
The birth of joint stock companies in Chile (1849-1875)*

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Introduction

Most research on the emergence of joint stock companies (hereafter JSC) has been focused on developed countries, in particular Britain, the USA,¹ France² and Italy,³ although some other middle-income countries have also received attention, such as Greece,⁴ Russia,⁵ Hong Kong,⁶ and Portugal.⁷ Furthermore, most of this research has taken a micro-economic direction, usually ignoring the macroeconomic context.⁸ Thus, the literature on the birth of JSC in developing nations (including Latin America) is scant, Chile being no exception to this historiographical neglect, except for Islas' work,⁹ and some passing references by authors covering the latter periods.¹⁰ This is of conse-

* This article was funded by Fondecyt Regular 1150161 and by Proyect Basal USA 1498-LM032122. We are very grateful for the diverse support provided by Luis Ortega, José Díaz, Ricardo Nazer, Gustavo del Ángel, Carlos Marichal, Andrea Lluch, Bernardo Bátiz-Lazo, Pedro Neves, Pierangelo Toninelli, Martín Monsalve, Katharine Wilson and Juan Navarrete.

1. The most representative works for the UK and the USA are probably those of Wright (2011); Sylla and Wright (2013); Freeman et al. (2004 and 2012); Hannah (2013); Payne (1980); Lamoreuax (1988); Gianetti and Vasta (2006). For global coverage, see Hannah (2015).

2. Freedeman (1965, 1967 and 1979).

3. Toninelli and Pavese (2014).

4. Pepelasis (2011).

5. Owen (1991).

6. Goo (2013).

7. Neves (2011).

8. Pepelasis (2011).

9. Islas (2011). Beyond Latin America, a developing country that has received is India. Rungta (1970).

10. See, for example, Carmagnani (1998) and Kirsch (1977).

Fecha de recepción: octubre 2017

Versión definitiva: julio 2018

Revista de Historia Industrial

N.º 74. Año XXVII. 2018

quence, because the entrepreneurship of native businessmen in peripheral countries and private capital formation (including the emergence of big companies) are two phenomena that have been overlooked as a result of this neglect, with both being important determinants of economic growth. Furthermore, the emergence of stock exchanges¹¹ that followed the start-ups of the first JSC in Latin America has also been overlooked.¹²

Thus, this article makes a contribution to the general literature on this topic by researching the Chilean case, about which almost nothing has been published. This will be an important contribution, we believe, for those interested in the emergence of big companies in Latin America, the impact of entrepreneurs who had a larger range of forms of business organization,¹³ or those assessing the links between the beginnings of joint stock markets and economic growth.¹⁴ It is well known that capital markets, including corporate ones, can more efficiently allow the transfer of resources across sectors of the economy,¹⁵ which is particularly relevant in countries where the banking sector is little developed, as Chile's was before 1850. This paper will also interest those researching the entrepreneurial strategies of some members of the Latin American economic elites of the period (i.e. the main shareholders of some countries), in particular the heads of some of the main family company groups.

As far as Latin America is concerned, the main works dealing with the emergence of JSC are those of Musacchio, Hanley and Levy for Brazil;¹⁶ Haber for Mexico and Brazil;¹⁷ Moreno-Lázaro, Riguzzi and Lagunilla-Iñarritu for México,¹⁸ and Guy, Seibert, Adelman and Lluch for Argentina.¹⁹ Their main findings are that: JSC contributed to the business financing of local projects, in particular big ones; JSC provided new and important legal alternatives other than business organizations for local entrepreneurs, thus widening the pool of the sort of enterprises they could undertake; the main JSC in Latin America emerged in banking and railways, two sectors suffering

11. The pioneer stock exchanges in Latin America were Sao Paulo (1850), Buenos Aires (1854), Havana (1859) and Lima (1863). Chile and Mexico came much later, creating their first stock exchanges in 1893 and 1895, respectively.

12. Moreno-Lázaro (2015). We know little about the birth of the first stock exchanges in Latin America, except for those created in Havana (Moreno-Lázaro, 2013), Santiago de Chile (Couyoumdjian et al., 1993) and Rio de Janeiro (Levy, 1977).

13. Gómez-Galvarriato and Musacchio (2008).

14. Pepelasis (2011); Neves (2011); Toninelli and Pavese (2014).

15. Hanley (1998).

16. Musacchio (2009), Hanley (1998) and Levy (1977).

17. Haber (1991).

18. Moreno-Lázaro (2015 and 2017), Riguzzi (2006), Lagunilla-Iñarritu (1973).

19. Guy and Seibert (1982), Adelman (1999), Lluch (2017). Unfortunately, for other Chilean neighbours, there is nothing written for Peru, even though there were many JSC operating there by the 1860s.

strong economic backwardness; the newly created JSC promoted the creation of strong financial sectors, business expansion, and in many cases industrialisation, thus contributing to the modernization of the economy; new legal frameworks consolidating commercial jurisprudence (e.g. the promulgation of incorporation laws, banking laws and commercial codes) were crucial in promoting the emergence and consolidation of JSCs, and later on the stock exchanges.

Thus, in this article we cover the period between 1849, when the first joint stock company was created in Chile, and 1875, when the world economic crisis that started in 1873 hit the Chilean economy, before the beginning of the nitrate era (1880-1930), when nitrate became the star of the economy. During the third quarter of the nineteenth century there was an important export boom in the Chilean economy, as we shall see in the next section, linked to a transition to industrial capitalism, which triggered the emergence of many JSC. Given that the first Chilean Stock Exchange was created in 1893, in Santiago,²⁰ all these JSC were obviously not traded on stock exchanges, and must therefore be classified as “close corporations” or private companies.

We are particularly interested in showing the frequency, size, number of shareholders and sectorial distribution of these pioneer joint stock companies for this quarter of a century, but also in identifying who were the main players during this stage of Chilean economic development, and why joint stock companies emerged and developed in Chile at that particular time. In so doing we shall engage with the composition of the economic elites of the third quarter of the nineteenth century. All related information regarding number of shareholders, their names, and so on, will be an important contribution to general studies of JSC because, as highlighted by Hannah in his world census of corporations *circa* 1910, information on the number of owners and their identities is usually sparse,²¹ and indeed more often than not JSC entrepreneurs have been rendered invisible in other works dealing with the birth of JSC in Latin America.

Our main sources of information were the Notarial Archives of Valparaiso and Santiago (1850-1875), where most JSC (93%) were created during the period covered by our study.²² These collections are available in the Chilean National Archives, Archivo Nacional de la Administración (ARNAD-ANCH-AN hereafter). We also consulted the Government’s Bulletin of Laws and De-

20. Couyoumdjian et al. (1993).

21. Hannah (2015).

22. In other, peripheral countries, the same concentration in one or two hubs was observed. For instance, Lisbon and Porto concentrated 81% of all JSC created in Portugal before 1914. Neves (2011).

crees (from 1854 to 1874),²³ *El Araucano* newspaper,²⁴ and the Treasury Archive (ANCH-MH hereafter, 1850-1875).²⁵ From these sources, plus the status of some JSC we managed to find,²⁶ we obtained the constitution acts of all JSC created in Chile between 1849 and 1875, and built two databases of all JSC created in Chile between 1849 and 1875. This is the first time such databases have been created, at least for this period. The variables we entered were: company name, shareholders' names (and numbers), investments made by these shareholders (number of shares times unitary value), number of shares, year of formation, place of formation, nominal capital,²⁷ capital paid at the moment of incorporation, and the sector of the economy in which the company operated (we obtained this through the declared purpose of the company, according to themselves). Of these two databases, one was for companies (about 2,500 records for 181 companies), and the other for shareholders (around 60,000 records for some 3,200 shareholders). This information allows us to assess, for example, how concentrated or deconcentrated the ownership of these JSC was, as well as ranking the main companies and shareholders, amongst other indicators.

This paper has been divided into four sections. The next section provides a brief survey of Chilean economic history for the period under consideration, in order to better understand the context within which JSC emerged and developed in Chile. Then, we deal with the starting up of the first joint stock companies, but in particular with the legal framework upon which they were created. Section four examines the data and aggregated results, and a final section focuses on the main shareholders of the period, before concluding.

Chilean economic history: principal economic transformations, c. 1849-1875

Chilean economic historians tend to divide the economic history of the country into several periods: (i) colonial (c.1550-1810); (ii) young independent republic or the first export economy (c.1810-1879); (iii) nitrate era (c.1880-

23. JSC needed to be authorized by the government, as we shall see later on, and this authorization had to be published in the Chilean Official Bulletin of Laws and Decrees.

24. This newspaper also published the Government's Laws and Decrees, including the approval of JSC.

25. In Appendix 1 we provide further details on the volumes we have used to build our databases.

26. We have not listed in the bibliography the statutes we found of some JSC for reasons of space.

27. We converted all figures in Chilean pesos into pounds sterling, to facilitate comparisons with other countries, and because sterling is better known than Chilean pesos to scholars of other countries. Since inflation in the UK was not high during this period, we have provided the aggregated data on pounds sterling for each year.

1930); (iv) inward-looking development, led by the state (c.1930-1973); and (iv) neoliberal era (c.1973 to present days). The period we are to cover here belongs to the second stage, from the late 1840s to the mid-1870s. But let's start with a brief sketch of the first decades after independence from Spain, c.1810s-1830s. During those decades, the country consolidated a successful process of entry into the expanding world economy. The available data on GDP per capita is poor, but alternative indicators suggest a more optimistic picture: agricultural, copper and silver production increased, population height was higher than in colonial times, while the population grew and terms of trade improved. Furthermore, there were some positive institutional developments taking place. All these changes made possible the sustained growth that took place from the 1840s, and must be seen as more important than the growth record itself during the 1810s-1830s.²⁸

That said, the economic backwardness of the country was still evident: the internal transport network was precarious, lacking railways, canals and decent roads, as well as a public transport system. In addition, there was no banking sector, private loans were mainly informal arrangements, and big project investments were unheard of.²⁹ The main lenders during this period were foreign merchant houses (British and American), who advanced monies to local producers, and who in turn dominated Chilean foreign trade services, such as freight and insurance.³⁰ Thus, the lack of a proper banking sector, let alone a stock exchange, made interpersonal sources of finance difficult to obtain, as was the case in other Latin American countries around this time.³¹ In turn, direct foreign investment was unimportant: a handful of British mining companies were created to operate in Chile as part of the boom of the 1820s, but they failed quickly, and although there was a British loan to the Chilean government in the 1820s, it was quickly defaulted on and nothing else was lent to the state until the second half of the century.³²

The following decades of the nineteenth century, from the late 1840s up to the mid-1870s, were characterised by higher economic growth, led by the export sector, and mining products in particular, with copper and silver leading the way.³³ By the mid-1850s Chile had become the world's leading copper supplier.³⁴ There was an undeniable export boom during this period, as the average growth of export values was 5% per annum between 1850 and 1873,

28. Llorca-Jaña and Navarrete-Montalvo (2017).

29. Islas (2011); Llorca-Jaña (2012). A similar situation was observed in Mexico and Brazil for most of the period covered by this paper. Haber (1991).

30. Llorca-Jaña (2012); Cavieres (1988).

31. Haber (1991).

32. Rippey (1947).

33. Ortega (2005); Couyoumdjian et al. (1993).

34. Oppenheimer (1982); Couyoumdjian et al. (1993).

while Valparaiso's tonnage trebled between 1845-9 and 1870-9.³⁵ Copper was the star of the period, constituting 42% of the value of all Chilean exports between 1844 and 1879,³⁶ quadrupling its physical production during this period.³⁷ In turn, the growth of the mining sector triggered further production in the agricultural sector, which also benefited, temporarily, from the gold rushes of California and Australia, where Chilean wheat and flour were extensively exported during a short boom.³⁸ Later on, during the 1860s-1870s, Chilean wheat started to be exported to Britain in sizeable quantities.³⁹

As a natural consequence of the export boom and the economic growth associated with the third quarter of the nineteenth century, fiscal revenues (mainly linked to trade duties) increased during this period, and part of them went to finance railways, docks and roads, in association with the private sector. Thus, the state also became an active entrepreneur during this period. Other positive developments were the modernisation of the financial and banking sector, thanks to the opening of the first modern banks.⁴⁰ As we shall see, this economic boom is related to the emergence of JSC. Likewise, these were also good times for the international economy, characterised by an important increase in world trade, the lowering of freight rates, the lowering of international import duties, the expansion of railways worldwide and of shipping tonnage. Finally, foreign direct investment also increased during the third quarter of the century, but in the Chilean case only slowly.⁴¹

In all, the 1820s-1870s was a good time for the Chilean economic elites, which accumulated surplus capital coming from the profits made in the export sector (mining and agricultural), which provided the financial resources and muscles for JSC births. Many big Chilean family companies decided to expand their own enterprises, or to start big new investment projects,⁴² which in many cases needed further capital that was raised on the stock market, often linked to industrial projects, such as the activities performed by the Cousiño group.⁴³ Incorporation allowed Chilean entrepreneurs to create larger organizations, now able to undertake projects unviable before, to integrate vertically, to promote industrialisation, to be more efficient, and to increase market power.⁴⁴ Thus, they often transformed their own companies into JSC (e.g. Cousiño's coal complex), while retaining a significant stake in their own-

35. Ortega (2005).

36. Valenzuela (1995).

37. Ortega (2005).

38. Cariola and Sunkel (1982).

39. Oppenheimer (1982).

40. Ross (2003).

41. Rippy (1948).

42. Islas (2011).

43. Nazer, Llorca-Jaña and Navarrete-Montalvo (2017).

44. On the theoretical side of this, see Sylla and Wright (2013).

ership. Likewise, in many cases, several businessmen would join forces to raise capital to launch enterprises to serve the whole nation. Such was the case, for instance, with the first railways in Chile, which gathered 12 major investors in 1849 to build a railway between Copiapó (a mining district) and Caldera (the nearest exit port).⁴⁵ Thanks to the emergence of JSC, and a market for them, local businessmen, who before had to rely on their families or extended kinship groups to raise finance, were now able to expand their financing opportunities, as happened elsewhere in many other Latin American countries.⁴⁶ Finally, additional capital surplus led businessmen (not only from the elite but also from the middle-ranks) to invest in shares of other companies, if they deemed them profitable, even in new and formerly unexplored sectors. In all, it is clear that there was a strong link between the emergence of the corporate sector, a transition to industrial capitalism, and the broader macroeconomic context of the country.

Regarding the composition of local economic elites, it is believed that during this period a new Chilean business elite emerged, more liberal, linked to mining and trade, and partially replacing the old landed aristocratic elite remaining from the colonial period.⁴⁷ In 1882, Vicuña Mackenna estimated the fortune of the 59 richest people of Chile, and of these 84% were linked to new families associated with mining, industry, trade and banking sectors, while the remaining share were linked to old landed families.⁴⁸ Of these 59 top families, 50 of them (85%) invested in the 181 JSC that were created in Chile in our period of study. That is to say, the new economic elite was enthusiastic about JSC. That said, it would be difficult to ensure that these “new” fortunes were not entirely related to the agricultural sector, since there was also some important continuity: many of those who made their fortune in mining, manufacturing and trade, had previously accumulated capital in the agricultural sector.⁴⁹

Joint stock company start-ups in Chile and their legal framework

There is some controversy on which was the first JSC in Chile, since many were created even before the promulgation of the first JSC law of the coun-

45. *Compañía del Ferrocarril de Copiapó* (1856). The investors were: Candelaria Goyenechea, Diego Carvallo, Agustín Edwards, Vicente Subercaseaux, Blas Ossa, Gregorio Ossa, Domingo Vega, Tocornal Brothers, José Cifuentes, José María Montt, William Wheelwright, Manuel del Carril and Matías Cousiño.

46. Haber (1991).

47. Nazer (2017).

48. Nazer (2000).

49. Llorca-Jaña, Robles, Navarrete-Montalvo and Araya-Valenzuela (2017).

try,⁵⁰ in 1854, almost at the same time as the first JSC law was created in Mexico.⁵¹ According to Marcial González, a distinguished lawyer and politician, the first JSC was launched in Chile in the early 1840s, called *Compañía de Dilijencias* (sic), to carry passengers between Valparaíso and Santiago, with a nominal capital of £8,000.⁵² Likewise, in 1842 the *Compañía Chilena de Azogues* was also organized, to extract quicksilver in Punitaqui, also as a JSC.⁵³ We have not been able to locate more references to these companies, but we do know that before 1854 the following JSC were established in Chile, despite the lack of regulation: *Compañía del Camino Ferrocarril de Copiapó* (1849, railways); *Bezanilla, Maclure y Compañía* (1851, a bank); *Ferrocarril entre Santiago y Valparaíso* (1852, railway); *Compañía Chilena de Seguros* (1853, insurance company). Thus, when in 1854 the first⁵⁴ legal body regulating JSC in the country (the JSC law) was promulgated, a few such companies were already in existence. Furthermore, it is also believed that many other companies could be taken as pseudo JSC, and when the 1854 law was passed, many quickly adopted, legally, the JSC form.⁵⁵

According to the JSC law of 1854,⁵⁶ for a JSC to exist it needed an official government decree declaring its existence. The government had also to: authorize its statutes (and any subsequent modification of them); authorize any time extension to those JSC created for a limited period; establish the share of the nominal capital and the reserve fund needed to operate. The government also reserved the right to dissolve any JSC, if needed.⁵⁷ That is, JSC were seen as a potential menace to the economic system given their perceived risky nature,⁵⁸ and this explains why the executive power had so much control over them.⁵⁹ Regarding internal government issues, Chilean JSC were to be governed by two institutions: the general assembly and the directorate, although it was the general assembly that elected the directorate and also the body that

50. Hannah (2015) shows that, worldwide, joint stock companies were usually formed before enabling legislation, with or without government authority.

51. Gómez-Galvarriato and Musacchio (2008).

52. González (1872). Before that, according to Escobar (1959), the Maipo Canal company was a de facto JSC, and had been created in 1806, recognized formally as a JSC in 1854.

53. Couyoumdjian et al. (1993).

54. There is also some controversy about whether the 1854 JSC law was actually the first one or not. According to Andrades (2011), previous to the establishment of the railway JSC, *Ferrocarril entre Santiago y Valparaíso* (1852), in 1851 the Chilean government issued a JSC law to allow the formation of the abovementioned company, although it did not contain any regulation articles: it was only a vehicle to empower the presidency to create this firm.

55. Escobar (1959).

56. It was inspired by the French commercial code of 1807 and the Spanish one of 1829. González (1872); Islas (2011).

57. Chile (1854).

58. González (1872).

59. In Mexico, similar legislation gave the same powers to the president in office. Riguzzi (2006).

determined the strategic direction of the firm. It was up to each JSC to determine its own voting mechanism, in particular the relationship between votes and shares, which was usually established in the statutes of the company. Related to this point, an interesting fact to highlight is that most statutes of these early JSC established that a single shareholder could not have more than 30% of the votes in the general assembly,⁶⁰ which did not give much incentive to investors to acquire shares over this threshold.

Before ending this section, let us mention that JSC were not the only collective companies in existence in Chile during this time. As elsewhere, local entrepreneurs had a larger menu of forms of business organization. Two other varieties of collective companies existed well before JSC: collective unlimited liability partnerships (*sociedades colectivas de responsabilidad ilimitada*) and limited partnerships (*sociedades comanditarias*). And, indeed, between 1850 and 1866, 90% of all collective partnerships created in Valparaíso were either collective unlimited liability partnerships or limited partnerships, while JSC represented only 10% of the universe. That said, during 1867-1879 the share of JSC increased to 15%, taking into account not only Valparaíso, but also Santiago and Concepción.⁶¹ Perhaps more importantly, although accounting for just 10% of the number of all collective companies created in Valparaíso between 1850 and 1866, in terms of capital, JSC's share was a staggering 62%. That is, they were fewer in number but accounted for nearly two-thirds of the total capital raised.⁶² Incorporation was highly significant not only in terms of total capital commitment but also for the creation of large scale unitary firms, as stated by a contemporary actor.⁶³ In any case, it seems clear that, as elsewhere, Chilean entrepreneurs decided on which was the organizational form best suited to their enterprises based on the specific characteristics of their business plan. That is, the capital requirements of the project, the duration and sector of the project, among many other factors.⁶⁴

Finally, the emergence of JSC coincided with further positive legal institutional changes, such as the promulgation of both a banking law in 1860 and the first republican commercial code in 1865,⁶⁵ most of which took place dur-

60. For some examples, see Compañía del Ferrocarril de Coquimbo (1860); Banco de Valparaíso (1861).

61. Ortega (2005).

62. Ortega (2005). Another contrast with JSC is that collective unlimited liability partnerships and limited partnerships concentrated far fewer investors than JSC. In the case of limited partnerships, the average number of investors was around two. For further details on investments made in *sociedades colectivas* of limited accountability and *sociedades comanditarias*, see also Ortega (2005).

63. González (1872).

64. Gómez-Galvarriato and Musacchio (2008).

65. In neighbouring Argentina, the commercial code was first promulgated in 1859 by Buenos Aires and later on adopted by the whole nation in 1862. Guy and Silbert (1982); Adelman (1999).

ing Manuel Montt's presidency, 1851-1861.⁶⁶ The first of these laws incentivised the creation of many new JSC banks, while the new commercial code standardised many business practices critical to facilitate exchange. Both laws also promoted the establishment of national insurance and steamship companies, as we shall see in further detail later on. In all, this new legislation was aimed at modernizing some key economic institutions, and invigorating private investment, savings, entrepreneurship and the flows of capital in and out of the country.

Demography of joint stock companies: the main players

Following Pepelasis, demography denotes the frequency, size, and sectorial distribution of these JSC.⁶⁷ But we have also added new dimensions such as main shareholders, their networks, and the level of concentration of shares. We are keen to identify the primary shareholders of this period, who were closely linked to the Chilean economic elites of the time, as well as the business networks they established among themselves. Joint stock companies had existed for centuries elsewhere in the developed world, but their introduction in Chile can be taken as a business innovation. It would be, therefore, useful to know who these Chilean pioneers were, their links, and the sectors in which they operated.

Regarding our main general results, as can be seen from Table 1, between 1849 and 1875, 181⁶⁸ joint stock companies were launched in Chile,⁶⁹ mainly in Valparaiso and Santiago, where 96 and 72,⁷⁰ respectively,⁷¹ were created. The aggregated nominal capital of these 181 JSC was £28.3 million, distrib-

66. Nazer (2017). On the positive impact of legal commercial formalism on business activities in Latin America around the mid-nineteenth century, see Adelman (1999).

67. Pepelasis (2011).

68. For comparison, around this time, in Italy there were already some 700 JSC in operation. Toninelli and Pavese (2014). By 1867, there were over 600 in France. Freedeman (1979). Likewise, by 1844 there were around 1,500 in the UK, increasing rapidly to around 5,000 in 1856, and perhaps as many as 10,000 by 1865. Freeman et al. (2012); Sylla and Wright (2013). In the US, the world leader in this indicator, by 1860, over 22 thousand JSC had been created. Sylla and Wright (2013). In Latin America, between 1867 and 1881, just 25 JSC had been created in Mexico. Riguzzi (2006).

69. Our database of 181 JSC includes gross incorporation: births only, as done by Pepelasis (2011) for Greece. The reason for this is that we have no data on JSC deaths during this period. That said, we have consulted Bowden Dalzell y Cía. (1872), which contains all JSC in operation in 1872, near the end of our period of study, and found that of all the JSC created before 1872, at least 86% were still in operation in 1872.

70. Not only were JSC concentrated in Santiago and Valparaiso, but also commercial houses and most businesses, even though much of the actual production took place elsewhere. Oppenheimer (1982).

71. Only a handful of companies were launched in other cities, such as Copiapó (4), Concepción (2), Chillán (2), La Serena (1), Talca (1), and Constitución (1).

TABLE 1 • *General results, JSC created in Chile, 1849-1875*

Variable	Value
Number of JSC created	181
Nominal capital, £millions	28.3
Number of shareholders	3,240
Number of shares	216,013

Source: see Appendix 1.

uted into 216,000 shares.⁷² That is, we are talking about a significant number of JSC being created (at least by Latin American standards), a vast quantity of shares being traded, and all in a country with little tradition in this respect. To put this figure into context, the aggregated nominal capital was equivalent to a quarter of the value of all Chilean exports, or half the fiscal expenditure for this period,⁷³ and was equivalent to around 50% of the GDP in 1875. In terms of population, following Hannah,⁷⁴ in 1875 the total Chilean population was estimated at 2.1 million people,⁷⁵ which means that there were some 87 JSC per million of the population. To put this figure into context, by 1910, the world weighted average for this same ratio was 273, and that for Latin America 89, with Argentina and Brazil at 84 and 34, respectively.⁷⁶

Regarding sub-periods within this quarter of a century, JSC creation in Chile was not evenly spread over time. For instance, before 1870, just 45 JSC had been created (25% of the total number for the whole period), with 1871-1875 being the boom years, a watershed period indeed, when another 136 JSC were born, in particular in the mining sector (Table 2).⁷⁷ Many of these mining JSC were created after the speculation that followed the discovery of silver minerals in Caracoles in Bolivia (i.e. 45 mining JSC were created in 1872 alone, and 48 in total were linked to Caracoles in 1872-1875), which ended in the first share bubble in Chilean history, well before the creation of the Stock Exchange.⁷⁸ And, indeed, as part of this boom the first share brokers in Chile

72. The average share value was £130, with most shares issued at between £90 and £200. These were not negligible values, and precluded small investors from participating in the market. As a reference point, in Britain, before 1844, shares were most usually issued at £25, £50, £100, lower than in Chile, and in a country with a higher per capita GDP, which meant that more middle class people could participate in the market. Freeman et al. (2004).

73. The data of exports and public expenditure was taken from Ortega (2005).

74. Hannah (2015).

75. Diaz et al. (2016).

76. Hannah (2015).

77. For reference, for a later period, c.1900, there were some 270 JSC in Chile (Wessel, 1902), and by 1910 it is estimated that there were around 500. Hannah (2015).

78. On Caracoles' boom and bust, see Bravo (2000), Escobar (1959), Couyoumdjian et al. (1993) and Vial et al. (1997).

TABLE 2 • Number of JSC births per category of economic activity, 1849-1875

Sector	1849-54	1855-9	1860-4	1865-9	1870-5	Total	Total (share)
Agricultural	0	0	0	0	1	1	0.6%
Trade	0	0	0	3	8	11	6.1%
Industrial	0	2	1	0	20	23	12.7%
Financial	2	5	3	9	12	31	17.1%
Mining	0	0	2	2	72	76	42.0%
Transport and Communications	2	2	5	4	16	29	16.0%
Other	0	0	0	3	7	10	5.5%
Total	4	9	11	21	136	181	100%
Accumulated	4	13	24	45	181		
Accumulated share	2%	7%	13%	25%	100%		

Source: see Appendix 1.

emerged, mostly in Santiago and Valparaíso, while share prices started to be published in the main local newspapers.⁷⁹ Such was their importance, that this group of brokers formed a *de facto* Stock Exchange.⁸⁰

As far as sectors of economic activity are concerned, the mining sector accounted for 42% of all JSC,⁸¹ followed by the financial (17%), transport and communications (16%), and the industrial sector (13%). The agricultural sector was barely represented, with just one JSC being created here, and nearly at the end of our period (1872).⁸² This is consistent with a developing country whose export basket was dominated by mining products, which previously lacked a proper banking sector, and that did not have any modern transport system in place. That said, if the participation of each sector is regarded, not by number of JSC created but by the capital raised by each sector, then the importance of the financial sector increases significantly,⁸³ to the detriment of the mining sector, and the industrial sector too, although to a lesser

79. Moreover, during 1872-1873 a group of local businessmen even drafted statutes of a proposed Stock Exchange as a JSC, but eventually it did not prosper due to the world economic crisis. Couyoumdjian et al. (1993); Escobar (1959).

80. Bravo (2000).

81. Although copper and silver were the star products within the mining sector, the first sizeable JSC of the mining sector was probably a coal company: *Compañía Explotadora de Lota & Coronel*, of the Cousiño family.

82. It was the *Compañía Agrícola*, or agricultural company, whose capital needs were mainly linked to canal building. *Compañía Agrícola* (1872).

83. The promulgation of the banking law of 1860 no doubt greatly contributed to the emergence of JSC in this sector: eighteen new banks were created after 1860. Furthermore, this law also promoted access to credit, part of which may have funded the buying of shares.

TABLE 3 • *Sectorial participation of JSC according to nominal capital, 1849-1875*

Sector	1849-54	1855-9	1860-4	1865-9	1870-5	Total
Agricultural	0%	0%	0%	0%	2%	1.4%
Trade	0%	0%	0%	19%	7%	8.2%
Industrial	0%	13%	2%	0%	9%	6.5%
Financial	28%	46%	53%	57%	37%	41.6%
Mining	0%	0%	1%	17%	34%	24.3%
Transport and Communications	72%	40%	44%	5%	10%	17.3%
Other	0%	0%	0%	1%	1%	0.7%
Total	100%	100%	100%	100%	100%	100%

Source: see Appendix 1.

extent for the latter (Table 3). The focus on financial institutions is mainly explained on account of the need to consolidate a financial system able to provide for the capital needs of all sectors of economic activity.

Hidden behind Tables 2 and 3 are some interesting facts. First, JSC companies were truly pioneers in key sectors of the economy: their emergence sparked new industries that did not exist in Chile before. The first railway companies were JSC: that joining Copiapó with Caldera; the railway between the main urban centres of the country (Santiago and Valparaíso), and the railways between Santiago and the southern provinces. Never before did Chile have such a modern internal transport system, which greatly reduced local freight and moving times. Indeed, without this new transport network system, many of the JSC companies that followed were unviable.⁸⁴ Likewise, thanks to the Compañía de Gas de Santiago, the capital of the country started to enjoy street lighting for the first time in its history, at times when the urban population was on the increase. And, indeed, other transport JSC companies that were created during this period were intended to transport passengers in urban centres: the urban railways in Valparaíso and Santiago.⁸⁵

In the same vein, the first proper banks of the country (Bezanilla, Macclure y Compañía, Banco de Depósitos y Descuentos) were also JSC: before their creation lending was confined to informal arrangements between private people. In a related sector, the first national insurance companies were also JSC: before this, the insurance market was the monopoly of British compa-

84. Islas (2011).

85. We refer specifically to these JSC (year of creation): Compañía del Ferrocarril Urbano de Valparaíso (1861); Compañía de Carruajes del Servicio Público de Valparaíso (1864); and Compañía de Carruajes del Servicio Público de Santiago (1870).

TABLE 4 • The 20 largest JSC in Chile (ranked per capital), 1849-1875

Name JSC (in its original in Spanish)	Sector of activity	Year of creation	Nominal Capital, £000	Number of shares	Number of shareholders
Banco Sud-Americano	Trade	1872	2,896	15,000	51
Ferro-carril entre Santiago y Valparaíso	Trans. and Comn.	1852	1,341	7,000	6
Banco Nacional de Chile	Financial	1865	1,336	7,000	24
Compañía Chilena de Depósitos y Consignaciones	Trade	1868	960	5,000	10
Compañía Esplotadora de Lota y Coronel	Mining	1869	960	5,000	22
Banco Agrícola	Financial	1868	768	4,000	125
La República	Financial	1871	766	4,000	148
Compañía Nacional de Seguros	Financial	1871	766	4,000	99
Compañía Huanchaca de Bolivia	Mining	1872	579	3,000	80
Banco del Sur	Financial	1869	576	6,000	148
Banco Nacional de Bolivia	Financial	1871	575	3,000	76
Sociedad del Ferrocarril del Sur	Trans.and Comn.	1855	571	3,000	99
Compañía Sud Americana de Vapores	Trans. and Comn.	1872	483	500	178
Banco de la Alianza	Financial	1872	483	10,000	13
Compañía de Salitres y Ferrocarril de Antofagasta	Mining	1872	483	2,500	3
Compañía Chilena de Seguros	Financial	1853	394	2,000	167
Compañía Agrícola	Agricultural	1872	386	2,000	25
Compañía de Minas y Fundición de Chañaral	Industrial	1872	386	2,000	6
Compañía de Minas de Plata de Arnous de Riviere	Mining	1872	386	2,000	5
Compañía de Maderas y Buques	Trade	1871	383	4,000	30

Source: see Appendix 1.

nies, represented by merchant houses.⁸⁶ Likewise, although there were steam navigation companies operating in Chile before 1849, these were British companies, most noticeably the Pacific Steam Navigation Company. What was new during this period was the emergence of national steam navigation companies, starting with the creation of the *Compañía Chilena de Vapores*, followed by the *Compañía Nacional de Vapores*, both of which later merged, thus creating the mighty *Sud Americana de Vapores*, CSAV.⁸⁷

In terms of the size of the companies, measured by nominal capital, we have listed the top 20 companies in Chile for the whole of our period of study, which taken together accounted for 55% of the nominal capital of all JSC created between 1849 and 1875. Three of them were created in the 1850s, five in the 1860s, and the remaining 12 in the first half of the 1870s. The biggest of all was a bank: *Banco Sud-Americano*, with nearly £3 million in nominal capital (Table 4). It was followed by the Santiago–Valparaíso railways (*Ferrocarril entre Santiago y Valparaíso*) and another bank, the *Banco Nacional de Chile*, with £1.3 million of nominal capital each. An international trading company came fourth, with the same capital as a coal mining company linked to the *Cousiños* (£0.96 million each), mentioned above.

JSC in Chile, 1849-1875: the shareholders

Another interesting feature of these early JSC worth highlighting is the number of shareholders they had, in total and per company. We already mentioned that there were more than 3,000 different shareholders in Chile between 1849 and 1875, most of them male, but there were also nearly 140 women. To put this figure into context, the whole population of Chile, according to the censuses of 1865 and 1875, was around 1.8 million and 2.1 million people, respectively. That is, only some 0.2% of the population owned shares during our period of study, certainly an economic elite. That said, amongst these more than 3,000 investors there were many middle class people. We gathered information on the occupation of shareholders for many JSC, and although there were many investors who called themselves capitalist, landlord, physician, banker, judge, lawyer, engineer and the like, there were also many public servants, agricultural workers, shop assistants and even hairdressers.⁸⁸ Not surprisingly, the aforementioned Marcial González affirmed in 1872 that, in Chile, “no one is unaware of the services of these establishments”.⁸⁹

86. Llorca-Jaña (2011).

87. Vial et al. (1997).

88. On this, see also Islas (2011).

89. González (1872).

TABLE 5 - JSC with most shareholders, 1849-1875

JSC	Sector of activity	Year of creation	Place creation	Nominal Capital, £000	Number of shares	Number of shareholders
Compañía de Consumidores de Gas de Valparaíso	Industrial	1860	Valparaíso	22.8	1,250	180
Compañía Sud Americana de Vapores	Trans. and Comn.	1872	Valparaíso	482.6	500	178
Compañía Chilena de Seguros	Financial	1853	Valparaíso	393.7	2,000	167
Compañía de Quintero	Trans. and Comn.	1872	Santiago	193.1	1,000	166
Banco del Sur	Financial	1869	Chillán	575.8	6,000	148
La República	Financial	1871	Valparaíso	766.3	4,000	148
Banco Agrícola	Financial	1868	Santiago	767.8	4,000	125
Sociedad Explotadora del Tercero y Cuarto de Caracoles	Mining	1872	Valparaíso	154.4	800	114
Sociedad Explotadora del Mineral de San José de Caracoles	Mining	1872	Valparaíso	193.1	5,000	111
Banco de San Juan	Financial	1870	San Juan	57.0	300	106
Banco de Valparaíso	Financial	1859	Valparaíso	371.7	4,000	101
Sociedad del Ferrocarril del Sur	Trans. and Comn.	1855	Santiago	571.4	3,000	99
Compañía Nacional de Seguros	Financial	1871	Valparaíso	766.3	4,000	99
Sociedad de Consumidores de Pan	Industrial	1875	Copiapó	4.6	500	99
Compañía Comercial de Caracoles	Mining	1870	Valparaíso	38.0	400	89
Compañía Unión Esplotadora de Caracoles	Mining	1871	Valparaíso	57.5	600	86
La Mutualidad	Financial	1860	Valparaíso	127.5	700	85
Club Hípico de Santiago	Other	1869	Santiago	9.6	100	81

(Continued on next page)

Compañía Huanchaca de Bolivia	Mining	1872	Valparaíso	579.2	3,000	80
Banco Nacional de Bolivia	Financiamiento	1871	Valparaíso	574.7	3,000	76
Fábrica de Pan y Galletas	Industrial	1873	Valparaíso	18.7	500	74

Source: see Appendix 1.

On average, the 181 JSC included in our study had 34 shareholders each, but they might have had as few as two shareholders or as many as 180 (e.g. the Valparaíso gas company).⁹⁰ Those JSC with two, three, or four shareholders only were uncommon (11 out of 181), but nonetheless they are at odds with the idea that JSC emerged to raise capital among a wide number of investors. For instance, the Compañía de Gas de Santiago had two shareholders only: José Tomás de Urmeneta and Adolfo Eastman, married to Manuela Urmeneta (daughter of his partner). Three banks had the same number of investors: MacClure & Co. (Domingo Matte and Carlos MacClure), “Montenegro & Co.”, and “Matte MacClure & Co.” (Domingo Matte and Francisca Ossandon). These JSC can be taken as true family firms, not looking for more investors but probably for the benefits of limited responsibility.

At the other extreme, Table 5 contains the top 20 JSC with the highest numbers of shareholders. The Valparaíso gas company (Compañía de Consumidores de Gas de Valparaíso) tops the list, followed by the country’s most important shipping company (Compañía Sud Americana de Vapores, 178 shareholders) and the first national insurance company ever created in the country (Compañía Chilena de Seguros, 167 shareholders). As can be seen, these top 20 JSC belonged to many sectors of economic activity, rather than being concentrated in one or two industries. That said, insurance companies are, comparatively, the group that attracted more shareholders (85 in average), which is explained in terms of the risky nature of this business.⁹¹

Not included in the above table, but worth mentioning, is the fact that in these top 20 JSC, the largest shareholder held, on average, 9% of the shares. Only in three of these top 20 companies did the largest shareholder control more than 14% of all shares. Although apparently small, these percentages were more than enough in many cases to ensure control of the company board. If all JSC are taken into account, this figure does not change much. Having

90. To put this figure into context, in Germany, during the second half of the nineteenth century, JSC had (on average) 22 shareholders. Franks et al. (2005).

91. Llorca-Jaña (2011).

TABLE 6 • *Percentage of shares owned by the largest shareholder, 1849-1875*

Participation range of the largest shareholder (%)	Number of JSC with this participation	Share of the total	Accumulated Share
Up to 9%	26	15%	15%
10%-19%	50	29%	44%
20%-29%	43	25%	69%
30%-39%	23	13%	83%
40%-49%	7	4%	87%
50% and over	23	13%	100%
Total	172	100%	

Source: see Appendix 1.

analysed the 172 companies (out of 181)⁹² for which we have complete information on shareholders, in 85% of them the largest shareholder had 10% or more of all shares, and of these most acquired between 10% and 29% of all shares, with few acquiring more than 30% (Table 6), which is consistent with the limits imposed by the legislation on voting rights, commented on above. We estimate that 10% was enough to control the general strategic decisions of the company. This, therefore, confirms Islas' assessment that in Chile, historically, there has been a high level of share concentration in corporations.⁹³

To consider the whole period under study, we have gathered information on the nominal capital invested per investor, and the number of companies in which they invested, per sector of economic activity. Table 7 contains information on the top 20 largest investors in JSC in Chile thus classified, which together invested £4.5 million (16% of the total in Chile), while in Appendix 2 we have included the 25 largest JSC companies in Chile (ranked by capital), 1849-1875, their main shareholders and the presidents of their directorates.⁹⁴ Many names have already been mentioned, but it is still worth providing further details on some of them, as well as noting some others. As can be seen, the most important player on the stock market was Domingo Fernández Concha, whose investments in 12 joint stock companies accounted for over £0.5 million. Apart from the industrial sector, he invested in most other registered sectors of economic activity, but more significantly in insurance and banking

92. We were not able to obtain sound data on share distribution among shareholders for nine of the 181 JSC created between 1849 and 1875.

93. Islas (2011). See also Oppenheimer (1982).

94. As can be seen from Appendix 2, the leading Chilean shareholders of the time adopted different strategies regarding their simultaneous participation in the directorates of the companies they owned. For example, Edwards was both main shareholder and president of the board, while Fernández Concha left the directorates of his companies in the hands of Larrain Moxó, his friend in the Conservative Party.

TABLE 7 • Top 20 largest investors in JSC, according to nominal capital, 1849-1875

No. / Sectors	Investor	Nominal capital, £000	Mining	Transport & Communications	Financial	Trade	Agrarian	Industrial	Others	Total
1	Domingo Fernández Concha	515	1	1	6	2	1		1	12
2	Agustín Edwards Ossandon	497	2	6	5			1		14
3	Luis Cousiño Squella	395	2	1					1	4
4	José Tomas de Urmeneta	367		3	7	1		2	1	14
5	Antonio Escobar	354	4	5	4	1		2	2	18
6	Domingo Matte Messia	288	2	2	8	1			1	14
7	Henri Arnous de Riviere	248	3							3
8	Guillermo Gibbs	239	1	1				1		3
9	Joaquín Dorado	181	13	1	4	1				19
10	Francisco Pascual Álvarez	172	6	1	1	2				10
11	Matías Cousiño Jorquera	171		3	4					7
12	Francisco Puelma Castillo	168	1	1		2				4
13	Francisco Ignacio Ossa Ossa	124	7	1	3	1		1	1	14
14	Tomas Morris Mc Laughlin	116	3	2	1	1				7
15	Gregorio Ossa y Cerda	110		3	3	1				7
16	Santiago Lyon Santa María	110	6	8	4	1				19
17	Juan Brown	110	1		5					6
18	Eugenio Schuchard	108	12	4	2	1		1	1	25
19	Guillermo Hope	106	1							1
20	Miguel Cruchaga	103	10	1	2	2	1	3	1	20
	TOTAL	4,483	75	44	59	17	2	11	9	221

Source: see Appendix 1.

companies. He was the main shareholder of Banco Sudamericano (top of the list in Table 4), Compañía Chilena de Depósitos y Consignaciones (number 4), and the abovementioned Compañía Agrícola (18 in that ranking). It is worth noting that Fernández Concha established good relations with other investors, in particular with the insurance company El Porvenir de las Familias, the first JSC in which he invested. With these friends (especially Miguel Cruchaga and Rafael Larraín Moxó) he invested in many other companies, with he and his friends acting as an interlocked group, to control directorates. Furthermore, El Porvenir de las Familias was used as a vehicle to acquire shares in

many other JSC, acting as a de facto holding company. According to Nazer, Fernández Concha is emblematic of a member of a traditional Chilean economic elite that modernised itself and ventured into new sectors of economic activity, using investments in JSC for this.⁹⁵

Likewise, Agustín Edwards Ossandon was second in the ranking of the wealthiest shareholders, with nearly £0.5 million invested in shares of 14 different companies, spread across four sectors. This family also topped Vicuña-Mackenna's ranking of the wealthiest in Chile in 1882, further supporting the idea that the richest men in Chile in our period of study were keen on the JSC market. To give an idea of the magnitude of his fortune, by 1880 it was estimated at 5% of the Chilean GDP of that year, with his JSC topping the list of the most valuable investments of the family.⁹⁶ Edwards started his JSC activity in the railway sector, investing heavily there, and later on in steam ship companies too. That is, he initially had a strong focus on transport-related JSC, and from transport he moved towards insurance and later to banking (not only in Chile, but also in Argentina and Bolivia). He was the main shareholder for three of the top 20 JSC in the country: Banco Nacional de Bolivia, Compañía de Salitres y Ferrocarril de Antofagasta and Compañía Chilena de Seguros. But Edwards also invested in bonds (foreign and national), thus adding to his financial portfolio.⁹⁷

Matías Cousiño, his son Luis Cousiño and his step-son Emeterio Goyenechea were other important players. Special mention goes to Matías Cousiño, who became one of the richest men in Chile after marrying a wealthy widow, María de la Luz Gallo (whose first husband was a silver and copper mining entrepreneur). Cousiño invested in the first joint stock company that was ever created in the country, the "Copiapó Railway Company", and in many others railways that followed: the "Valparaíso-Santiago Railway Company", "Santiago-South Railway Company", as well as in the banking sector, by acquiring shares of two of the first private banks in Chile: the Banco de Depósitos y Descuentos of Valparaíso, and "Bezanilla, Maclure & Co.". Also, in partnership with a British trader, Thomas Bland Garland, they bought shares in an insurance company (Compañía Chilena de Seguros) and a joint stock smelting firm (Sociedad Chilena de Fundiciones). In all, Matías invested in nine different JSC, in many sectors of economic activity. His son followed the same path, and in 1869 he decided to launch a joint stock company called Compañía Explotadora de Lota y Coronel (thus replacing the old family firm, "Cousiño & Son"). This was the first time this business group took any such

95. Nazer (2000 and 2017).

96. Nazer (2017).

97. Nazer (2000 and 2017).

decision. They had invested in joint stock companies before, but this was different: they turned a traditional family business into a public company.⁹⁸

The fourth place in the ranking is taken by José Tomás Urmeneta, the most prominent copper miner in Chile during the nineteenth century, who quickly ventured into JSC. Urmeneta was another rich miner who also decided to diversify his investments and to participate in politics, even standing as a presidential candidate in the 1871 general election.⁹⁹ Together with other investors, he was the founder (and largest shareholder) of Sociedad Chilena de Fundiciones, an important copper and silver smelting company that started to operate from the mid-1850s, the first JSC of its kind in Chile. By investing in copper, coal, smelting, bricks, and steamships, he, like the Cousiños, was an enthusiastic pioneer of vertical integration in Chile at a high level. Urmeneta also invested in railways (he was the leading figure behind the main railways from Santiago to the south of the country,¹⁰⁰ a commercial house, banks, gas services, and wheat mills. It is also important to highlight that, like many others, Urmeneta established strong links with other investors, in particular with Maximiano Errázuriz and Adolfo Eastman (his sons-in-law), which allowed them to control many of the JSC in which they invested.¹⁰¹ This was a fairly common strategy at that time.

Following in the ranking is a Colombian entrepreneur, Antonio Escobar, who was closely linked to the local businessman Gregorio Ossa,¹⁰² with whom Escobar established an investment joint venture called Ossa & Escobar (to trade minerals, but also to perform banking activities), in which Ossa provided the capital and Escobar the management skills.¹⁰³ But Escobar on his own also focused on JSC in the mining sector, such as Compañía de Minas y Fundación de Chañaral, Compañía Beneficiadora de Minerales, Sociedad Minera de Atacama, Compañía de Minas de Carbón de Carampangue, Compañía Sudamericana de Caracoles, and Compañía de Minas de Plata de Huasco. Later on, Ossa & Escobar was reformulated, and this time Escobar brought his own capital to the partnership. This is one of the few cases of a foreigner being ranked amongst the top shareholders (of national stocks) in Chile during our period of study.

Sixth on the list is Domingo Matte, who started his JSC investments in the banking sector, and from there he moved towards insurance and railways. Like Fernández Concha, and many others, Domingo Matte established strong

98. Nazer et al. (2017).

99. Nazer (1994).

100. Oppenheimer (1982).

101. Nazer (1994).

102. Gregorio Ossa y Cerda was a major landholder in the Central Valley, but also held mining companies in the north, as well as being a partner in the above mentioned trading house Ossa & Escobar. Oppenheimer (1982).

103. Valenzuela (2009).

links with other investors, such as Matías Cousiño, Santiago Salas, José Tomás Urmeneta, and started to practise the strategy of buying shares together on the same JSC, to cross-control through interlocked directorates. And, indeed, as can be seen from Table 6, most of these top 20 investors bought shares in three or four different sectors. This suggests that there was a clear diversification strategy among this elite, as Miguel Cruchaga held the most diversified portfolio (investing in mining and banking, like most others, but also being a pioneer in the food processing industry). There is only one case of one of these top 20 investors investing in a single sector. The Frenchman Henri Arnous de Rivière (who arrived in Chile in the late 1860s), put all his eggs in the same basket: the mining sector, in particular around Caracoles (and in guano extraction in Mejillones before that).¹⁰⁴ This multi-sectorial investment strategy is an important feature of the Chilean business arena because it was during this period, thanks to this diversification strategy, that the first family business groups emerged in Chile, as we know them today.¹⁰⁵

Thus, we have also grouped our data by families and business groups.¹⁰⁶ This is probably the first attempt to identify and to rank the earliest business groups in the country following independence from Spain, since most related studies cover later periods.¹⁰⁷ As is already known, many business groups have been dominant in Chile from the early period of independence, being, in turn, controlled by selected families,¹⁰⁸ as is the case in most of Latin America and the developing world.¹⁰⁹ For our sample in particular, we found that each of the ten largest business groups of the country controlled three or more of the 1849-1875 JSC created in the country, which in total accounted for 24% of all JSC included in the sample, and which in turn accounted for nearly half the aggregated global capital. This is, yet again, another indicator that share ownership was highly concentrated in the country.

As can be seen, a handful of names controlled the biggest JSC in the country. If the information in Table 4 is reformulated according to business groups, expanding it to the top 25 JSC (rather than 20), the top 4 business groups of

104. Rivière arrived in South America following Lucien Arman, a French national that contracted guano extraction with the Bolivian government, even creating a JSC in Paris for the purpose (Guanos de Mejillones). Later on, Rivière associated with the Chilean miner José Díaz Gana. For the life of this eccentric military and businessman, see Espejo (2016).

105. Islas (2011).

106. We do not want to enter here into a debate about definitions, given the complexity in defining what a family business is. On this point, see Fernández and Lluch (2015). By family firms we usually understand firms “where a family owns enough of the equity to be able to exert control over strategy and is involved in top management positions”. Colli and Rose (2010). In turn, we also believe that business groups in Latin America “are indisputably family business”. Lansberg and Perrow (1991).

107. See Lefort (2010) and Aguirre (2017) for a good recount, although for later periods.

108. Lefort (2010).

109. Lansberg and Perrow (1991); Fernández and Lluch (2015); Colli and Rose (2010).

the country (all Chilean) controlled a patrimony accounting for 42% of the nominal capital of these top 25 companies, which was nearly a third of the capital of all JSC created in Chile between 1849 and 1875. These prominent business groups were Fernández Concha, Ossa & Escobar, Edwards, and Cousiño. In all, taking into account the 172 JSC for which we managed to gather information on shareholders, we can establish that despite there being over 3,000 shareholders in Chile between 1849 and 1875, just 140 of them managed to control around 95% of all JSC created in Chile during this period, which, again, suggests a high concentration of shareholders. This was a select group of people indeed.

All this said, most investors buying shares did so to get some return from their investments, rather than to control the companies in which they invested, that is, they treated their shares as portfolio rather than as direct investments. Indeed, we have classified share acquisitions according to the percentage they represented of the total capital value of the JSC, and we have found that there were around 5,900 operations, but of these, nearly 4,000 were related to buying share packages representing less than 2% of the value of the listed companies. This takes us to another classic, but still interesting issue, that of the separation between ownership and management. We gathered information on the directories of the largest JSC of our sample, and in many cases the directors were not the largest shareholders. Special mention goes to the cases of Rafael Larraín Moxo and José Cerveró. The former, Moxó (one of the largest landowners of the time, and a senator), was a shareholder in five of the biggest JSC in our sample, and also a member of the board of four of them, without being among the largest shareholders. This is a good example of a major agriculturalist showing a modernizing economic behavior. Cerveró, in turn, also bought shares in five major JSC in the financial sector, as he was a member of the board of all of them, again, without retaining a large proportion of these companies' stocks.

At this point it is worth stressing another important fact, which we have already mentioned: the main shareholders in Chile during this period were nearly all Chilean. This is not an obvious result, in particular if we compare this situation with later periods. Hanley noted that the traditional economic historiography has downplayed the importance of local ("native") capital formation in the economic development of Latin American countries in the early decades after independence, (wrongly) placing emphasis on the role played by foreign capital.¹¹⁰ Indeed, some sectors whose development is usually attributed to foreign capital (e.g. railways) were actually more linked to national sources of capital. Besides the railway sector, the coal industry is a case in

110. Hanley (1998).

point. This fact was already highlighted by Oppenheimer,¹¹¹ when he studied the financing of Chile's Central Valley railroads. The first railway companies in Chile were all predominantly funded by Chilean capital.¹¹²

But the scant foreign direct investment in Chile before 1875 should not be that surprising. We must bear in mind that after the failed British investment boom in Latin America in the 1820s, British capital did not flow to the region during the 1830s, 1840s or 1850s.¹¹³ This is of consequence because at this time Britain was the main provider of capital around the world: there was no other significant lender. For instance, up to the end of the period covered by this paper, 1875, British investments in the Chilean railway sector were limited to some Britons investing in two Chilean railway companies (i.e. Copiapó's and Coquimbo's), while almost nothing was invested in banking and public utility companies. Even in mining, apart from the "Copiapó Mining Company" and the "Panucilla Copper Company", there was limited British investment in this star sector of the Chilean economy. Perhaps the only notable exception was the Pacific Steam Navigation Company, whose capital was largely British from the outset.¹¹⁴ Furthermore, not only did little foreign capital arrive in Chile, but Chile also exported capital to neighbouring Bolivia and Peru. As previously noted, many Chilean JSC were created, with Chilean capital, to operate in Caracoles (Bolivia) and the nitrate industry in Peru.¹¹⁵

Finally, it has to be mentioned that there were strong links between these family business groups and the state. There were various consequences. For instance, it was not unusual for them to lend money to national governments, as the Matte-MacClure and Edwards groups did in 1866, when they happily lent nearly £100,000 each to the government.¹¹⁶ Furthermore, of the top 20 investors we identified in Table 7, ten of them—or 50%—were also members of parliament, as can be seen in Table 8.¹¹⁷ Finally, with many of the railways that were launched during this period, the government also participated as a shareholder (being a major investor in many of them), and given that many of the private investors in these companies held political office (e.g. 82% of the shareholders in the Santiago–Valparaíso railway held at least one nation-

111. Oppenheimer (1982).

112. It is worth mentioning that the Valparaíso–Santiago railroad was first offered to William Wheelwright, an American active in the introduction of steamships in Chile (founder of the prominent Pacific Steam Navigation Company), but he was not able to raise capital in either Europe or the USA, after which the government decided that Chilean capital should be raised instead. Oppenheimer (1982).

113. Rippey (1948).

114. Rippey (1948).

115. Escobar (1959).

116. Subercaseaux (1921).

117. The close links between economic and business elites undoubtedly brought wider consequences for Chilean society, including, for example, the decision to enter the Pacific War against Peru and Bolivia.

TABLA 8 • Major shareholders in Chile that were also members of parliament, 1850-1875

Sareholder's name	House	Period	Department	Political affiliation
Domingo Fernández Concha	Deputy	1870-1873	Chillán	Conservative Party
Agustín Edwards Ossandon	Deputy	1861-1864	Valparaíso	
	Deputy	1873-1876	Valparaíso	
	Senator	1876-1882		
Luis Cousiño Squella	Deputy	1864-1867	Lautaro	Liberal Party
	Deputy	1870-1873	Santiago	
	Deputy	1873-1876	Santiago	
José Tomas de Urmeneta	Deputy	1852-1855	Elqui-Cutun	Liberal Party
	Senator	1855-1864		
Domingo Matte Messia	Deputy	1852-1855	Santiago	National Party
	Deputy	1855-1858		
	Senator	1858-1867		
	Senator	1873-1882		
Francisco Pascual Álvarez	Deputy	1873-1876	Limache	
Matías Cousiño Jorquera	Deputy	1852-1855	Quillota	Conservative Party
	Senator	1855-1864		
Francisco Puelma Castillo	Deputy	1858-1861	Nacimiento	National Party
	Deputy	1861-1864	Quinchao	
	Deputy	1870-1873	San Carlos	
Francisco Ignacio Ossa	Senator	1864-1873		
Miguel Cruchaga Montt	Deputy	1870-1873	Petorca	National Party

Source: author's work, from Urzúa (1992), Montt (1861), Edwards (1932), Figueroa (1925), and Heise (1982).

al political office),¹¹⁸ not surprisingly, many of these JSC received government loans whenever they were under economic difficulties. That is, lent money flowed both ways, and state-builders, private investors and financiers operated all in a similar fashion.

Conclusions

During the period covered by this paper, Chilean economic backwardness was still only too evident. That said, the economy was not static: on the contrary, there were clear signs of economic modernization and institutional change fostering economic growth. The codification of key economic activities (e.g. commercial code, banking code), including a JSC law, were crucial steps to a mature process of effective judiciary for business activities in the country. Within this context, joint stock companies were, undoubtedly, among the main institutional innovations introduced by the Chilean business world

118. Oppenheimer (1982).

in association with the government during the nineteenth century: JSC came together with nation building, industrialisation, new business strategies (e.g. vertical integration), booming exports and economic growth. According to a contemporary and respected politician, writing in 1872, Chilean economic growth was not due solely to peace and natural development, “but above all to joint stock companies”.¹¹⁹

Over 180 JSC were created between 1849 and 1875, and with them a money market for private securities. They also widened the pool of organizational business options available to businessmen, triggering the emergence of bigger companies, in particular in the mining, transport and financial sectors. Some prominent local entrepreneurs turned increasingly to the use of JSC as the preferred vehicle for their business activities. Indeed, JSC (in particular the possibility of trading shares) allowed Chilean entrepreneurs to attract more capital to large investment projects, which was not possible under the old legal partnerships previously available to them. Most of these new capital-intensive projects also signalled a departure from colonial times, when large-scale projects were mainly the resort of the colonial administration, rather than the private sector (although it is true that in some railway companies the state was a major shareholder).

Overall, our findings for this early period of JSC start-ups are that, first, there was a high level of share concentration in JSC ownership during 1849-1875, while the stock prices were still too high for small savers to aspire to buying shares. Second, and linked to the above, the first Chilean family business groups emerged during this period, in part thanks to a diversification strategy that was largely possible due to the emergence of JSC. Third, most shareholders were Chilean (while those who were foreigners were mostly permanent residents, such as Waddington and Escobar),¹²⁰ which meant that the main investment projects undertaken in mining, banking and transport were funded with national rather than foreign capital, and was quite contrary to what happened thereafter, when foreign capital controlled the nitrate and copper sectors.¹²¹ Fourth, Chilean businessmen were active in mobilizing capital funds and adopting new technologies, a point already brought to our attention by Oppenheimer.¹²² The entrepreneurial spirit of local businessmen, miners, bankers, agriculturalists and traders is undeniable. Fifth, many of the modernizers came from the old landed aristocratic elites, such as Larraín Moxó and Fernández Concha. Finally, there were strong links between the earliest Chilean business groups, which were also shareholders, and the state.

119. González (1872).

120. For more details on Waddington, see Araya (2017).

121. Couyoumdjian et al. (1993).

122. Oppenheimer (1982).

APPENDIX 1 - Further details of main sources used to build our databases

Main volumes used from the Notarial Archives of Valparaíso (1850-1875): Volumes 108, 109, 110, 119, 125, 137, 141, 173, 398, 410.

Main volumes used from the Notarial Archives of Santiago (1850-1875): Volumes 260, 261, 262, 263, 264, 271, 274, 323, 356, 380, 478.

Government's Bulletin of Laws and Decrees: All numbers from 1854 to 1874.

El Araucano newspaper: All numbers from 1855 to 1875.

Treasury Archive (1850-1875): Volumes 553, 657, 724, 725.

APPENDIX 2 - The 25 largest JSC in Chile (ranked per capital), 1849-1875, their main shareholders and the presidents of their directorates

No.	JSC	Year of creation	Nominal Capital, £000	Main shareholder or controlling group (year of creation)	Shares of main shareholder	Directory's president
1	Banco Sudamericano	1872	2,895	Fernández Concha (El Porvenir de las Familias)	43%	Rafael Larrain Moxo
2	Ferrocarril entre Santiago y Valparaíso	1852	1,34	Government and individuals	10%	Matías Cousiño
3	Banco Nacional de Chile	1865	1,335	Ossa-Escobar	18%	Antonio Escobar
				José Tomás de Urmeneta	18%	
4	Compañía Chilena de Depósitos y Consignaciones	1868	959	Fernández Concha (El Porvenir de las Familias)	10%	Rafael Larrain Moxo
5	Compañía Esplotadora de Lota y Coronel	1869	959	Cousiño	66%	Rafael Larrain Moxo
6	Banco Agrícola	1868	767	José Manuel Balmaceda (El Porvenir de las Familias)	9%	Geronimo Urmeneta
7	La República	1871	766	Ferreira & Keitel	5%	ND
8	Compañía Nacional de Seguros	1871	766	Mac Laughlin	12%	Juan Brown
9	Compañía Huanchaca de Bolivia	1872	579	Dorado Hermanos	27%	Joaquín Dorado
10	Banco del Sur	1869	575	Juan Manuel Alemparte	4%	Domingo Ocampo
11	Banco Nacional de Bolivia	1871	574	Edwards	7%	Agustin Edwards Ossandon
12	Sociedad del Ferrocarril del Sur	1855	571	Goyenechea	12%	Jose Tomas de Urmeneta

(Continued on next page)

13	Compañía de Salitres y Ferrocarril de Antofagasta	1872	482	Edwards	34%	Agustín Edwards Ossandon
14	Banco de la Alianza	1872	482	Smith-Manselli	22%	Pedro Nolasco Marcoleta
15	Compañía Sudamericana de Vapores	1872	482	Lyon Hermanos	20%	Maximiano Errazuriz V.
16	Compañía Chilena de Seguros	1853	393	Edwards	6%	Agustín Edwards Ossandon
17	Compañía de Minas de Plata de Arnous de Riviere	1872	386	Riviere	61%	Enrique Arnous de Riviere
18	Compañía Agrícola	1872	386	Fernández Concha (El Porvenir de las Familias)	19%	Rafael Larrain Moxo
19	Compañía de Minas y Fundición de Chañaral	1872	386	Ossa-Escobar	38%	Emilio Escobar
20	Compañía de Maderas y Buques	1871	383	Álvarez	60%	ND
21	Banco de Depósitos y Descuentos de Valparaíso	1855	380	Cousiño	14%	Jose Cervero
22	Co. Sud Americana Conservera de Carnes Alimenticias y Materias Orgánicas	1874	373	Egaña	26%	ND
23	Compañía Nacional de Seguros La América	1861	372	Alfredo Ward	6%	José Cervero
24	Banco de Valparaíso	1859	371	Subercaseaux	10%	José Cervero
25	Compañía Beneficiadora de Metales	1874	371	Ossa-Escobar	28%	Emilio Escobar

Source: see Appendix 1.

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The birth of joint stock companies in Chile (1849-1875)

ABSTRACT

This article deals with the emergence of joint stock companies (JSC) in Chile during the third quarter of the nineteenth century. We have built the first database related to JSC for this period, providing useful information about its demography. We found that: JSC funded the emergence of new key industries fostering economic growth; there was a high level of concentration in JSC ownership; most shareholders were Chilean, which means that the main investment projects in mining, banking and transport were funded with national capital; Chilean businessmen were active in mobilizing capital funds and adopting new technologies. The entrepreneurial spirit shown by local businessmen, be they miners, bankers, agriculturalists or traders, is undeniably present, in a transitional phase to capitalism.

KEYWORDS: joint stock companies, nineteenth century, Chile, shareholders, economic elites

JEL CODES: N16, N26, N46, N86



El nacimiento de las sociedades anónimas en Chile (1849-1875)

RESUMEN

Este artículo trata sobre el nacimiento de las sociedades anónimas (SA) en Chile durante el tercer cuarto del siglo XIX. Hemos construido la primera base de datos relacionada con SA para este periodo, aportando importante información sobre su demografía. Con todo, encontramos que: las SA financiaron la emergencia de nuevas e importantes industrias que promovieron crecimiento económico; hubo un alto grado de concentración en la propiedad de estas SA; la mayoría de los accionistas eran chilenos, lo que se traduce en que los principales proyectos en minería, banca y transporte fueron financiados con capital nacional; los empresarios chilenos de la época fueron muy activos movilizando fondos de inversión y adoptando nuevas tecnologías. Quedan pocas dudas respecto del espíritu empresarial desplegado por empresarios locales, fuesen estos mineros, banqueros, agricultores o comerciantes, en una fase de transición al capitalismo.

PALABRAS CLAVE: sociedades anónimas; siglo XIX; Chile; accionistas; elites económicas

CÓDIGOS JEL: N16, N26, N46, N86