



# Agents, Brokerage and Argentinian Railways 1880-1905

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# The Global Importance of Railways

- 36 percent of British FDI was in sovereign securities on the London Stock Exchange, whereas 32 percent was in railway securities from 1865-1914 (Stone, 1999).
- Railways, among the first enterprises to access large-scale external finance.
- Railway securities also held similar importance on other global stock exchanges forming a share of
  - 38 % on Paris Stock Exchange (1913) (Esteves, 2011)
  - 14 % on Berlin Stock Exchange in 1913 (Moore, 2012)

# Major Recipients of British Overseas Investment

Major Recipients of British overseas investment-Railways: Total, 1865-1914 (capital called in £000)

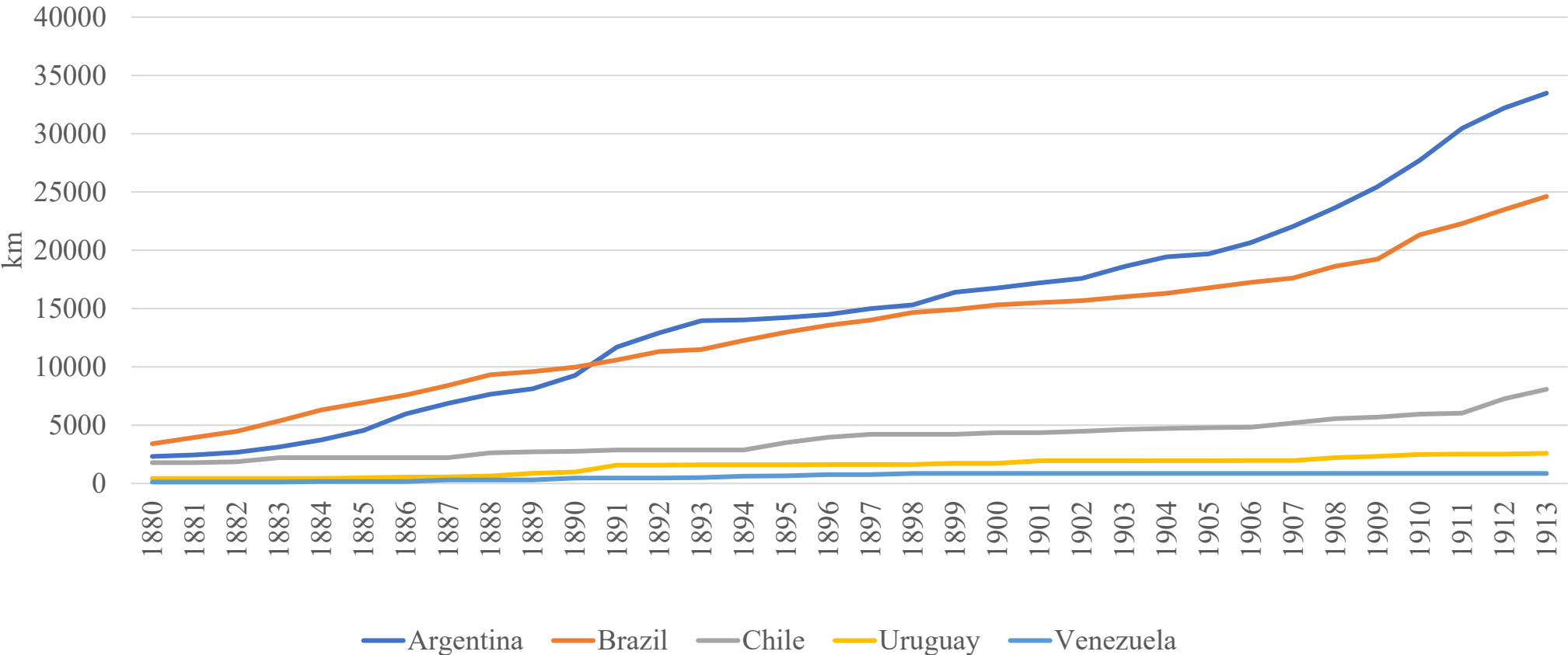
	1865-9	1870-4	1875-9	1880-4	1885-9	1890-4	1895-9	1900-4	1905-9	1910-14	1865-1914
<b>1</b>	India	USA	USA	USA	USA	USA	USA	USA	USA	USA	USA
<b>2</b>	USA	India	India	India	Argentina	Argentina	India	Argentina	Argentina	Canada	Argentina
<b>3</b>	Russia	Canada	Canada	Brazil	India	Canada	Argentina	Canada	Canada	Argentina	Canada
<b>4</b>	Mexico	Uruguay	Brazil	Argentina	Canada	India	Rhodesia	India	India	Brazil	India
<b>5</b>	Austria-Hungary	Russia	Argentina	Canada	Brazil	Brazil	Brazil	Rhodesia	Mexico	Russia	Brazil
<b>Total</b>	51420	91843	29817	102718	159416	99309	78632	120585	237284	322981	1294005

Source: Stone (1999), page 366

# Railways and Underwriters

- Railways were characterised as highly capital-intensive, exhibited high asset specificity and required large up-front investments.
- Due to the characteristic nature of the industry, capital-poor nations with shallow domestic capital markets primarily relied on foreign financing for building those mega infrastructures of those times.
- In this regard, underwriters played a crucial role to distribute new securities, participate in activities related to the pricing and selling of new securities, and to give advice to both issuers and investors

# Railway Network in South America



Growth in Railway Networks					
	Argentina	Brazil	Chile	Uruguay	Venezuela
1880-90	300.09	193.50	54.59	128.07	301.77
1891-1900	43.31	44.63	51.81	10.40	88.99
1901-13	94.64	58.74	85.35	32.51	0.00



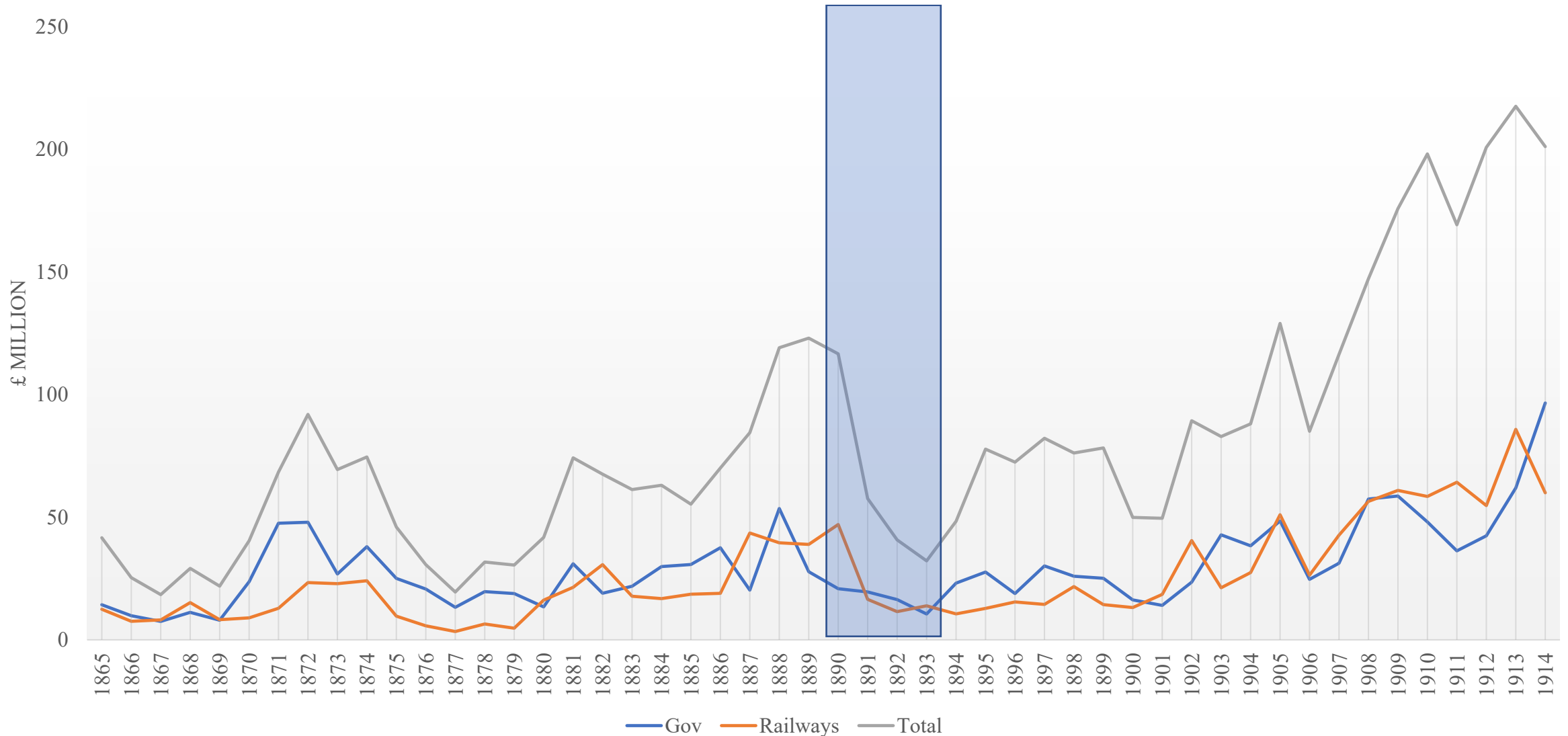
# Barings and Railways

Underwriter	Country	Railway	Guaranteed
Barings	Russia	Grand Russian Railway Company	Yes. Guarantee of revenue to meet interest obligations
		Jeletz-Orel Railway	Yes.
		Koursk-Kiew Railway Shares	Yes.
		Moscow-Jaroslow Railway	Yes. The loan possesses the absolute guarantee of Russian government.
	Argentina	Argentine Railway Loan	Yes. Federal government guarantee of minimum revenue.
		Western Railway of Santa Fe	Yes. Provincial government interest guarantee of 7%
		Western Railway of Buenos Aires	Yes. Provincial government interest guarantee of 5%.
	El Salvador	Salvador Railway Construction Company	Yes. Government guarantee of 12% per annum.
	Canada	Canadian Pacific Railway	
		Atlantic & North West Railway Company	Yes. 5% Guaranteed by Government of Canada and the Canadian Pacific.
	India	Bengal and North Western	Yes. 4% Interest guarantee.
		Southern Maharatta	Yes. 4% Interest guarantee.
		Bengal Central Railway	Yes. 4% Interest guarantee.

# Barings and Argentina

- Foreign investment in Argentina between 1885 and 1890 rose from £45,000,000 at the end of 1885 to £150,000,000 in 1890.
- Between 1885-90, Barings promoted investments with a face value close to £20,000,000, a huge increase on anything seen in the past and an enormous proportionate rise in their total investment activity (Ford, 1956)
- Argentina defaulted on nearly £48 million of debt in 1890, constituting 60 percent of the world's defaulted debt in the 1890s.

# Britain's Capital Exports 1870-1914



Stone, I. (2016). *The global export of British Capital: A statistical survey*. Springer.



# Research Question

This makes it interesting to study how Baring's investments in Argentina evolved over time. How was their massive business empire supported?

This study addresses three research questions:

- 1) How does Baring's business empire change pre-crisis and post-crisis of 1890?
- 2) How did brokerage change over time?
- 3) What role does the environment play in shaping the network over time?

# Contribution

This paper makes two important contributions:

First, it highlights the role of invisible actors in the form of agents, in providing information flows and influencing investment strategies to build Baring's business empire

Second, the study illustrates a historical case study of brokerage as a dynamic process which is shaped and in turn shapes the network.

# Brokerage

- Theoretically, brokerage is one of a small number of mechanisms by which disconnected or isolated individuals (or groups) can interact economically, politically, and socially.
- Thus, any brokered exchange can be thought of as a relation involving three actors, two of whom are the actual parties to the transaction and one of whom is the intermediary or broker.

# Situating in the Literature

Positional significance of network actors (building on Burt, 1992)

Combined with brokerage theory (Gould & Fernandez, 1989)

Roles or Typologies of Brokers

Benefits of brokerage (to brokers and to alters)

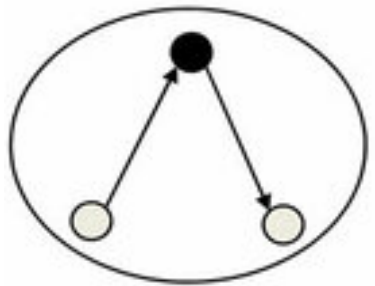
Restrictions to or brought about by brokers (Gulati & Srivastava)

Brokerage decay (Stovel et al., 2011)

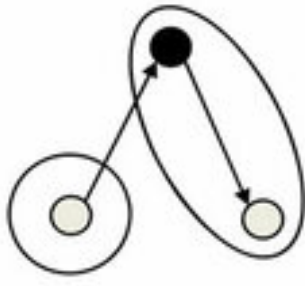
Kwon et al. (2020) focus has been on network structure rather than **‘content of brokerage ties’**- also call for longitudinal approaches with use of archives.

A business history focus on cross-border brokerage/agents/intermediaries (Buchnea, 2020; Aldous, 2017; López-Morell and O’Kean, 2008)

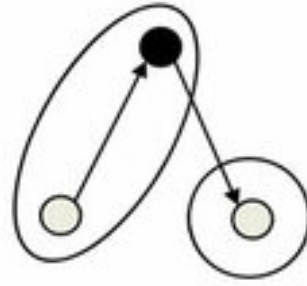
# Brokerage roles



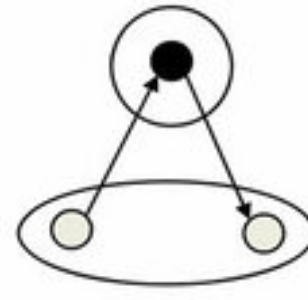
Coordinator



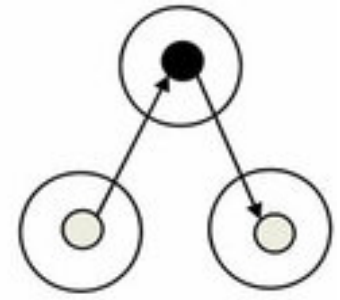
Gatekeeper



Representative



Consultant



Liaison

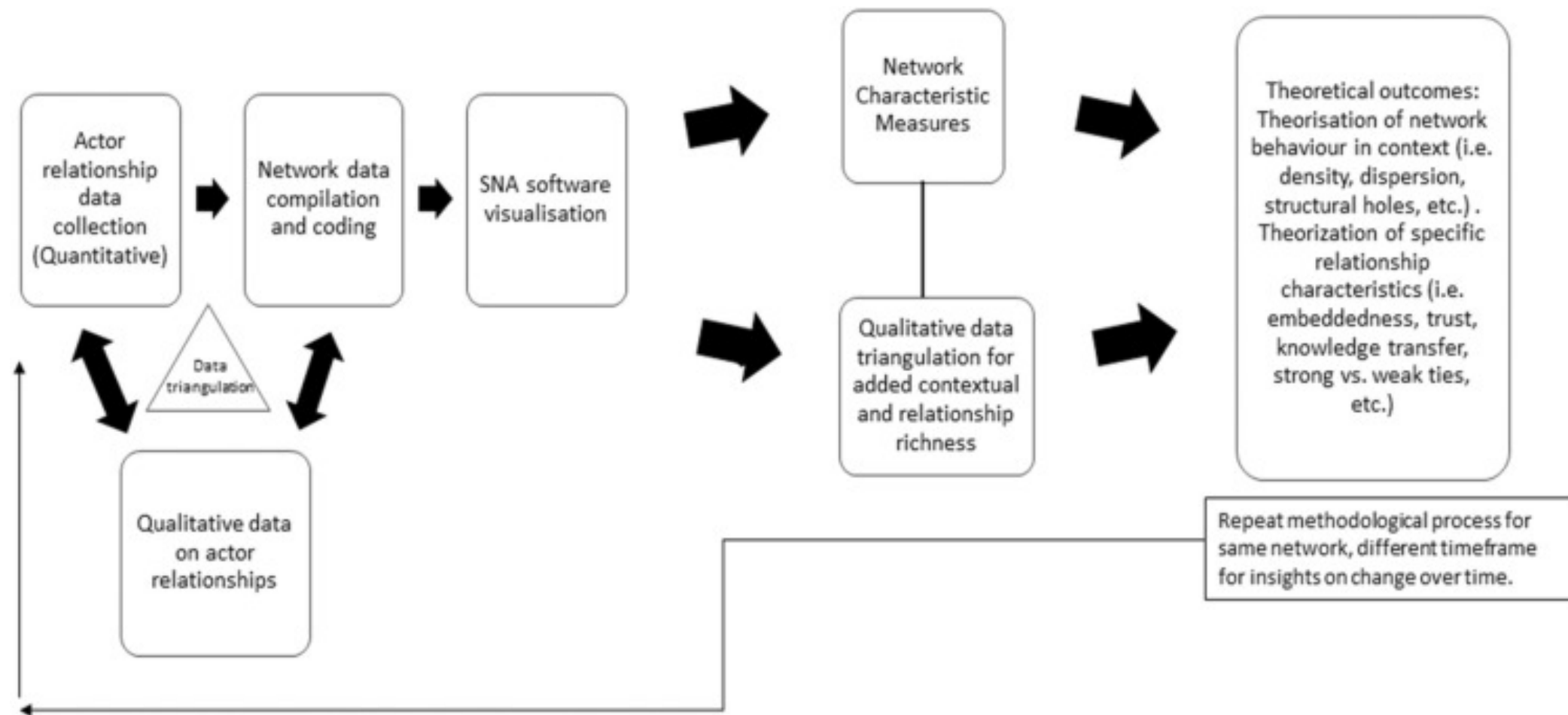
# Meet Baring's Agents

- All these are extracted from HC4/1 (House Correspondence- Argentina)
- Nicolas Bouwer (1876-1890): 1016 letters, 30 telegrams; HC4/1/65
- Arthur Bowden Smith (1890-91): 121 letters, 5 telegrams; HC4/1/117
- Essex Reade (1891-1905): 939 letters, 595 telegrams; HC4/1/124

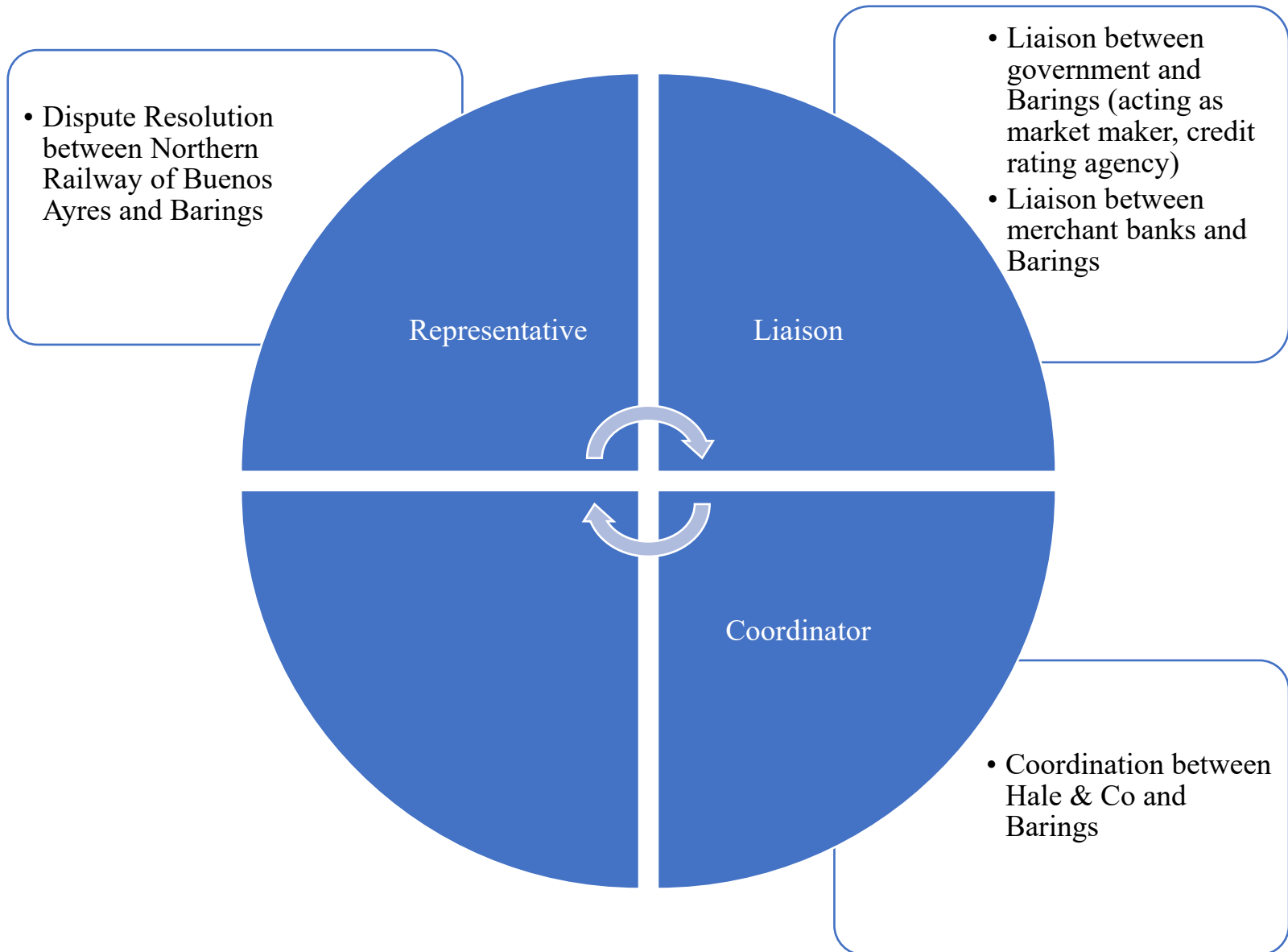




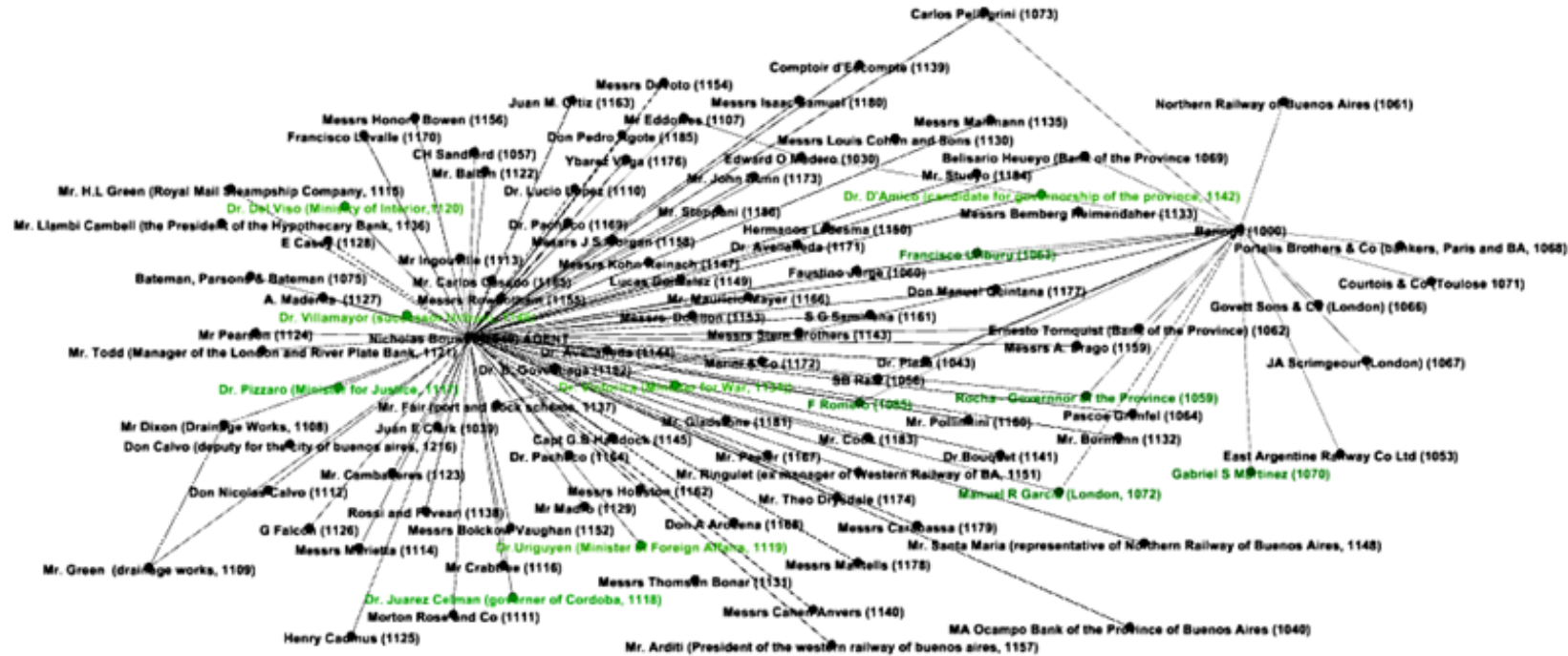
# Methodology



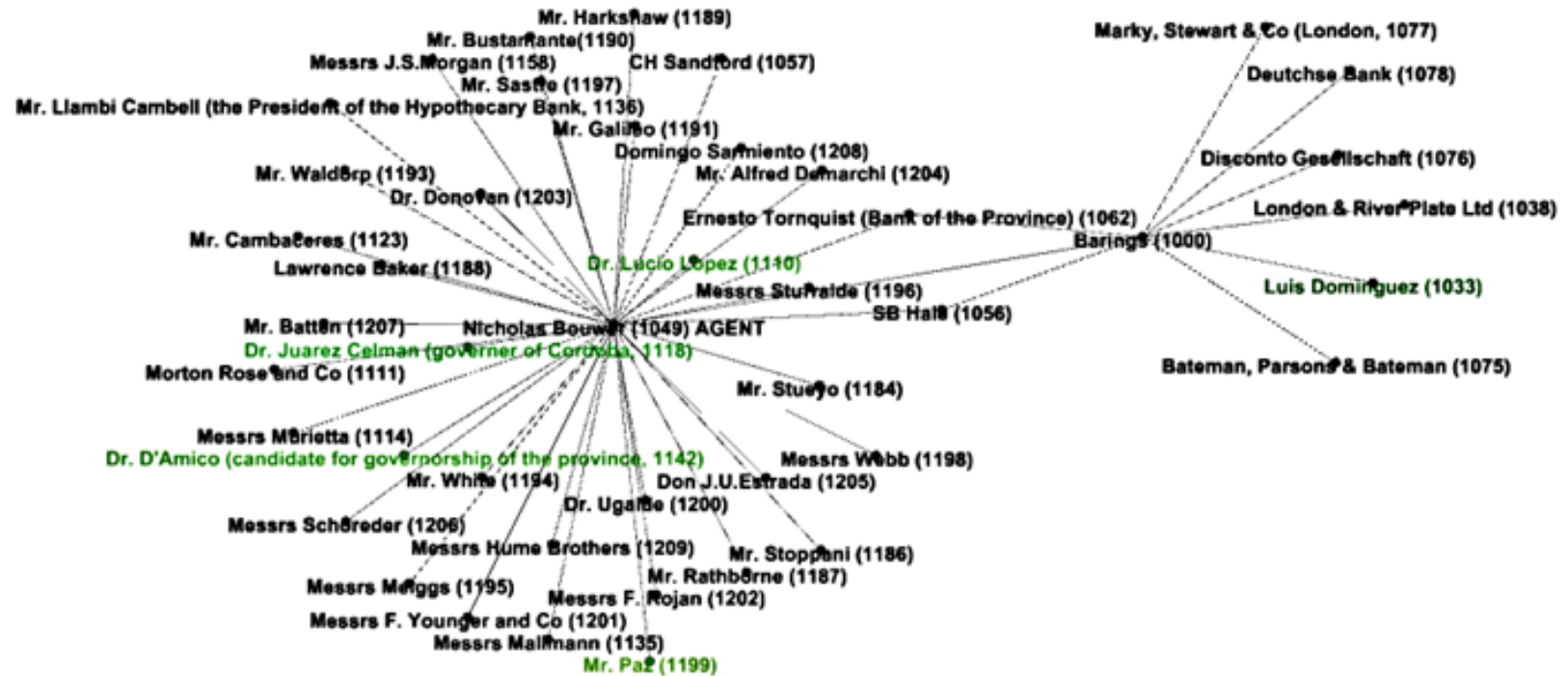
# Brokerage Roles by Nicolas Bouwer (1880-1889)



# Nicolas Bouwer's Network 1881-85



# Nicolas Bouwer's Network 1886-88





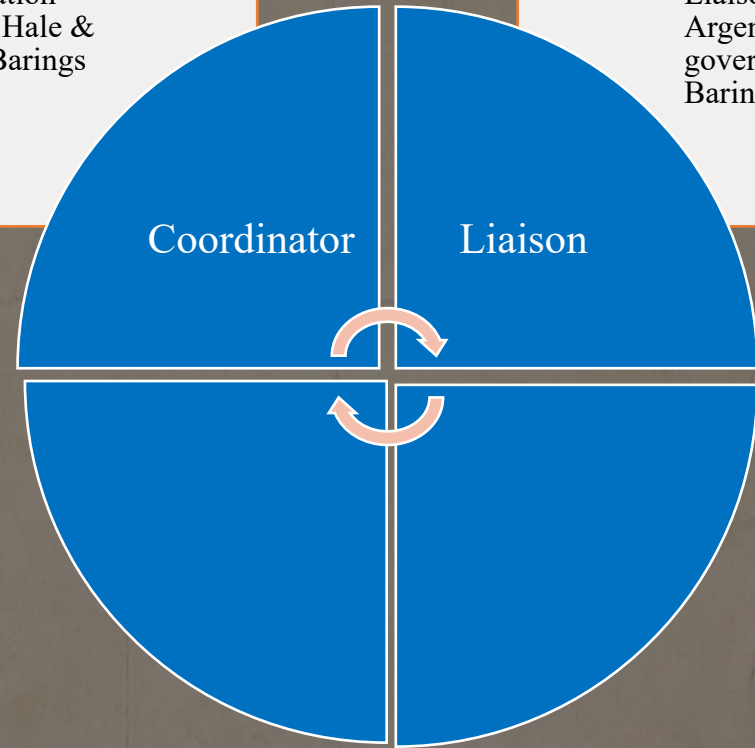
any document, except the original mortgage deed of Curamalan, which I am to deliver to Messrs Samuel B. Hale & Co.

I must apologize for rushing so abruptly out of the room this morning when saying 'Goodbye' but I felt that I was breaking down, which might have been unpleasant for all parties.

your obedient servant  
A. Bowden Smith

- Coordination between Hale & Co and Barings

- Liaison between Argentinian government and Barings



# Brokerage roles by Arthur Bowden Smith (1890-91)

# Brokerage Roles by Essex Reade (1891-98)

- Working to secure a debt restructuring deal that satisfies Barings and the bondholders. Primarily for Western Railway of Santa Fe, Western Railway of Buenos Aires and Central Argentine Railway

Itinerant  
Broker

Liaison

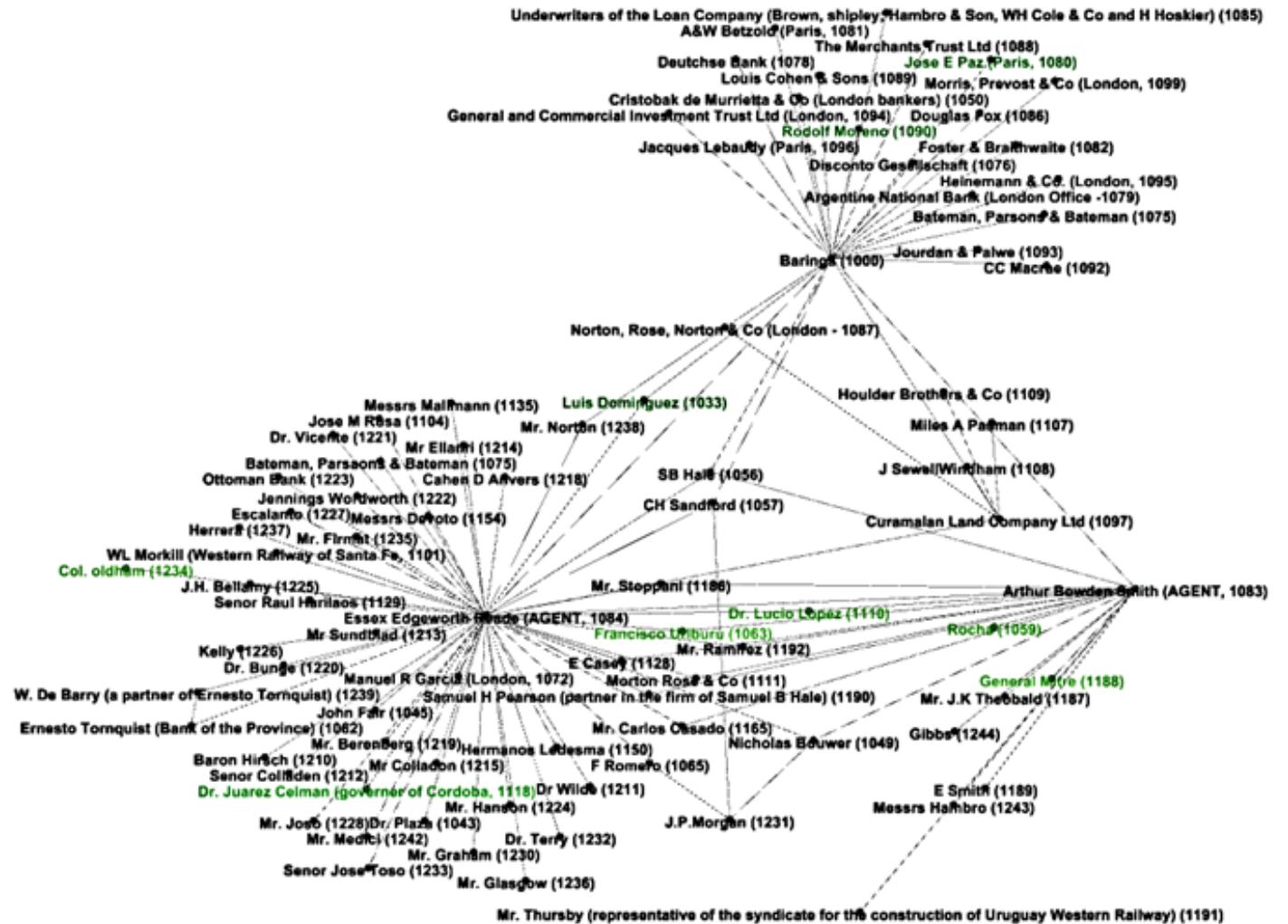
- Liaison between government and Barings
- Liaison between merchant banks and Barings

Coordinator

- Coordination between Hale & Co and Barings



# The Network of Essex Reade 1891-5



# The Network of Essex Reade 1896-98

Government, some railway  
companies, merchant  
banks, land companies



# Discussion

The agents occupied different roles governed by the context, the tasks set to them by alters (Barings and others) and additional ties they built or managed in the network.

Thus, a temporal perspective is essential of capturing this transient actor.

The effectiveness of the agents was largely predicated by the difficulty of the context but also the skill and personality of the agents themselves.

*Revisiting the contributions:*

First, it highlights the role of invisible actors in the form of agents, in providing information flows and influencing investment strategies to build Baring's business empire

Second, the study illustrates a historical case study of brokerage as a dynamic process which is shaped and in turn shapes the network.

# Future Directions

Textual analysis on the correspondence corpus to understand

- Content analysis
- Sentiment and how sentiment impacts individual, firm-level and market-level behavior and performance

# Capital of Various Merchant Banks 1825

TABLE 2  
CAPITAL OF VARIOUS MERCHANT BANKS CIRCA 1825

Bank	Date in London (if applicable)	Capital (million £)	
		1810s	1820s and Beyond
Barings	1763	0.7–1.1 (1815–1816)	0.49
Rothschilds	1805	1.8	4.37
Nathan (London)	1805	0.75 (1818)	1.14 (1828)
Amschel (Frankfort)	Frankfort	0.70 (1818)	0.8 (1828)
Salomon (Vienna)	Vienna	n.a.	0.8 (1828)
Carl (Naples)	Naples	n.a.	0.8 (1828)
James (Paris)	Paris	0.35 (1818)	0.8 (1828)
Frederick Huth & Co.	1808	n.a.	0.3 (1845)
Antony Gibbs & Sons	1808		
Brown, Shipley & Co.	1810	0.12 (1815–1816)	0.35 (1825–1830)
Frühling and Goschen	1814	n.a.	0.04 (1830)
Glynn, Mills, and Co.	1753	n.a.	n.a.
B. A. Goldschmidt	n.a.	n.a.	0.22 (1826)
J. Henry Shröder & Co.	1818	n.a.	0.26 (1852)
Liverpool Shröder firm	n.a.	n.a.	0.05 (1839)
Lizardi and Co.	n.a.	n.a.	n.a.
Wilson and Co.	n.a.	n.a.	n.a.
Reid, Irving and Co.	n.a.	n.a.	n.a.
Fletcher, Alexander and Co.	n.a.	n.a.	n.a.

*Sources:* Barings: Ziegler, *Sixth Great Power*; Rothschilds: 1810s (Ferguson, *World's Banker*, p. 1039), and 1828: Gille, *Rothschild*, vol. I, p. 165; F. Huth: Chapman, *Merchant Banking*, p. 40; Gibbs and Sons; Guildhall Library (MSS 11021-96, 11107-40, 11467-74, 16869-904, 19862-89); B.A. Goldschmidt: from total liabilities at failure date (Gille, *Rothschild*, vol. I, p. 159), assuming capital asset ratio similar to Rothschilds. Shröder: Roberts, *Shroders*, p. 39 for Liverpool, and p. 527 for London—the two houses were independent from one another.