the idea that pre-Columbian peoples lacked money and markets. Unlike in Asia and Africa, it was presumed that native trade networks and institutions were demolished or drastically shifted to meet Iberian demands. Students of Latin America concluded that outside forces—Iberian colonialism, northern European imperialism, U.S. expansionism, and more recently "globalization" guided the economies of the New World. International structures sharply constrained the freedom to maneuver and innovate. Small wonder that "dependency theory," a structuralist view of international development, was largely originated in and by Latin Americans. Individual firms and investors were accorded less importance than the larger national and international structures in explaining the direction taken by economies. Variants of these long held views have constituted cultural barriers to the creation of an intellectual tradition that could study Latin America with sympathy and balance.

Another reason business history found little favor until recently is that Latin America's experience with capitalist development has been less successful than North America's and western Europe's and subject to greater domestic inequality and instability. Until the rise of interest in neoliberalism, beginning with the Chicago School of economics, which helped implement market-based reforms in Chile after the overthrow and assassination of its president, Salvador Allende, in 1973, many students of development had been hesitant to trust too fully in firms and markets.

This is not to say that no one studied businesses and entrepreneurs in Latin America before the 1970s. Perhaps surprisingly, the period in which businesses were most studied initially was the pre-1820 colonial era.[4] Social historians interested in slavery, family organization, merchant groups, and the state's interaction with civil society presented us with many fine monographs, especially on mines and landed estates. They focused particularly on the question of whether these companies were truly capitalist, developmental, and national. But society and the colonial systems, rather than the economy, were the principal focus.

3. One of the most influential statements of this position is Tulio Halperín Donghi's *Historia contemporanea de América Latina* (Madrid, 1969).

4. See, for instance, *Business History* 39 (1965). Also see Enrique Florescano, *Haciendas, latifundios, y plantaciones en América Latina* (Mexico, 1975).

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The main thrust of economic studies of firms for the national period was on the export economy and on the analysis of industrialization.[5] Plantations, factories, railroads, and banks received particular attention. Individual heroic entrepreneurs such as Brazil's Viscount of Maua and Conde de Mattarazzo or Mexico's Martinez del Rio family have been studied. But it is these men's personal drive and intellect rather than more general economic conditions that were initially emphasized. (Women as economic actors have received very little attention until recently.) Still, government policy on tariffs, banking, money, infrastructure, price controls and supports, and labor captured far more attention than did individual companies. Organization and financing of the firms themselves received much less attention than did the broader economic consequences of the companies.

Paradoxically, the debate on the force and consequences of "imperialism" in Latin America's nineteenth and twentieth centuries contributed to the interest in business history. Although most studies indicted foreign companies or celebrated them, there were some reasoned, even-handed accounts, as well. A major contribution was the controversial but thoroughly researched and intelligently argued collection edited by D. C. M. Platt, *Business Imperialism*. The volume introduced a brilliant group of British historians to the broader worlds of business history and Latin American history: Robert Greenhill, Colin Lewis, W. M. Mathew, Rory Miller, and Charles Jones.[6] This volume demonstrated that consultation of the archives of foreign corporations could provide a great amount of information on the role of firms in both the economy and polity. More recently other historians have successfully mined the archives of multinationals.[7]

In contrast, the study of national firms was more difficult. In part, this was so because corporations and stock exchanges were late to

5. See *Business History* 59 (1985). The best and most up-to-date place to start on the business history of Latin America is Carlos Dávila L. de Guevara and Rory Miller, eds., *Business History in Latin America: The Experience of Seven Countries* (Liverpool, U.K., 1999), and particularly Rory Miller's "Business History in Latin America, an Introduction" in the volume. The book sports a 57-page bibliography on the business history of Argentina, Brazil, Chile, Colombia, Mexico, Peru, and Venezuela. Also see Carmen Cariola Sutter et al., *Latin America: A Guide to Economic History, 1830–1930* (Berkeley, Calif., 1977).

6. D. C. M. Platt, ed., *British Imperialism 1840–1930: An Inquiry Based on British Experience in Latin America* (Oxford, U.K., 1977).

7. For example: Thomas Klubock, *Contested Communities: Class, Gender, and Politics in Chile's El Teniente Copper Mine, 1904–1951* (Durham, N.C.,1998); Julio Moreno, *Yankee Don't Go Home: Mexican Nationalism, American Business Culture, and the Shaping of Modern Mexico, 1920–1950* (Chapel Hill, N.C., 2003); and Thomas O'Brien, *The Revolutionary Mission: American Enterprise in Latin America, 1900–1945* (Cambridge, U.K., 1996).

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develop in Latin America. As well, the personalist and family-based culture of firms left few company records available to scholars.[8] Hence government and diplomatic records have been more accessible than firm records, which has led to an emphasis on the politics of business more than on the economics of enterprise. Only in the last three decades has this improved, as government and private archives have made available business, as well as political, documents.[9]

The late development of Latin American business history is demonstrated by the fact that the valuable 1977 *International Bibliography of Business History* devoted only three small sections to Latin America: one on mining, another on textiles, and a third on banking.[10] The first of these sections included thirteen entries; the second, only eight; and the third entry, fifteen. On the whole, Latin America's participation appears as extremely scant, constituting less than 4 percent of the entries.

But the academic situation with regard to business history has much improved these last ten years in countries south of the Rio Grande. The development of business history in the United States and Europe has been influencing a growing number of scholars of Latin America. Contradictory forces were at work. Both disillusionment with command economies and political authoritarianism, and reevaluation of the performance of Latin American nations in the past, have prompted greater interest in understanding the private business sector. Students of the firm, such as Alfred D. Chandler, Jr., and Mira Wilkins, as well as New Institutional economists, such as Douglass North, are becoming more prominent in the study of Latin American economies.[11] Latin American students of business have begun organizing associations, conferences, and journals. At the beginning of this recent period only Argentina had a national association of economic

8. An exception is Elisabeth von der Weid, Ana Marta Rodrigues Bastos, and Francisco Carlos Elia, *O fio da meada. estratégia de expansão de uma indústria têxtil: Companhia América Fabril, 1878–1930* (Rio de Janeiro, 1986).

9. One thinks of, for example, CONDUMEX (Centro de Estudios de Historia de Mexico) and the Banamex archives in Mexico City, and IBMEC (Instituto Brasileiro de Mercados de Capitais) in Rio de Janeiro.

10. Francis Goodall, Terry Gourvish, and Steven Tolliday, eds., *International Bibliography of Business History* (London, 1997).

11. For a discussion of the application in Latin America of social scientific theories, including the economic views of Douglass North, Alexander Gerschenkron, and Karl Polanyi, see Miguel Angel Centeno and Fernando López-Alves, eds., *The Other Mirror: Grand Theory through the Lens of Latin America* (Princeton, N.J., 2001). Two recent collections that exemplify the concern with the institutional history of Latin America are John H. Coatsworth and Alan M. Taylor, *Latin America and the World Economy since 1800* (Cambridge, Mass., 1998); and Stephen Haber, *How Latin America Fell Behind: The Economic History of Brazil and Mexico* (Stanford, Calif., 1997).

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historians, with very few of them interested in business.[12] Subsequently, associations were formed in Uruguay, Brazil, and Mexico, all with many of their members inclined to business history.

Uruguay, although a small country, has first-class business historians such as Raúl Jacob and Luis Bertola. Brazil has a dynamic group, supported by the Brazilian Economic History Association, ABPHE (Associação Brasileira de Pesquisadores em História Econômica). It was created by inspiration of a business historian, the late Maria-Bárbara Levy. Together with a biennial economic history congress, ABPHE holds international conferences on business history.[13] It publishes twice a year a journal called *História Econômica & História das Empresas*, edited by Tamás Szmrecsanyi. And, finally, the two Mexican associations of economic historians, one in the north organized by Mario Cerutti, the other in Mexico City initiated by Carlos Marichal, have been quite active in sponsoring conferences and encouraging excellent business history publications.[14]

This Issue

The four articles we are bringing to you in this issue reflect the sophistication, range of interests, and international composition of business historians of Latin America. Born in four different countries and currently teaching in three, our authors employ diverse methods to study Brazil and Mexico. Julio Moreno looks at foreign investment in Latin America by studying the entry into Mexico after World War II of the most successful U.S. publicity company, J. Walter Thompson (JWT). Beginning his study with the outward impetus in the United States, Moreno sees JWT's entry into Mexico as a natural outgrowth of its nascent global business strategy, which was brought about when the company's clients became multinationals and headed south. This is an instance of what Mira Wilkins calls "spill-over" investment. Moreno concentrates on culture in asking how the advertising company—with more than a half century of experience and a centralized Thompson

12. Among the exceptions we should mention some high-quality exponents like Andrés Regalsky and Maria Inés Barbero.

13. The papers of the second conference, some of which are in English, have been reissued recently in Tamás Szmrecsányi and Ricardo Maranhão, eds., *Historia de empresas e desenvolvimento econômico: coletánea de textos apresentada na II Conferência Internacional de História de Empresas, Campus da USP, setembro de 1993* (São Paulo, 2001).

14. See, for example, Carlos Marichal and Mario Cerutti, eds., *Historia de las grandes empresas en México, 1850–1930* (Mexico, 1997); and Mario Cerutti, *Proprietarios, empresarios en el norte de México: Monterrey de 1848 a la globalization* (Mexico, 2000).

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way of doing business crafted for the U.S. market—adjusted to Mexico. This is a particularly sensitive and rewarding approach in a field so culturally-specific as advertising, where correct cultural translation is as fundamental as linguistic communication. The J. Walter Thompson archives are shown to be particularly revealing about the perceptions of the company's leaders. Moreno finds that JWT had to diverge from its conventional practices in the United States. Entering as commercial missionaries who would convert Mexicans to the American way of business, the publicity company found that its employees had to become commercial diplomats, negotiating the differences between the two societies, economies, and cultures. Its experience in Mexico was as much one of learning as of teaching.

Gabriela Recio also looks at the development of large business in Mexico, but she uses Mexican sources (particularly the Gómez-Morin archive) to focus in particular on one tremendously important player, Manuel Gómez-Morin. Lawyer, businessman, and intellectual (president of Mexico's national university, UNAM), he was also an important politician, as founder of what is today's Mexico's ruling party, the PAN. Recio's focus is less a Schumpeterian analysis of the heroic entrepreneur than a Northian study of market institutions. She charts the development of property rights protections as major companies became major corporations through mergers and acquisitions. Gómez-Marin oversaw the creation of the first Mexican holding company (VISA) and the first issuing of mortgage bonds. Here the impetus toward legal, commercial, and political institutionalization comes strictly from Mexicans.

Anne Hanley takes us to Brazil, but also with an eye on institutionalization. She examines the creation of trust among investors and the move from personalism to formal juridical and institutional guarantees. Taking what is generally considered Latin America's premier economic success story, the industrialization of São Paulo, she charts the growth and development of the banking system and stock market at the turn of the twentieth century. She finds that banks, which at the end of the 1880s were moving toward a German Great Banks system, lost their prominence in the wake of the disastrous stock market bubble known as the Encilhamento. Bankruptcies were brought on by not just an international downturn in the price of coffee. Widespread fraud and personalist insider dealing that underlay many new corporations also eroded their standing in the market. Hanley's exhaustive research of investment portfolios—particularly difficult in the Brazilian juridical context—demonstrates that there was a substantial modification of investment preferences and a move toward institutionalization. As she puts it, "'who you know' was replaced by 'what you know' for most São Paulo entrepreneurs."

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Finally, we have the article by Maria Teresa Ribeiro de Oliveira on the origins and initial development of textile mills in Minas Gerais during the last decades of the nineteenth century. Ribeiro de Oliveira challenges several conventional notions on the timing and causes of Brazil's industrialization. Working with archival sources, she shows us that deterministic, *a priori* economic theories cannot be mechanistically applied to the process everywhere. This is especially true in such a large and diverse country as Brazil. Minas followed a different path from São Paulo's. Ribeiro de Oliveira shows us that, in Minas Gerais, the textile factories were preceded by domestic handicraft in a putting-out system based on African slaves and their descendents. Family ties and partnerships continued to be very important for organizing and running companies.

With the publication of these four articles we hope to put the scholarly production of Latin America on the agenda of contemporary business historiography and hope to increase *Enterprise & Society*'s circulation in Latin America. These articles demonstrate that Latin America offers a fascinating laboratory for the study of business organization, the relationship between the public and private, the relationship between the government and the market, and the relationship between the local and the global. The study of Latin American business offers rich insights for all business historians.

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