Ways to Enrichment in Argentina, 1880–1900

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INTRODUCTION

In the second half of the nineteenth century, Latin America underwent an enormous economic and social transformation. The newly established national economies became members of the world trade and their economic orientation and policy brought them an immense amount of options. The growing demand from Europe and North America for foodstuff and raw materials offered politicians, entrepreneurs and investors in Latin America the opportunity to prosper. This process was associated with the efforts of European investors to establish profitable connections between European and Latin American markets although their relationship was sometimes ambivalent. Spain reestablished its reign over Cuba after the suppression of a ten-year struggle for independence (1868–1878). France intervened in Mexico in the 1860’s to support Emperor Maximilian, had several colonies in the West Indies, and controlled French Guiana. Great Britain, Netherlands and the United States also had a sphere of influence in Central America and the Caribbean. Nevertheless, what was more serious were the tensions caused by investment and commerce.¹

The interests of the European and American merchants and investors were often weakened by many obstacles leading to periods of political and economic decline and instability. Political stability was often threatened by territorial disputes between Latin American states, such as the War of the Triple Alliance (1865–1870), the War of the Pacific (1879–1883) and others. One of the most profitable countries on the American continent was Argentina.

The main task of this article is to outline the most beneficial trade products and the importance of land in Argentina at the turn of the 19th and 20th centuries. This period was typical for its extensive production, massive European investment and relatively liberal economy. All these factors influenced the decisions of investors to put money into Argentine projects, soil and bonds. Although an increasing amount of investment flowed into agriculture, the livestock, modernization of transport networks and other projects associated with the hinterland and fertile pampas, the

center of all business activities and the leading commercial, political and cultural artery remained as Buenos Aires, where European merchants could operate without any significant restrictions.

CEREALS, MEAT AND LAND — ARGENTINE BUSINESS GOLD MINES

After decades of varying degrees of success and failure, which Argentina went through from the 1850s to 1870s, the situation finally stabilized and the country began to exploit its potential.

Economically, Argentina succeeded in extending its production, capital, labor market and territory. These successes were achieved by calming the political situation and due to the large volume of foreign investment that enabled these steps to be taken. Investors favored Argentina because of its high rate of return on investment, which in some years exceeded 10%. Moreover, particularly the British merchant houses did not have a competitive economic adversary and they could also benefit from the friendly policy and the politicians. The confidence of foreign investors in the export capacities of the Argentine economy meant that funds flowed into most of the trading sectors. Most significantly, government bonds and infrastructure development were absorbed and this paved the way for the massive exports of agricultural products that followed over the next decades.2

The 1880s were viewed by Argentinians as the decade in which Argentina finally realized its great potential. The population in cities as well as in fertile agricultural areas grew. The average annual income between 1880 and 1889 increased tenfold. The role of immigrants in the labor market improved and the stronger domestic trade helped the flow of both domestic and imported goods. The most important export commodities were hides, wool, cereals, and meat and in the domestic market Tucuman sugar and later, with the development of the railway westward, wines from Mendoza.3

One of the key priorities of the Argentine Government in the second half of 19th century was the increase in sown areas and agricultural development. This effort was closely linked to immigration policy and country consolidation and resulted in government–supported projects for the formation of agricultural colonies in the Argentine interior. The number of these colonies rose; besides the government, these were financed by private individuals and companies resulting in an ever-increasing number of them becoming more independent and prosperous. Land began to be cultivated more widely and the original vast pastures for cattle gradually became farmland. Cultivation of cereals in the fertile areas of the central pampas did not require a high level of qualification, the harvest could be stored without major problems while transport costs were low. The constant growth in the population of the cities increased the demand for corn, which undoubtedly became a major export commodity of individual colonies. Although it would be worded as counterintuitive, in the early

1870s Argentina was still dependent on the grain imports from abroad. Nevertheless, by 1872 the colonies were able to produce a total of 20,000 tons of cereals, which represented one-quarter of the national consumption.4

Other small supplies were exported in the coming years to Belgium and Great Britain, and finally in 1878 Argentina became entirely independent from foreign imports of cereals. It was the beginning of massive exports, which took place over the next decade, and which made Argentina one of the granaries of Europe. One of the best examples is the view of wheat exports. The official statistics show that the number of Argentine wheat exports in 1880 amounted to about 0.5 kg per capita. This value increased five hundred times within one decade. In 1885 it was 5 kg per capita, in 1889 117 kg and in 1890 almost 260 kg of wheat per capita.5

In this respect, the turning point was the Immigration Act of 1876. The policy of the Argentine government meant that the immigrants who had settled in the agricultural colonies greatly benefited. The main motivation for their arrival in remote, emerging colonies was the guaranteed land acquisition where the land size was on the generous side. The law set out the precise division of the states land, where each section was further subdivided into approximately 400 parcels, each with an area of 100 hectares. These were retained in part to the state with the remainder directly allocated to immigrants and other buyers. The law exactly defined how the parcels should be further divided, where the roads and highways would be built and other details. By law, the first 100 families in each section had the right to 100 hectares of land for free and the option to buy more estates. These could be obtained immediately after purchase and also by paying a financial deposit. The law also enabled to acquire land for a debt that was amortized through regular annual installments (usually over a ten-year period). There were also limitations, which provided a maximum tenure of land to 400 hectares per person. Settlers enjoyed many other benefits arising from voluntary departure to outlying colonies. One of these was the previously mentioned free transport to the destination. Another was ensuring financial backup for one year for lodging, food, purchase of agricultural tools, livestock and other basic needs where the value did not exceed 1,000 pesos. Moreover, the payment of the deposit could be delayed for up to three years. In addition, there was an alternative to pay everything gradually, over five annual installments.6

The favorable conditions and concessions meant that the original intentions of the Argentine government for the development of agricultural colonies in different parts of Argentina started to be fulfilled. Official sources reported that in 1876 there were 39 agricultural colonies. By as soon as 1884, this number had doubled while their property grew instantly. From 1873 to 1881, the value of movable and immovable estates in individual colonies tripled to 27 million pesos.7

5 D. PLATT, Latin America and British Trade, London 1972, p. 68; SCOBIE, pp. 37–38.
6 LEY DE INMIGRACIÓN y colonización de la República Argentina sancionada por el Congreso Nacional de 1876, Buenos Aires 1882, pp. 29–35.
One of the key events that influenced the future development of Argentine agriculture and livestock was pressure from the government to extend the borders of the country further to the west and the south at the expense of the territory where the indigenous population still lived in the fertile pampas. This was intended to facilitate the unification of the country and ensure more land for potential immigrants, speculators and traders. This task was undertaken by General Julio Roca, who in the years 1878 to 1879 occupied large parts of today’s central, northeastern and southern Argentina. This so-called *Conquista del Desierto* earned Julio Roca the presidency.

The secondary phenomenon associated with the conquest of the pampas was the immediate sale of the newly acquired land. From 1879 the government sold more than 9 million hectares of land. The most active land buyers were the elite, especially the businessmen, politicians and landowners from Buenos Aires. In total, these vast lands fell into the hands of less than 400 owners. It was the second largest sale of state land into the private hands since the 1840s.

The disparity in the ownership of the land did not discourage the Argentine government and the specter of easily obtained money accompanied by a burgeoning clientelism meant the continuation of an established trend. The government sold the newly acquired territories to the landowners connected to government officials, which in the 1880s, led to uncontrolled speculation on land and in the subsequent decade to an economic crisis.8

Despite the low price of land in Argentina, it was sometimes difficult to buy the entire land needed or to invest in fencing or pastures. In addition, the buyers had the unique chance to use the state mortgage bonds, called cédulas. The operations with cédulas were in the form of the security of investors against extinction and lenders. This system was borrowed from European land mortgage banks (originally from Austria and Spain) where it had worked efficiently for some time. The idea was excellent. They wanted to bring together lenders and landowners with the objective of rural development of agricultural resources in Argentina. Before the banks were established, loans on the security of land were not extended. Lenders demanded very high rates of interest for the purpose of recovering the investment in the shortest possible timeframe and landowners could not afford it. In combination with other difficulties, farming on the mortgaged land was quite risky.9

Land–Mortgage Banks remedied this situation, their entry into business with land was profitable for both lenders and buyers. Throughout the 1880s, these operations were provided by the banks *Banco Hipotecario de la Provincia de Buenos Aires* (Mortgage Bank of the province of Buenos Aires, founded in 1872) and *Banco Hipotecario Nacional* (National Mortgage Bank, founded in 1886). The mortgage banks tried to set conditions that were safer and more attractive for landowners and investors. They usually offered loans with longer maturities and lower interest rates than ordinary banks. At the moment, the loan was approved, a predetermined amount

was split into annual installments that were amortized. The time period for debt repayment varied according to the size of the amount although the bank always set amounts that could easily be repaid. The bank loan was not granted in cash but in the form of bonds (cédulas) that could be freely transferred and could be traded on the stock exchange.10

Landowners obtained cédulas in the value of half the mortgage of the land. These cédulas were sold by the owner on the open market to obtain the gold or convertible currency needed to invest. The interest on cédula was paid by Argentine provincial banks in fixed amounts of paper pesos that did not exceed 8%. Argentine banks used the opportunity of a non-convertible currency to redeem debt and in this situation, the paper pesos became a government bond. Landowners could pay off their mortgage by offering the bank either convertible currency or a cédula equal to the amount they had borrowed. In turn, the banks financed interest payments by using convertible currency to buy paper notes or by reissuing the cédula.11

Although in establishing Banco Hipotecario Nacional the government put in place restrictions to regulate the number of bonds, the issue of cédulas, the number of individual loans with respect to the price of land, and a system of penalties to borrowers, rapid inflation negatively affected all of these. Banks were often under the influence of political cliques, so despite the restrictions, the land transactions and cédulas were almost uncontrolled. Argentina became the fifth largest sovereign creditor in the world, its foreign loans amounted to 140 million pounds and it caused widespread speculation in land and finance, which reached a peak in the late 1880s.12

For example, in October 1887 the newspaper Buenos Aires Standard reported that Banco Hipotecario Nacional was involved in land speculation in the area of Rosario. The land, purchased for 30,000 pesos moneda nacional, was valued one more time by an expert sent by the bank. He estimated its price at 12 pesos moneda nacional per square meter, which was 23 times more than the original price. Subsequently, Banco Hipotecario Nacional provided for a land area of 56,900 m² a loan of 500,000 pesos. However, the problem laid not only in the obvious difference in the land price, but also in the fact that the maximum allowable loan amount was 250,000 pesos, and its value should not exceed one-half of the land price. Unfortunately, such suspected financial machinations were not rare. Moreover, the government approved a special law that abolished restrictions on the issue of bonds. As a result, the government restrictions de facto ceased to exist. The value of cédulas in circulation was quickly depleted, although the pressure from speculators, investors, and government cliques meant that by the end of the 1880s the limit has been exceeded several times.13

At the same time, the land was sold to landowners and speculators legally sanctified by other various laws that came into force during the 1880s. These laws par-

12 FORD, pp. 660–661.
13 WILLIAMS, pp. 79–81.
particularly affected the provinces of Pampa, Río Negro, Neuquén, Chubut, and Tierra del Fuego. As a result, after 1890, the settlement of fertile pampas became almost exclusively a private matter in which the Argentine government intervened rarely. In the years 1876–1903 Argentina sold or donated more than 41.7 million hectares of land to just 1,843 landowners. Sixty-seven of the largest owners split about six million hectares. The majority of the landholders started the process of cultivating the newly acquired land. Others focused on the livestock, or they left the land fallow in order for future evaluation. For the indigenous people, who collaborated with the Argentine army, they were only allocated 43,000 hectares in remote and infertile zones.\textsuperscript{14}

The controversial Argentine land policy did not dispute that the most important factors that impacted the agrarian development of Argentina were both immigration and investment. The statistics demonstrate that the concentration of immigrants in Argentina rose constantly. In 1895, a quarter of Argentina’s 4,000,000 inhabitants had been born abroad and two-thirds of the total population lived in the coastal areas and pampa, the areas that were the most fertile.\textsuperscript{15} The population structure throughout the second half of the 19\textsuperscript{th} century was identical. The number of young men of working age outnumbered women in selected periods by three times. Another typical feature was the high percentage of returns to the native country. In the years 1881–1910 up to 36\% of immigrants returned to Europe, mostly to Italy and Spain.\textsuperscript{16}

The Argentinian immigration curve reached two peaks: the first at the end of the 1880s and the second before the First World War. Despite the large number of immigrants, Argentina could not compete with the United States, which was the preferred destination. Argentina was favored by the residents of southern Europe (especially Italians and Spaniards), whose aim was to settle in the country and over time obtain a better social status.\textsuperscript{17}

Although the agriculture and livestock maintained most families and some immigrants even improved their social status over a short period, the fates of people who went to Argentina differed widely. Some of them did not achieve their objectives and lost their money. In this case, the luckier ones simply moved away or went back to their native country. However, a large number of disappointed Europeans had no such option. Due to the fact that they had invested a substantial part of their savings in this trip, an immediate return was not possible. Some underprivileged families even fell into debt in order to finance their journey to Argentina. In these cases, their commitments were repaid by all available means, including prostitution and petty crimes.

In Argentina as well as southern Brazil, Uruguay and other places in Latin America, livestock was an important source of livelihood. In the case of Argentina, the production of tallow and hides accounted for a significant part of the national exports and for the interior provinces were the only way of making a profit. The meat, due to limited options, was salted and sold to soldiers and peons. The turning point was the

\textsuperscript{14} F. PIGNA, Los mitos de la historia Argentina 2, Buenos Aires 2005, pp. 319–320.

\textsuperscript{15} SCOBIE, pp. 27–30.

\textsuperscript{16} C. PATRIARCA — E. WOLF, La gran inmigración, Buenos Aires 1994, pp. 32–33.

\textsuperscript{17} F. DEVOTO, Historia de la inmigración en la Argentina, Buenos Aires 2009, pp. 247–248.
opening up of the Argentine market to foreign investors and companies. The second half of the 19th century was typical for the increased demand for raw materials in Europe. However, in the first stage, there was no increased demand for Argentine meat but for sheep wool.

Sheep farming required relatively good soil with plenty of fresh grass for grazing and it also placed higher demands on farmers and their employees. Although the value of wool affected foreign tariffs, in Argentina the extended Merino and Lincoln breeds have been bred specifically for wool. Between 1856 and 886, the number of farmed sheep increased from 16 million to nearly 90 million units and the annual exports in the 1870s was around 90,000 tons of wool, which far exceeded the demand for leather, tallow, and salted meat.18

Cattle raising was based on a long tradition, which remained almost unchanged during the 19th century. Lack of labor and capital led to the breeding of cattle, which was less demanding than agriculture. In a sparsely populated interior, two numerically sparse social strata detached: the rural peons and the rich landowners. This made the Argentine interior extremely unequal. The landowners formed the elite, which within a few decades engaged not only in trade but also in politics. This elite, known as estancieros, were the true leaders of the interior provinces.19

Cattle breeding can be divided into several phases. In the beginning, it was salted beef, hides, and tallow produced for markets in Bolivia and Peru. Later, the trade with salted meat began to focus on other foreign clients, dominated by Brazil and Cuba. In the second half of the 19th century, Europe became an important market. At the same time, sheep breeding significantly expanded, generating huge profits for Argentine merchants. Production and revenues from exports grew until the 1870s when immigration, newly established agricultural colonies, infrastructure development and the inability to transport fresh meat to Europe resulted in a downturn and orientation to the production of agricultural crops. From that point, the export of hides and tallow became secondary and cattle raising was again fully developed and later went hand in hand with the invention of freezing boxes and cold storage.20

This process is closely related to beef production. Up to the middle of the 1870s, despite its undeniable quality, beef was used exclusively for the local market (exceptions were exported canned meat extracts) and often did not process the whole head of the cattle, but only selected parts to obtain skins, horns and the best portions of the meat. This status changed with the introduction of refrigerated equipment. The invention by the French scientist Charles Tellier was coincidentally first used to transport Argentine beef to France. This invention meant meat could be transported to Europe in the highest quality.21

The French wasted Tellier’s invention and the meat trade was soon penetrated by British investors. Their significance for Argentina increased after 1880, when Great Britain, as the largest creditor, focused its attention on primary products. It first focused on wheat and maize but over the time, more and more money was put into the meat trade and at the turn of the century meat industry became the most dynamic element of the export trade. This process was caused by a fall in the export volume of American meat. At that time, the United Kingdom expanded its business interest to Argentina, which became one of the main suppliers of beef. Argentina also supplied mutton and lamb but faced large competitors, such as Uruguay and New Zealand. Developments in farming and transport technologies, improvement of pasture, emphasis on the pedigree and better breeding conditions raised the quality of Argentina’s meat and led to an increase in demand from Great Britain.22

The first Argentine refrigerating plant was built in 1882, called *London River Plate Fresh Meat Company, Ltd.* Its founder was an influential British merchant called George Drabble who immediately linked it to the Argentine market, which gave rise to this lucrative business. In Campana, a province of Buenos Aires, a freezing plant was built that started to export meat to Great Britain just one year later.23

Soon after the establishment of the *London River Plate Fresh Meat Company*, several other “frigoríficos” (companies focused on freezing and export of meat) were founded in Argentina. The vast majority of these were put into operation using British capital. Cooperation with other foreign merchants was also common, as was seen in the example of *La Plata Cold Storage Company*, where British investors with other foreign groups financed the construction of this massive project. On the contrary, investment by the Argentine government to support the nascent foreign companies were limited. For example, the previously mentioned *La Plata Cold Storage Company* was, in the beginning, exempted from paying taxes, which gave it a big advantage over other companies. The technical limitations meant that the first frigoríficos focused on the export of mutton rather than beef and veal. The majority of beef exports ensured shipments of live animals. In 1895, 21.7 million heads of cattle and more than 74 million of sheep were grazed in Argentina. The biggest breeders were concentrated in the province of Buenos Aires.24

Unlike mutton, the trade of frozen or chilled beef rose annually and at the turn of the century became a significant part of government income. In Great Britain, average meat consumption doubled and imports flourished. The export of frozen meat in 1900 to Great Britain was 76,338 tons, and by 1903 it had grown to 131,000 tons. In the same year, the volume of exported beef amounted to 60 tons. This rapid growth was caused by improving and cheapening production and due to the circumstances that

23 HANSON, pp. 50–53.
Argentina utilized. Other countries, where the meat industry was profitable were in crisis. The war in South Africa attracted the quality of meat, and labour troubles in North American cities such as Chicago and New York reduced exports. Moreover, the changes in the global market and the crisis in the wool industry in France discouraged Argentine farmers from sheep breeding and turned to cattle raising. As a result, Argentina became the leading source of frozen and chilled beef for Great Britain.\textsuperscript{25}

The Argentine cattle industry complemented agriculture in many ways. During the 1890s the sown area of wheat and corn doubled and after 1905 there was also a massive development in the cultivation of alfalfa that besides being a source of nutrients for the soil was also the most common feed for cattle. The accessibility of crop areas provided a sophisticated railway network, whose typically annular array ensured the most convenient connections between rural areas and the cities on the coast and the capital, Buenos Aires.\textsuperscript{26}

Foreign investment, generous policy and suitable conditions in nature helped Argentina to orient its economy to the massive export of raw materials. As a result of these and other factors, a large number of European immigrants found jobs and adequate living conditions; those who benefitted most of all were the landowners and the estancieros.

The Estancieros defended their interests through their representatives in the government, financial institutions and railway companies. However, one of the most important institutions that associated large landowners, whose main form of livelihood was cattle breeding, cultivation and leasing land to smaller farmers, was the Argentine Agricultural Association (Sociedad Rural Argentina), founded by one of the largest landowners Jose Martinez de Hoz in Buenos Aires in 1866. Despite low membership, it was a very powerful body associating wealthy landowners.\textsuperscript{27}

They played a key role in the Argentine economy and the Sociedad Rural Argentina was nothing more than an exclusive club that numbered only 237 members in 1872. Among these were Argentinians as well as the descendants of British, German, Spanish and Italian immigrants. Their economic views, identified with the theory of market liberalism, reflected their political decisions and stood behind the massive development of agriculture and livestock. Many members of the community invested in agriculture as well as industry. Sociedad Rural Argentina wanted, through the aforementioned market liberalism, to focus the Argentine economy solely on production with the greatest potential — more precisely corn and meat, and in the case of industrial products rely on imports. However, in order to not jeopardize the property of the members investing in manufacturing, they convinced political leaders that one of the few industries that they should support must be agro-industry. Nevertheless, close links between the political leaders of Argentina and the large landowners was advantageous for the both sides. These

\textsuperscript{25} CRITCHELL — RAYMOND, p. 76; MILLER, p. 151.
links secured long-term gains for the first part and a remarkable economic growth for the rest.\textsuperscript{28}

CONCLUSION

The Argentine capital converted from low productivity wool to higher productivity meat and cereals production, although much of this investment involved the collection of tenants’ rent, not profit. This process would not have happened without the use of a fertile interior. The end of the 19\textsuperscript{th} century was typical for its extensive production in the listed sectors, which enabled large domestic and foreign investment. Despite the rising production levels and declining prices, investment in land for cattle breeding or cultivation of cereals were together with the construction of railways, in terms of future profit, the most advantageous.

Both in livestock and agriculture, the rise in production was driven principally by technological innovation. Other factors, such as the modernisation of cattle production, the increase in sown areas, foreign investment, and a suitable domestic policy played a crucial role in facilitating the expansion in these sectors. Following the development of cattle breeding, there was an improvement in cattle breeding and conservation methods, which assured the production of high-quality chilled meat and its byproducts. In agriculture, the number of immigrants and easily accessible land caused an enormous increase in production within a few years.

Another essential element was the development of transatlantic shipping routes from Argentina to export markets, as well as the increase of a transportation network in Argentina through the waterways and railways. Due to these steps, the movement of cattle from estancias to the meat packing plants and the grain from fertile pampas to the harbours was ensured. Despite the conditions for the export of primary products in Argentina being favorable, the true benefit from it was — due to the short-sighted policy of the government — was only felt by a very small group of investors, landowners, and estancieros. They were able to collaborate with political cliques in different ways and to influence political decisions. Their strength was manifested in agriculture and livestock rearing as well as in other sectors, where particularly with land trade, there was much speculation and fraud. Nevertheless, this strange conformity made early 20\textsuperscript{th} century Argentina an export imperium.

WAYS TO ENRICHMENT IN ARGENTINA, 1880–1900

\textbf{ABSTRACT}

In the late 19\textsuperscript{th} century, Argentina, a country with great economic potential, finally solved most of the political problems that had hampered its development and started to fully exploit its capabilities. Stabilization of the country, along with the willingness of European merchants and banks to invest, was the main reason for the rapid development in the production of raw materials. Grain, meat and

land became the main sources of prosperity during the 1880s as well as the prerequisite for a care-
free government policy. Although Argentina’s disdain during the Baring crisis backfired, its devel-
opment and prosperity at the turn of the century increased once again. This paper researches the
consequences of the development of the Argentine export policy at the turn of the 19th and 20th cen-
turies, its essential characteristics and the most important events that took place during the defined
period that affected Argentine exports.

**KEYWORDS**
Argentina; Land; Cereals; Livestock; 19th Century; Export

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