

A Guide to Sources of Information
on Foreign Investment in Spain
1780-1914

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Foreign Investment in Spain
1780-1914

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Introduction

The purpose of this *Guide* is to provide a better knowledge of archival collections containing records of foreign investment in Spain during the 19th century. Foreign investment is an important area for the study of Spanish economic history and has always attracted a large number of historians from Spain and elsewhere. Many books have already been published, on legal, fiscal and political aspects of foreign investment. The subject has always been a topic for discussion, often passionate, mainly because of its political implications. Some historians consider foreign investment as a vehicle for "colonialism" and others see it as a clear sign of the economic weakness of the recipient country, such as when domestic savings are insufficient to finance government borrowing. However nobody today denies the important role played by foreign capital in developing a number of infrastructures, industries and businesses in Spain, which probably could not have been developed by any other means.

1. Origin of the Guide

The origin of this *Guide* goes back to 1984, when the Committee on Business Archives of the International Council on Archives met in Cologne with its main theme being the relationship between business archives and business history. During the meeting the comment was made that most of the capital invested in Spanish banks and businesses created during the 19th century came from abroad, especially from France and the United Kingdom, and so researchers, wanting to study Spain's economic history of the 19th and 20th centuries, would have to use records located in foreign archives. The Committee decided that it would be useful to compile a guide to sources of information on foreign capital invested in Spain from 1780 to 1914, which would describe the records deposited in financial and business archives in different European countries. The idea of extending this initiative to other countries was also suggested, as similar guides would be useful for countries such as Italy, Portugal or Greece where foreign investment from northern European countries has played a similar role in their economic development.

It was also stressed that as many business archives have been destroyed in Spain for various reasons, in some cases, it would be easier to use British, French or German Archives than to try to find the information in Spain itself.

2. Project development

Information on sources for foreign investment in Spain was initially collected by sending a questionnaire to public and private archives in various European countries. Some 130 letters and questionnaires were sent, and approximately half of them were answered, although only 53 of these replies contained useful information. Not surprisingly, the work of gathering and processing all this data has taken a long time. It is not easy to find information on this subject in an archive, even when it exists. Lengthy research was often required to find it and so it became a daunting task to fill in the questionnaire. The general response of the various foreign institutions was very helpful and, in addition to the archives and archivists mentioned in the acknowledgements, it is necessary to reiterate that without the help of both foreign and Spanish institutions it would not have been possible to accomplish this work.

At the beginning of the project, the Spanish archives appeared problematic because many of them had been destroyed or were not properly organised. However, as the research progressed, the assistance of several Spanish archivists was very rewarding and useful. Although there are not many business archives available in Spain, those which exist keep a significant amount of records on foreign investment, few of which have been widely used as historical sources. These include *Catalana de Gas*, *Banco de España*, the Jerez sherry

wine archives, HUNOSA, *Rio Tinto* and others which up to now have been virtually unknown, such as the *Real Compañía Asturiana de Minas* Archives, which were discovered very recently and are now being catalogued and inventoried.

The archives of the Banco de España are an extremely rich source for foreign investment in Spain. The reason is quite obvious; the Banco de España was the only official bank operating in the country, from its creation in 1782 to 1844, when the Banco de Isabel II and Banco de Barcelona were founded. But even after 1844, when other banks had been created, the Banco de España maintained its supremacy during the whole of the 19th century. Most businesses and companies created in Spain during that period held their current and deposit accounts in this Bank. Customers, when opening such accounts, were required by the Bank to deposit a number of documents, for example, deeds of settlement or minutes of shareholders' meetings in the case of joint-stock companies, statutes or by-laws, letters of procuration, and notifications of any variation such as mergers, absorptions, takeovers or increase or decrease in share capital, etc. All these records, which vary from one company to another, form an independent collection of the Bank's archives called *Archivo del Registro* (the Register of Companies Archive). Similar information can also be found within the records of the Bank's branches from 1874. Records relating to foreign investment can also be found within the rest of the records of the Bank's Archive.

The *Guide* contains information mainly provided by 53 repositories from seven countries; Belgium, France, Germany, Italy, The Netherlands, Spain and United Kingdom, and although other countries and archives are also mentioned in the entries, the information about their sources was gathered from Spanish sources rather than being obtained directly from those countries and archives.

Belgium:

Archives Générales du Royaume, Brussels

Archives Historiques de la Générale de Banque, Société Générale de Belgique, Brussels

Archives de Solvay SA, Brussels

France:

Archives Nationales, Paris

Archives Nationales, Centre des Archives du Monde du Travail, Roubaix

Archives du Ministère de l'Economie, Finances et du Budget, Service des Archives Economiques et Financières (SAEF), Paris

Archives Départementales de l'Ardèche et de l'ancien pays de Vivarais, Privas (Ardèche)

Archives Départementales de l'Aveyron, Rodez

Archives Départementales du Bas-Rhin, Strasbourg

Archives Départementales d'Ille et Vilaine, Rennes

Archives de la Chambre de Commerce, Paris

Archives de la Chambre de Commerce, Bayonne

Archives de la Société des Bourses Françaises, Paris

Archives de la Banque de Paris et des Pays Bas, Paris

Archives Historiques du Crédit Lyonnais, Paris

Archives de Saint Gobain, Paris

Archives de la Compagnie Générale d'Electricité, Paris

Germany:

AEG Firmenarchiv, Frankfurt

Deutsche Bank AG. Historisches Archiv, Frankfurt

Historisches Archiv Fried. Krupp GmbH, Essen

Siemens AG Firmenarchiv, Munich

Thyssen Historisches Archiv, Duisburg

Italy:

Archivio Storico Ansaldo, Genoa
Archivio Storico Banco di Roma, Roma

The Netherlands:

Municipal Archives, Amsterdam

Spain:

Archivo Històrico Provincial de Huelva
Archivo Històrico Provincial de Jañn
Archivo Històrico Provincial de Soria
Archivo de la Diputaciùn Foral de Vizcaya, Bilbao
Archivo Nacional de Cataluàa, Barcelona
Archivo del Banco de Bilbao Vizcaya, Bilbao
Archivo del Banco de Espaàa, Madrid
Archivo de Bodegas González Byass, Jerez (Cédiz)
Archivo de Bodegas Osborne, Jerez (Cédiz)
Archivo de Bodegas Williams & Humbert, Jerez (Cédiz)
Archivo de Catalana de Gas, Barcelona
Archivo de la Compañã Sevillana de Electricidad, Sevilla
Archivo de Cristalerã Espaàola (Group Saint Gobain), Madrid
Archivo de la Fundaciùn Rõo Tinto, Rõo Tinto (Huelva)
Archivo Històrico de Tabacalera Espaàola, Madrid
Archivo Històrico de Tabacalera Espaàola, Sevilla
Archivo de la Hullera Vasco-Leonesa, La Robla (Leùn)
Archivo de HUNOSA, Mieres (Asturias)
Archivo de la Real Compañã Asturiana de Minas, Arnao (Asturias)
Archivo de RENFE, Madrid

United Kingdom:

Glasgow University Archives, Glasgow
Guildhall Library, London
Imperial Chemical Industries HQS Library, London
Ing Barings' Bank Archives, London
Merseyside Maritime Museum, Liverpool
Midland Bank Archives, London
Rothschild Archives, London
RTZ Corporation PLC, London

The result of research in these 53 public and private repositories is a list of 553 businesses which were created with either foreign capital or foreign resources, either human or technological, and for which archival records have been found. The *Guide* describes the businesses, individual investors, partnerships or companies, based in Spain or abroad, which operated in the country from the last part of the 18th century to the beginning of the 20th century. This was one of the two ways that foreign investment was channelled into Spain, the other one being through public debt by its various manifestations, the financing of government deficit, public borrowing, municipal borrowing, etc. Two more entries, therefore, complete the *Guide*, one is "Public Debt" and the other one is "Foreign Trade" which appear within the alphabetical listing, which give a total of 555 entries.

The information within the *Guide* was standardised as far as possible, but the responses to the questionnaire varied in description and detail, and the type of records described also varied greatly.

3. The role played by foreign investment in Spain

The 19th century in Spain has always been considered the period in which foreign investment was indispensable. Generally speaking, historians who have dealt with this matter agree that the Spanish economy was backward in the 19th century and, as a result, capital for industrial investment was scarce. According to Professor Albert Broder this was due to a lack of resources and to the fact that Spanish Crown was involved in a long series of wars, both inside and outside the country, and Spaniards had little time to pay attention to the development of their own resources. The loss of the colonial empire is another decisive factor for Broder¹. On the other hand, Prof. Christopher Platt has pointed out that although Spain was a rich country in regards to some of the elements considered as national wealth, as a whole its resources were insufficient. He also argued that bad government was an endemic problem, pointing out that "from 1834 to 1868, during the minority and reign of Isabella II, Spain had seventy-four ministers of Finance, whose budgets were arranged generally to suit political objects of the moment. Between 1868 -when Queen Isabella was exiled- and 1915, there were fifty-eight governments of Spain, eighty-three ministers of Finance and eighty-five ministers of *Fomento* (economic development). Predictably the result was administrative chaos"². On the whole Platt's opinion is that foreign investment in Spain has been overestimated, although it must be stressed that he was mainly referring to public debt and railways, where he estimated that probably more than 40% of the capital invested in railways was domestic.

Among the Spanish authors Prof. Jordi Nadal considered that Spanish governments had to call on foreign financial help, because of the critical situation in which the Spanish Treasury found itself, after the continuous wars, in the middle of the 19th century³. According to Prof. Pedro Tedde and referring mainly to the financing of the railway system, around 60% of the capital invested came from abroad. Tedde's figures differ somehow from Prof. Platt's data, but, in fact, the discrepancy may not be that great, since both estimate domestic and foreign investment to be around one half⁴. On the other hand, Prof. Gabriel Tortella has outlined the lack of entrepreneurial initiative among the Spaniards⁵. All these theories are right in one way or another, since the fact is that Spain was in such a state of economic stagnation and had such a shortage of domestic capital that it would have been very difficult to get out of this situation without foreign investment. This also happened, for similar reasons, in other Mediterranean countries which attracted foreign capital. There are numerous examples of external capital requirements in mining and banking during the 16th and 17th centuries, such as the "bankers of King Charles V", the well-known German Fugger family who provided financial support to the Spanish monarchs and received the monopoly of the Almad n mercury mines. This was, in fact, a precedent of the concession granted, two centuries later, to the Rothschilds on the same mines. Other examples include the Italian bankers Grimaldis and Dorias. Foreign finance has always played an important role in the Spanish economic history.

The reasons for the covering dates (1780-1914) for this *Guide* are that Spain began borrowing abroad heavily around 1780 to defray unprecedented military expenditures caused by foreign wars (assisting the American revolution, the Napoleonic wars, etc.). This was the period when the Banco de San Carlos, the first national bank of Spain, was founded. Its establishment was very closely connected with the issue of public debt and it was created with a large proportion of French capital and, to a lesser extent, of capital from

¹ Broder (1981) Introduction g n rale, pp. I-XIV

² Platt (1984), pp. 106-107

³ Nadal (1975, reimp. 1980) p. 31

⁴ Tedde (1978), "Las compa as ferroviarias en Espa a". Artola (ed), II, pp. 38-43

⁵ Tortella (1994, 1995), pp. 179-193

other countries. 1914 was taken as the end date as with the outbreak of the First World War a new era began, and immediately after the war the general trend was to nationalise foreign firms in Spain in order, it was said by Spanish authorities, to strengthen and protect the Spanish economy. After 1914 the relative weight of foreign capital in the Spanish economy declined.

Shortage of capital was not the only reason for the flowing of foreign capital into Spain. In some cases, it can be observed that it was more due to a lack of initiative and technology than a lack of capital. This seems to have been the case, for instance, with the installation of gas for lighting in Barcelona and other cities in the middle of the 19th century, which was carried out by the French promoter Charles Lebon. He did not bring much capital obtaining most of the necessary capital from Spanish, mainly Catalan, bankers, but he did bring the technology and the human resources, required to carry out the scheme. This is a first particularly interesting example, because Charles Lebon initiated his venture into business in Barcelona in 1841, subsequently creating his French firm in Paris in 1847. This is just one example of an almost exclusively technological import, but there are many others, especially in the private sector. These include: *Pickman SA, F brica de Loza en "La Cartuja de Sevilla"* (est. 1810 in Sevilla); *Canalizaci n del Ebro* (est. 1852); *Aurrer  SA*, a blast furnace company established in 1885 in Bilbao in which technology was imported mainly from France; *La Encartada*, a woollen manufacturing company, specialising in berets and blankets, established in 1892 in Bilbao which used mainly British technology; *G n rale des Verreries Espagnoles*, a glass manufacturing company, which was created in 1900 in Brussels with a large part of Spanish capital, but which imported technology and human resources from Belgium and France; or *La Hispano-Suiza* an automobile business established in 1904 in Barcelona with Catalan capital and Swiss technology. The construction of the whole railway network, is another example, although heavy capital imports were also involved. Spanish capitalists, as Platt pointed out, did invest in a number of important railways such as those from Alar del Rey-Santander, Langreo, Bilbao-Tudela, Barcelona-Tarragona, Tarragona-Valencia-Almansa, Barcelona-Zaragoza or Barcelona-Gerona and many others, but technology and human resources, engineers and executive personnel, were foreign, mainly French, but also British, German and Belgian. In the public sector, other observations can also be made. Christopher Platt, for instance, has argued that mismanagement and indecision were probably more serious problems than shortage of domestic capital⁶. Mismanagement resulted in weakness when negotiating concessions and leases, since in many cases the obligations incurred by Spanish politicians were not honoured. This generated mistrust among foreign investors and so the bonds issued by the Spanish governments were rejected on several occasions during the second half of the 19th century on the London, Paris and Amsterdam Stock Exchanges.

Most historians agree that it is difficult to estimate the quantity of capital invested or to understand the function of foreign finance in the development of the Spanish economy. Albert Broder and Juan Sard  have both made estimates of capital imports in 19th century Spain. Juan Sard  estimated that the total amount of private investments in Spain during the period between 1850 and 1914 was approximately, 3,500 million pesetas⁷. Broder⁸ calculated that in the same period, foreign capital coming into Spain, excluding the Public Debt, was 3,265 million francs⁹. Although foreign investments comprise a huge variety of areas and activities, it has traditionally been said that the most important private contribution came from French financiers, and that railways were their main point of

⁶ Platt (1984), pp. 120-122

⁷ Sard  (1948), pp. 273-275

⁸ Broder (1976), p. 60; in his doctorate thesis presented in 1981, he slightly reduced this amount down to FF 2,859 million in "round figures". p. 1922

⁹ The franc and the peseta were approximately similar in value at that time

interest. Most historians also agree that until 1850 the bulk of foreign capital invested in Spain was directed to the financing of the government deficit, while investment in private initiatives was developed between 1850 and 1890. The sectors which attracted most foreign investment were firstly, public debt; secondly, railways and mining, mainly financed by France and the UK between 1850 and 1890; and thirdly banking, electricity and water supply, public works in general, and the chemical industry which developed later.

France is said to have been the leading investor in railways and banking, while the UK mainly invested in mining, although British capitalists also built short-line railways and tramways. Belgium also invested in mining and tramways and, as the 19th century drew to an end, German finance played an important role in developing electricity, tramways and the chemical industry. These were the main areas of activity in which the different investor countries were interested, as these were the most relevant for their own industrial development. This is one of the reasons why it has traditionally been said that this kind of investment did not bring much benefit for Spain.

The research undertaken for this *Guide* in the archives of the Banco de España and in the others mentioned above demonstrates that almost every single area of Spanish economic activity, except agriculture, was developed by foreign investors during the 19th century. Although the Catalan textile industry was mostly locally financed, close attention to the available data reveals that it employed foreign machinery, human resources, and even financial capital to a larger extent than has been formerly assumed. In some cases foreign investment is very clear, such as *Fabra y Coats*, and *Nuevas Hilaturas del Ter*, which were founded with an important percentage of British, mainly Scottish, capital; *Lanera Barcelonesa* with Belgian capital, and some others, but these are mainly exceptions in this business activity. Railways, mining and banking are the best known because that is where the bulk of the capital was invested. However, there are many other branches of Spanish industrial activity which were developed, not only with foreign capital but also with foreign human resources. This is the case for the automobile, coal, cork, gas and water supply, glass, insurance, pottery, shipping, telegraph, telephone, timber, tobacco and wine production industries, not to mention the manufacturing parts suppliers such as *Sociedad Española de Material Ferroviario* (Railway parts supplier company), or *Sociedad Franco Española de Trefilería, Cables y Tranvías Aéreos* (French-Spanish company for wire-drawing and cable manufacturing for tramways). Quite a large number of these equipment companies were set up in Spain during this period and most of them were owned by foreign investors. The number of engineering and public works, as well as trading and banking companies, which were financed with foreign capital in Spain during this period, should be stressed, as well as the high number of companies operating as commission agents and representatives. The latter were probably formed to overcome communication difficulties and the fact that it was far from easy to get in touch with the Spanish administration. These representatives and commission agents established themselves in Spain precisely because they needed to be close to the offices of the public administration. In many cases they acted as representatives not just for one company, but for many, some of them becoming independent and even creating their own industrial firm, *Vogel y Matas* (est. 1911 in Barcelona), an electrical and machinery equipment business is such an example.

4. The legal framework

The legal framework, under which the companies channelling foreign investment into Spain came into existence, was mainly formed by seven different acts passed by the Spanish Parliament between 1848 and 1869. The Companies Act of 1848 regulated the establishment of joint-stock companies, but it was rather restrictive unless the companies were public utilities, banks of issue or public transport companies. The Act was not very encouraging and most of the private businesses created at the time remained as simple partnerships. The new Banks of Issue Act, passed in 1851, was also not considered very

permissive by contemporary literature. The new more progressive government that came to power in 1854 promoted the Railway Act of 1855, and the Banks of Issue and Credit Companies Acts of 1856. These three acts paved the way for offering concessions to railway lines and finance companies, which would bring foreign capital into Spain. The Mining Act of 1859 and a new Companies Act of 1869 completed this framework, although some important foreign mining companies had already been set up, such as the Belgian *Real Compañía Asturiana de Minas* (est. 1833), and the German *Stolberg & Westfalia* (est. 1845).

The different types of business organisations established in Spain have been mainly regulated by the *Código de Comercio* (Commercial Code). This Code dates from 1829 when, as a result, the Mercantile Register was also established in Madrid. The Code was revised and updated in 1885. The Mercantile Register was also revised and updated and the obligation for the companies to be registered was established. There are three types of business organisations, 1. *comerciante individual* (sole trader) a type of business very common in Catalonia and the Basque Country during the 19th century, which does not produce many records and these are normally not preserved after liquidation or bankruptcy; 2. *Compañía o sociedad* (partnership), which may be of three different types: a) *colectiva* (general partnership); b) *comanditaria* (limited partnership) (in the *Guide* entries *Sen C*); c) *sociedad de responsabilidad limitada* (limited liability company). These types of businesses, especially the *comanditaria* or *Sociedad en Comandita*, were very common in Catalonia, but the Catalan industrial limited partnership was often formed for a short period of time of four or eight years. Then the company often was renewed, took new members, appointed a new manager but did not retain many records. 3. *Sociedad anónima* (joint-stock company), which produced more or less the same type of records as similar corporations in other countries, and were regulated by the Commercial Code and by the requirements of the Mercantile Register. These companies and their records have survived more frequently.

There were also a large number of businesses and companies which channelled foreign capital into Spain but which were not set up there, and so were regulated under their own country's legislation. There were at least four types of businesses established: a) *Small or medium-size partnerships established in their country of origin*. This was common for shipping and trading businesses founded in the late 18th century or at the beginning of the 19th century. Records of these firms are sometimes difficult to find, because they were not required by law to preserve them. These include some of the British merchant and shipping agents established in the Canary Islands, such as Elders & Fyffes and Elder Dempster & Co. b) *Joint-stock companies established in their country of origin* whose main purpose was to import raw materials from Spain into their own countries. A number of British mining and railway companies and some French and Belgian mining companies were founded in this way. These firms may have produced records, but most of them, if they still exist, are to be found in their country of origin. c) *Joint-stock companies based in Spain promoted either by Spaniards or by foreigners*, a large part of whose capital was made up by issuing shares and bonds on foreign stock exchanges. This was common for most of the French railway companies. There are normally records, or at least written testimonies, in the stock exchange archives or in the Ministries where the concessions had to be obtained. d) *Joint-stock companies established in the country of origin to operate public works or public utilities such as water, electricity or gas supply*. This was the case for British, French, Belgian and German companies dealing in these fields. Their records are, in general, easier to find because in many cases the companies still exist and their records are preserved in their own premises, although often they do not allow outside researchers. As a general rule, a) and b) type companies belong to the earlier period, the 18th and 19th centuries, whereas c) and especially d) type companies belong to the end of the 19th and beginning of the 20th century.

5. The information provided by the *Guide*

The information offered by this *Guide* was obtained mainly from the original records themselves, in the case of the archives to which access was available, and from the Banco de España Archives. Further details on the history of the businesses were also taken from published works such as the *Almanak Mercantil o Guõa de Comerciantes (1795-1808)* for the businesses of the 18th century and the early 19th century, and *Anuarios de Compañõas Mercantiles* (Almanacs and Year Books of Spanish Businesses), for more recent periods, or in some cases from the history books published by the businesses or companies themselves. The types of records surviving from the 18th and early 19th century mainly consist of shares, shareholders' registers and accounting books. However, from these records the division between individuals, simple investors, and businessmen is not very clear, because at that time business itself was not clearly defined as a separate aspect of people's life, as it is today. For instance, it is difficult to identify some of the French investors in the Banco de San Carlos such as Bottereau, Antoine Bourboulon, Franõois

Pierre Ozene or Michel Tharon, for whom no specific information on their activity has been found. On the other hand, the types of records, listed in the *Guide*, generated by firms operating in more recent periods predominantly consist of settlement deeds, statutes or articles of association, letters of procuration, correspondence, company deed registers, shares and share registers. As a result of this wealth of information, the main data provided by the *Guide* for companies created after 1850, is company name, company foundation date, object, nominal capital and the number of shares into which it was divided, bonds issued (when available), head office, and director's names and the subsequent history of the company where known.

The period covered by the *Guide* can be divided into three sub-periods: 1780-1850 (for the middle of the 19th century has traditionally been considered as a turning point, when economic expansion began in Spain, coinciding with the new and more permissive legislation, which allowed foreign investors to operate more freely); 1851-1881 (it is considered that around this last date the free-trade period initiated in the 19th century Europe, when an international capital market began to take shape); and 1882-1914. The information gathered in the *Guide* shows that in the first period at least 90 foreign firms had been set up in Spain, while 48 foreign firms operated from abroad. In the second period only 52 were established and the number of new firms operating from abroad were 32, but these figures rose to 233 and 98 respectively in the third period. The data also show that of the total number of foreign firms operating in Spain from 1780 to 1914, 42% were French, 24% British, 11.4% German, 8% Belgian and 2.9% were Swiss. (see Table 1).