Introduction
Geoffrey Jones and Andrea Lluch

It is now commonplace that the contemporary era of globalization was preceded by a massive globalization wave which started in the second half of the nineteenth century and ultimately collapsed as a result of the World Wars and Great Depression of the twentieth century. This book explores how these globalization waves impacted the countries of Argentina and Chile in the Southern Cone of Latin America. The story is stark and very relevant even for people with no knowledge of the region. In particular, the history of the two countries reveals the complex, asymmetrical and non-linear nature of globalization.

During the late nineteenth century both countries flourished as major export economies sending primary commodities to the West. In the case of Argentina, it was beef and wheat. Great riches were earned, modern industrialization began, and the country became one of the richest in the world. Chile boomed by supplying nitrates to the world economy, and even if they made the country less wealthy than Argentina, they still provided up to one half of government revenues.

The twentieth century was less kind to both countries. Chile encountered a huge fall in income following the collapse of nitrate prices in the Great Depression. The country shifted to an inward-looking economic policy and experienced one of the lowest rates of growth in the region for decades. It wasn’t until the late twentieth century that it was reborn as a productive economy. Argentina suffered less of an immediate shock, but lost its earlier momentum. It then underwent a remarkable reversal of fortune and became a country associated with instability and stagnation. The star of the first global economy became a problem child of the contemporary global economy. The ‘Argentina Paradox’ as one recent study called it, continues to attract the attention of economists, historians and even business journals until the present day.

This book explores the impact of globalization on Argentina and Chile through the lens of entrepreneurs and firms. It breaks new ground in many respects. The role of firms has not been central to much recent scholarship on the history of globalization. Yet business enterprises were enormously
important actors in globalization as they shifted resources and innovatory capabilities across borders. The business history literature has largely been focused on the developed West. This book also responds to recent calls for incorporating the experiences of Latin America, Africa and Asia into the central debates. The moment is opportune as a vibrant literature, mostly in Spanish, has emerged on Latin America, especially Argentina, Chile, Colombia and Mexico. It is apparent that firms in these countries resembled firms in the developed West in many respects, but they also developed distinctive capabilities as they encountered institutional voids and macroeconomic and political instability. As yet historiographies have been primarily national. This book offers a pioneering attempt to compare the business histories of Argentina and Chile.

The following chapters pursue three broad themes. The first theme explores the distinctive characteristics of business enterprise in the two countries. As in many emerging markets, family-owned business groups stand out as a dominant organizational form, both historically and in the contemporary period. In Chapter 1, María Inés Barbero provides a pioneering assessment of the evolution of business groups in Argentina, exploring how their formation varied in different political and economic contexts. In Chapter 2, Gonzalo Islas also identifies the longevity and resilience of business groups in Chile, though also noting significant shifts in organizational structures over time. The core contribution of the chapter, however, is a pioneering examination of investor protection levels, stock ownership, and capital market development in three historical periods since 1854 which challenges core tenets of the law and finance literature. Before 1920, Islas shows that despite the lack of legal rights for minority investors, entrepreneurs used corporations as a mechanism to raise funds, which drove the development of a stock market in Chile. In contrast, in recent decades Chile has established high levels of protection for investors and creditors, but dispersed ownership companies remain as rare (or even rarer) in Chile now as they were in 1950.

In Chapter 3 on Chile’s energy policies, Marcelo Bucheli identifies another dimension of the importance of business groups in the region. He focuses on the role played by business groups in nationalist energy policymaking and, particularly, in relations between host economies and multinational enterprises (MNEs). This chapter departs from most studies on oil nationalism in Latin America that have concentrated on host government relations with MNEs, largely neglecting the role played by local business elites and organizations. In the case of Chile, which lacked domestic oilfields, Bucheli shows that the state did not create a national, vertically integrated oil company, but it did support a private initiative to build Compañía de Petróleos de Chile, with which it then obliged MNEs to cooperate.
Bucheli’s chapter also serves to introduce the second major theme in this book, which considers the impact of MNEs and the global economy. Although the role of foreign investment is a staple of Latin American business history, this book offers new evidence, perspectives and issues. In Chapter 4, Andrés López’s analyses cycles of foreign direct investment (FDI) in Argentina since the late nineteenth century. He shows how strategies and impacts have changed in different economic contexts. He argues that MNE strategies in Argentina have primarily adapted to local conditions. This analysis also complements Barbero’s chapter, as it explores the internationalization of local business groups and why Argentina has produced fewer so-called ‘multilatina’ companies than Chile, as well as Brazil and Mexico. The patchy internationalization of Argentine companies, he suggests, reflects the country’s turbulent development path.

The following two chapters examine foreign MNEs in the region. In Chapter 5 Javier Vidal Olivares offers a longitudinal study of Spanish investment. The theme of non-linearity again emerges strongly. Spanish business and economic links with the Southern Cone flourished during the first global economy before the 1930s, and again during the second global economy from the 1980s, but were restricted in the intervening period. More recently too, the enthusiasm of Spanish MNEs for the region has waned in response to the Argentine economic crisis in 2001, the severe economic problems of the Spanish economy after 2008, and growing political risk, especially in Argentina. In Chapter 6, Rory M. Miller turns to the experience of British MNEs in Argentina and Chile. This chapter analyses the abilities and strategic role played by British companies’ subsidiaries in Argentina and Chile from the late nineteenth century to the mid-twentieth century, and makes a major contribution by examining in detail local human resource management strategies and their impact on performance.

The third theme of the book deals with relations between business and the state. This is also a staple of the literature on long-term local economic development. In Chapter 7, Norma Silvana Lanciotti presents a new interpretation of state intervention in urban utilities in Argentina from the late nineteenth century to the middle decades of the twentieth century. She explores how the liberal era of light regulation before the interwar years created an asymmetric relationship between the state and utilities, hindering information transfer and collaboration between the State and utility companies, and contributing to the nationalization and extension of public ownership from the 1940s. In Chapter 8, Oscar Muñoz highlights the importance of public-private sector cooperation for economic development. He explores how public-private relations in Chile shifted from an informal and oligarchic nature during the first half of the twentieth century, to the more formal yet antagonistic ties that served as a
backdrop to the Pinochet military coup in 1973, and finally entering a new stage during the early years of Chile’s transition back to democracy as the private sector became more influential in public policymaking. The author examines in detail the building of a public-private consensus in this third era, as well as the limitations and challenges found in the process of forging ties between both sectors and organized labor.

The final chapter, written by the editors, examines the reversal of fortunes between Argentina and Chile during the second global economy and the impact on their business sectors. In Chile, policy continuities and institutional stability encouraged business to invest and grow. In Argentina, fluctuations in policy, macroeconomic instability and high inflation often encouraged a more short-term outlook. In both cases, the chapter emphasizes how contemporary globalization has offered new opportunities for economic growth, yet has also meant that peripheral economies were vulnerable to shocks far from their borders and beyond their control. Even in the successful case of Chile, as elsewhere, globalization was also accompanied by inequality of wealth and access. This trend raised fundamental questions about the future trajectory of global capitalism.

NOTES

2. Taylor (2014); Campos, Karanasos and Tan (2014); Briefing (2014).

REFERENCES

Campos, Nauro F., Menelaos G. Karanasos, and Bin Tan (2014), ‘From riches to rags, and back? Institutional change, financial development and economic growth in Argentina since the 1890s’, IZA discussion paper no. 8654, November.