

THE COUSIÑO-GOYENECHEA FAMILY (1810-1940): RISE AND FALL OF A CHILEAN FAMILY BUSINESS*

LA FAMILIA COUSIÑO-GOYENECHEA, 1810-1940:
AUGE Y CAÍDA DE UN NEGOCIO FAMILIAR CHILENO

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ABSTRACT

This article makes a contribution to the study of family groups in developing economies by analysing the case of the Cousiño-Goyenechea business, one of the most important business groups in nineteenth-century Chile. We provide new evidence of how the Cousiño's original fortune was built, and how after being highly concentrated in copper and silver mining, the family business successfully diversified and integrated vertically through two generations, thus becoming the second most important economic group in the country by the end of the 19th century. This was the result of risky business decisions, particularly after deciding to enter coal mining under much uncertainty, modernising this industry, as well as expanding into copper refining, brick and glass manufacturing, hydroelectric power plants, and wine production. However, their success was also due to a clever strategy of capital increase by creating corporations linked to the group.

Keywords: Cousiño, Goyenechea, Chile, developing economies, family business.

* This article received funding from Proyectos Basales and the Fondecyt Regular, project 1150161. We are very grateful to Katharine Wilson for polishing this paper.

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RESUMEN

Este artículo hace una contribución al estudio de empresas familiares en economías en desarrollo analizando el caso de la empresa familiar Cousiño-Goyenechea, uno de los grupos económicos más importantes de Chile en el siglo XIX. Presentamos nueva evidencia sobre cómo se construyó la fortuna inicial de los Cousiño, y de cómo, después de haber estado altamente concentrada en cobre y plata, el negocio familiar se diversificó de manera exitosa, además de integrarse verticalmente a través de dos generaciones, deviniendo así en el segundo grupo económico más importante del país a fines del siglo XIX. Esto fue resultado de decisiones de negocio arriesgadas, sobre todo el decidir ingresar a la minería del carbón bajo gran incertidumbre, modernizando la industria, expandiéndose a otras actividades como refinado de cobre, producción de ladrillos y vidrios, plantas hidroeléctricas, producción de vinos, etc. Pero el éxito del grupo también se debió a una inteligente estrategia de incrementos de capital al crear sociedades anónimas vinculadas al grupo.

Palabras clave: Cousiño, Goyenechea, Chile, economías en desarrollo, negocios familiares.

Recibido: 26.07.17. Aceptado: 03.09.17.

INTRODUCTION

THE EMERGENCE of family business groups in Latin American countries after independence from Spain has been well documented by business historians (Fernández & Colli, 2013; Barbero, 2011). Many business groups have been quite dominant from early independence times, being, in turn, controlled by selected families (Lefort, 2010; Fernández & Lluch, 2015), thus being considered as big family businesses. Indeed, family firms were, and still are, the predominant business organization in Latin America (Lansberg & Perrow 1991; Fernández & Lluch 2015). We now have a good understanding of their *modus operandi*, but some countries and periods have not been well covered and many areas of research still call for clarification. For example, the first half of the nineteenth century is a rather neglected period, as well as the origins of some fortunes, the links between these early business groups and the recently created states, or their role as innovators.

In Chile, economic activity has been largely dominated by a few business groups (Lefort 2010). For the nineteenth century in particular, Nazer (2017, 2002, 1994) has covered well the Edwards, Errázuriz, and Urmeneta families, while Martínez (2015) and Lefort (2010) have produced summaries of Chilean of business groups in the long run. Despite the importance

of these studies, Chile is a country for which far more research is needed, in particular for the first three-quarters of the nineteenth century. Indeed, Martínez (2015) has recognized the difficulty to gather primary information on big Chilean family businesses for the nineteenth century as a whole.

By focusing in a rather unexplored (from a business history approach), but prominent early business group in Chilean history, the Cousiño-Goyenechea, the aim of this article is to contribute to our understanding of how and why key strategic business decisions were taken by family firms in emerging countries under uncertainty, how early modern entrepreneurs identified new profitable opportunities and, linked to this, how the nature and extent of the business changed over time. We also want to assess the links between this group and the state, and show in details the adaptability, re-invention and flexibility of the Cousiño-Goyenechea for over half a century.

The Cousiño-Goyenechea were not any nineteenth century family business; in the 1882 ranking of the wealthiest families in Chile they ranked second, investing in many sectors of the economy, such as coal¹ production, copper smelting, silver mining, steamships, docks, brick and glass factories, railways, forestry, rural estates, urban properties, insurance companies, banks, salmon production, vineyards and modern wineries, thus becoming a complex family business system, with a multi-business structure. In many of these sectors this family was a truly pioneer, many of which are still important after 200 years: the composition of Chilean exports have not changed that much since Cousiño-Goyenechea's times. Thus, this business group, exploited natural resources, but also participated in many other sectors of the economy.

The main primary sources used in this article are the Real Estate Registry (CBR hereafter), and mining registers, stored in the National Archives of Chile (ANCH hereafter). They contain useful information such as registered properties for most our period of study. We also obtained sale/buying contracts, lending contracts, renting contracts, effective possessions, wills, awarding of inheritances, amongst many others, related to the Cousiño-Goyenechea family. We also got references annotated on the side of the CBR records, which we later on found in the notarial and judicial records (ANCH-NR and ANCH-JR, hereafter), also available in the National Ar-

¹ The coal sector has been well researched by economic historians, but not from a business history approach. Ortega, 1982, 1992; Vicuña-Mackenna, 1883; Figueroa & Sandoval, 1987; Figueroa, 1897, amongst others.

chives. And indeed, we found a wealth of documents that allowed us to establish the evolution of the family's assets. Finally, we consulted contemporary accounts and relevant secondary references.

This article is structured in two other sections. Section two covers the period c. 1830-1863, focussing on Matías Cousiño's activities, the founder of this family business, where we establish how the initial family fortune was built. The third section engages with Luis Cousiño (Matías' son) and Isidora Goyenechea (Matías stepdaughter and wife of his son Luis) economic activities after the death of Matías Cousiño, showing how this complex family business grew and evolved.

THE ORIGINS OF THE FAMILY FORTUNE: MATÍAS COUSIÑO JORQUERA

From the 1830s, the Chilean economy experienced an interesting process of economic growth, in a period where the main exports of the country were silver and copper, but also coal, and agricultural products such as wheat and flour (Llorca-Jaña & Navarrete-Montalvo, 2017). From the 1850s there was also some industrialisation in some sectors of the economy, as well as transport improvements and the development of the financial sector (Ortega, 2005). This 'new' independent economy triggered the emergence of a what has been called a new economic elite (Nazer, 2002). One of the members of this elite was the Cousiño-Goyenechea family, which made their fortunes in mining and industry, but with investments in most sectors of the economy. And indeed, Chilean business groups had two origins: those coming from the old landed colonial aristocracy, and those of more 'recent vintage': either immigrants from Europe or outsiders' skilful individuals (Lansberg & Perrow, 1991). The Cousiño-Goyenechea can be classified within the second group: the two founders of the group were marginal players by the early 1830s.

The first patriarch of this clan was Matías Cousiño (1810-1863), born in Santiago within a merchants' family of Galician origins. But Matías' childhood was not easy: his family was impoverished with the Independence wars (c.1810-1826), and Matías was forced to work in Valparaiso's mail service being quite young. But this did not last for long: his entrepreneurship led him to start a business as trader. Not coming from an aristocratic family, he had a mountain to climb. As we shall see, his economic success was down to clever business decisions, but also to Matías' ability to gain access' to other people's fortune.

In the family side, he married Loreto Squella, daughter of a little known Spanish merchant, having only one son after seven years of marriage, born in 1835 (Luis Cousiño Squella, 1835-1873). But what was expected to be a happy moment became a dreadful one: Loreto died following complications during labor (Gaete, 2003). A heartbroken Matías, troublesome by the poor state of his mercantile activities, decided to leave Valparaíso and moved to the south of the country, to the province of Colchagua. There, he engaged in the buying and selling of cattle in small scale, a modest business indeed. Pérez Rosales (1943), a famous Chilean entrepreneur, colonizer agent y diplomat, left one of the few pieces of evidence for Cousiño's activities during this period. Once, and without knowing Cousiño, Pérez Rosales bought him some cattle during the early 1830s, a transaction he registered in a famous memoir, showing Cousiño as a minor dealer. Yet again, luck was not on his side, and poor business decisions meant the end of this business. Circa 1837 Matías decided to move to the north of the country, to Copiapó, where a mining fever was on its way after some important silver discoveries. The move to the north of the country meant that Matías had to become employee once again, now in his late 20s, this time working for the mining entrepreneur Ramón Goyenechea (1793-1840)², and for another, far more important, local entrepreneur (Ramón's brother in law), Miguel Gallo Vergara (1793-1853)³. Gallo and Goyenechea were the co-owners of "*Descubridora*", a silver mine in Chañarcillo, the largest in the country's history. Ramón in particular was not exactly a 'new rich', but he certainly was not a member of the economic elite of the country prior to 1832⁴. Rather, he was one of those lucky miners who enriched quickly, and this thanks to his brother in law's favour. Indeed, Gallo Vergara, happily sold to Ramón, married to his sister, and in favourable terms, a quarter of his participation in Chañarcillo. Soon, Ramón Goyenechea became one of the richest man in Chile.

² The mining register of Chile contains copper and silver mines registered by Ramón Goyenechea from 1826. For some examples, see ANCH, Copiapó, 1826, ARNAD-N-COP-V023; Copiapó, 1829, ARNAD-N-COP-V023.

³ Gallo Vergara was the most prominent miner of Copiapó, being credited as one of the discoverers of Chañarcillo. Gallo and Goyenechea had many other registered veins, to exploit both copper and silver mines. For some examples, see the mining register of Chile, ANCH, Copiapó, 1832, ARNAD-N-COP-V173.

⁴ Within Copiapó he certainly was an important entrepreneur, while also occupying important political positions. Sayago 1874. That said, Copiapó, before 1832, was rather unimportant for the Chilean economy.

In any case, Matías made the most of this experience, and soon became the manager of all mines owned by Goyenechea and Gallo, enjoying an increasing trust from his employers. It is believed that Matías gained valuable experience, which led him to start afresh a new business on his own, during the late 1830s (Illanes, 1992; Mazzei, 1998). And indeed, within the official mining registry of Chile, we found ten *manifestaciones* (claims) made by Matías Cousiño between 1837 and 1840, to register silver veins as his own⁵, the usual custom in Chile, according to the mining legislation. For instance, during these years Cousiño arrived to the offices of the mining register *denunciando*, that is, inscribing several silver veins, including those called *El Carmen*, *Bolaguito* (which he retained until his death), and *San Francisco*. But Cousiño also inscribed some abandoned silver mines, such as that previously owned by Santos Mardones in Pajonales, and another one owned by Juan Rodríguez and José Guzman in Chañarcillo's mountains.

But something unexpected happened when Cousiño reached 30 years of age: Ramón Goyenechea passed away in 1840 (aged 47), and soon after Matías tied the knot with Goyenechea's widow, María de la Luz Gallo, in 1841, although they did not have any children of their own. As expected, María de la Luz, together with her offspring (Isidora, 1836-1897; and Emeterio, c. 1834-1884), inherit a massive fortune. In a surprising decision, María de la Luz decided to renounce to some her rights and to nominate her new husband as the legal guardian of her children (including their goods). For this she had to convince her mother, Lorenza Zavala, who happened to be the legal co-guardian of Emeterio and Isidora (together with María de la Luz), to give up her legal rights over her grandson and granddaughter. Thus, after a favourable sentence given by a family judge, Matías Cousiño legally became the manager of his new wife's fortune and her children's, thus becoming a full member of one the richest families of Chile of all times⁶. As commented by a nineteenth century historian of the coal industry, "social and fortune's transitions are not strange in Chile" (Figueroa 1897, p. 40), but what was extraordinary here was that it was through marriage, rather than, say, through discovering a silver mine. In all, although we could not find the inventory of Ramón Goyenechea at the moment of his death, we did find how much his assets were valued in 1855: over \$3.2

⁵ ANCH, Mining registry, Copiapó 1837, No. 312, 389, and 436; Copiapó 1838, No. 227 and 238; Copiapó 1839, No. 402, 481 and 501; Copiapó 1840, No. 544 and 558. All available in AR-NAD-N-COP-V173.

⁶ For the whole legal process, see ANCH, Judicial Copiapó, 1841, Box 84.

millions (over US\$30 millions of today's money)⁷. Amongst the most valuable possessions were part of two silver mines, several big haciendas, as well as cash. All these sizeable assets were managed by Cousiño between 1841 and 1855, when Emeterio reached adult age. That is, Cousiño had a decade and a half to speculate or re-invest Goyenechea's capital. Things could have gone horribly wrong, but they did not: there was an important increase in the patrimony of the family, to Matías' merit.

Soon after becoming manager of the Goyenechea's fortune, making use of the Ramón's money⁸, and in what proved to be a key business decision, Matías Cousiño decided to invest a great deal of capital in Central Chile and in the south of the country, diversifying the portfolio of the family, not only geographically, but also per sectors. Likewise, Matías decided that it was also the right time to return to Valparaíso, not only due to his family's origins, but also on account of Valparaíso becoming the main port in the south Pacific. Valparaíso was also the economic and financial capital of the country, residence of the most prominent businessmen of nineteenth century Chile. And indeed, many other mining entrepreneurs of the northern provinces also moved to the 'principal' port of the country around this time (Nazer, 2002).

Based in Valparaíso Cousiño started new businesses, entering the export trade of wheat and flour to the markets of California and Australia, producing his own flour after buying Molino Tomé⁹ and investing in the California's Mill¹⁰. Quickly Cousiño became one of the most important flour producers in Chile, even creating an association of millers (Mazzei, 1997, 1998). Cousiño also invested heavily in big estates near Santiago and Valparaíso, in particular in Los Andes, Melipilla, Rancagua and Quillota. So sizeable were these rural investments, that by 1852 the estimated income of these rural plots was twice as much as those formerly belonging to Ramón Goyenechea (Chile, 1855). But Cousiño was also a pioneer in joint stock

⁷ Once Emeterio Goyenechea came of age, Matías Cousiño had to provide a detailed account of the goods inherited by both Emeterio and Isidora. ANCH, Notarial Santiago, volume 262, 24 March 1855.

⁸ For the reader to have an idea, amongst the goods belonging to Emeterio and Isidora, and managed by Cousiño on their behalf, Cousiño admitted a cash debt of over \$1.5 million. ANCH, Notarial Santiago, volume 262, 1855.

⁹ ANCH-CBR, Tomé, 1864, Volume 27. Succession of Matías Cousiño.

¹⁰ The massive exports of Chilean flour and wheat to California y Australia during the late 1840s and early 1850s were short-term booms, lasting around half a decade only. Cousiño invested in flour production through Cousiño & Co., leaving the export trade of this production to Cousiño & Garland. It is believed that, although a short boom, wheat and flour exports provided the first source of own capital for Cousiño to invest in coal production (Mazzei, 1998).

companies in Chile. Indeed, he invested in the first joint stock company that was ever created in the country: the Copiapó Railways company in 1849, as well as in many others that followed: the Valparaiso-Santiago Railways (1852), Santiago-South Railways (1855), Banco de Depósitos y Descuentos de Valparaíso and Bezanilla, Maclure y Compañía (Astorquiza & Galleguillos, 1952; Ortega, 1982). Also, in partnership with a British trader, Thomas Bland Garland, they bought shares of an insurance company (Compañía Chilena de Seguros) and a smelting joint stock firm (Sociedad Chilena de Fundiciones). Not happy with that, the diversification strategy followed included investments in urban properties for rent, and gold mining¹¹. Finally, and surely most important of all, in association with other capitalists, Cousiño launched “Cousiño Garland & Co.” (1852), with the above mentioned Garland, and the Alemparte Brothers, to exploit coal deposits deep in the south of the country (Astorquiza, 1942; Gaete, 2003; Nazer, 1994).

This proved to be a key business decision: no other enterprise generated more revenues than this for the Cousiño family, in particular after Matías’ death. Coal started to be produced in an important scale from the early 1840s by a Chilean entrepreneur, Jorge Rojas, and competed locally with imported British coal (Astorquiza & Galleguillos, 1952; Mazzei, 1998). But it was Cousiño the one to propel and to modernize the Chilean coal mining industry, taking it to a new stage. Although it is true that this period also coincided with external positive shocks for the coal mining industry, such as the arrival and expansion of steam navigation, the creation and expansion of railways, and increasing copper smelting (Ortega, 1982; Figueroa, 1897). Nonetheless, despite these shocks, Chilean coal was associated to poor quality: British coal was preferred by smelters, so that Cousiño’s decision to enter this sector proved a risky one, surrounded by uncertainty.

In any case, coal mining was the first important enterprise undertaken by Cousiño that was not related to the Goyenecheas, and he gradually increased his stakes in this sector by buying the works of other producers (Astorquiza & Galleguillos, 1952; Mazzei, 1997). His partnership with Juan y José Antonio Alemparte was quickly liquidated in 1856, when the Alemparte Brothers sold their stakes to Cousiño & Garland (Mazzei, 1997, 1998). The Cousiños quickly modernized coal extraction by introducing steam machines to pump water out the mines, as well as to extract the coal itself

¹¹ We found previously unknown evidence of Matías Cousiño investing in gold mining in Santa Cruz, in particular in *El Buitre* mine (ANCH, Mining Register, Rancagua, 1846, ARNAD-C-RAN-V9).

(Astorquiza & Galleguillos, 1952; Mazzei, 1997), together with railways inside the mines to speed up coal extraction. By 1855 the company was already employing over 300 workers, and by 1862 twice that many, extracting some 200 tons of coal per day. In only ten years Cousiño had quintupled the production of his coal empire (Figueroa & Sandoval, 1987).

But Matías Cousiño got also interested in politics, and with that he entered into political and social life in the capital of the country. Matías managed to get close to Manuel Montt (Chilean president from 1851 to 1861), who happened to be married to Rosario Montt Goyenechea (1827-1894), who was in turn niece of the Gallo Vergara couple above mentioned. That is, the Goyenechea family not only was Cousiño's passport to economic success, but also to the political one. Thus, Cousiño became first Deputy and later on Senator (Astorquiza, 1942). This was quite common for leading entrepreneurs of the time: most of them entered into politics.

Cousiño's political ambitions brought him and the family to a new residence, this time in the capital of the country. They acquired a huge colonial house in Huérfanos street. Living in Santiago allowed Cousiño's son (Luis) and his stepson, Emeterio, to complete their studies in the prestigious *Instituto Nacional*, while Isidora did the same, but at home, with a governess. After completing their secondary education, Matías decided that it was the right time to send his son to Europe for a better education. After returning to Chile, in 1855 Luis Cousiño married his stepsister, Isidora, becoming heavily involved in the business of the family. This was another landmark in the process of capital accumulation for the Cousiños. They could not retain Emeterio's share of his father's fortune, but by marrying his son with Isidora, Matías and Luis secured a great deal of the Goyenecheas' fortune. Indeed, Isidora contributed with \$1.7 million to her marriage, a sizeable sum by any measure¹², and now Luis had direct inheritance in that capital.

In partnership with his son, now the administrator of Isidora's assets, Matías created a new firm called "Cousiño & Son", buying to former partner Garland all of his mining rights (Astorquiza & Galleguillos, 1952). They also hired many engineers and technicians in Britain to continue the training of their personnel. The purpose of this new company was to further modernize the coal industry, to increase their participation, creating a truly industrial district, based on a restricted geographical area, where specialized production units enjoyed external economies. Father and son

¹² ANCH, Notarial Santiago, volume 262, 24 March 1855.

decided to invest heavily and further expanded the mining works in Lota and Coronel, as well as related investments in docks, steamships, workers' camps, gathering places and dockyard workshops, becoming the sector's leading entrepreneurs (Ortega, 1982). But they also invested in a factory of refractory bricks for minerals' smelting, being the first in South America. To produce bricks, the Cousiños used clay refuse from their own pits, and as fuel their own coal (Ortega, 1982; Mazzei, 1997). In the same vein, from 1857 Cousiño & Son also decided to launch copper smelting works, using their own bricks for the furnaces, and their own coal as fuel¹³. And indeed, most coal consumed in Chile ended in copper smelting (Ortega, 1982), so it made sense to expand to this activity, although no other coal miner did it before. They were practising a clever strategy of vertical integration, together with unrelated horizontal diversification. By the end of the 1850s Cousiño had transformed the Lota and Coronel business 'into the country most important productive complex', being the leading coal producer and the second most important copper smelter. Cousiño's bricks enjoyed great popularity, being considered top quality (Ortega, 1982).

The purpose of the Cousiños' business complex was to load the extracted coal in their own steamships, then send them to the north of the country to supply railways, steamships, smelting works, gas production, steam machines in the textile sector (Ortega, 1982; Mazzei, 1997), and to bring back to the south copper minerals to smelt them in the copper works created nearby the coal deposits used as energy to refine this copper. We are talking here about massive investments in capital: steamships were brought from England, at a very high cost; while smelting activities also needed great capital investment. In turn, coal was also exported to the River Plate provinces, from which beef and other merchandise was brought back to feed workers. It ended being a successful plan, but not exempt of difficulties.

As mentioned above, before 1852, most coal consumed in Chile was British; it was hard to convince smelters that their own coal was good for purpose. Cousiño had to invest in publicity campaigns to persuade his country fellows about the qualities of Chilean coal, which he eventually managed to do, before he passed away in 1863, aged only 53 (Astorquiza,

¹³ Cousiño's smelting works were not the first in the region, which started in Lirquén in the 1840s (Figueroa, 1897), but they were surely the first of any importance (Ortega, 1982; Mazzei, 1997 & 1998). Furthermore, the previous smelting works belonged to Joaquín Edwards Osandon, but the coal he used came from Thomas Smith's nearby coal mine, a separate business (Figueroa & Sandoval, 1987). This is quite different to Cousiño & Son's business model.

1942). Thanks to his efforts the excellence of Chilean coal became widely acknowledged. In the copper smelting industry in particular, Chilean coal started first to be consumed combined with British coal, while steamers were happy to consume only Chilean coal (Ortega, 1982). By the time of Matías' death, the Lota coal works employed 600 workers and produced over 70.000 tons per annum (Astorquiza & Galleguillos, 1952). In turn, Chilean copper started to be exported mainly in the form of bars (Llorca-Jaña & Navarrete-Montalvo, 2017), and for that it had to be smelted first.

THE SECOND GENERATION: LUIS COUSIÑO AND ISIDORA GOYENECHEA

Matías Cousiño's death was a turning point in the story of this family enterprise. His only heirs were his only son and his wife: Luis Cousiño and María de la Luz Gallo¹⁴. Rather than quarrelling about partition, they decided to reach an amicable distribution of goods. Luis inherited the whole of "Cousiño & Son", being already owner of half of that company, and all related assets: smelting works, steamship fleet, refractory brick factory, docks, etc. That is, the whole business complex around Lota. Luis also inherited all estates belonging to his father: Tomé Mills (Tomé); Tabolango Mills (Quillota); a house in Victoria street; two houses in Valparaíso; four plots in Yungay; two houses in San Francisco street, Santiago; another house in the main Santiago's street (Alameda); another house in Duarte street; a plot in Colo-Colo street, Concepción; Hacienda Potrero Grande in Copiapó; a third of another hacienda, called Potrero Seco; Bolaguito mines; Bolaro nuevo; Esperanza; Demasias de San Francisco; Veta Negra y la Aguada del Volcán¹⁵. Having worked with his father side by side for nearly a decade, Luis was fully prepared to take the reins of the family companies, in particular the coal complex, where Luis applied most of his energies. There, he decided to make new investments, buying from the Urmeneta family their coal works in 1869 (Nazer, 1994; Astorquiza & Galleguillos, 1952), and thus consolidating his position as the first coal producer in Chile, and by far. Luis also managed to get the best economic results of the coal side of the business, turning losses into profits (Astorquiza & Galleguillos, 1952). By

¹⁴ ANCH, Notarios Santiago, Volume 378, 12 August 1863.

¹⁵ María de la Luz only got the family house, part of San Francisco's silver mine, and few else (ANCH, Notarios Santiago, Volume 378, 12 August 1863).

the end of the 1870s, coal mining was one of the most important productive activities in Chile by any measure: annual production, employment, technological innovation, to the extent of placing it “amongst the first industrial establishments in South America” (Ortega, 1982). To finance these new investments, 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 decision. They had invested before in joint stock companies, but this was different: they turned a traditional family business into a public company.

Luis strategy was to “liquidate” the old family firm, thus contributing with its assets to the new joint stock company, which allowed him to fully control this new enterprise, despite the incorporation of new investors, thus becoming a pioneer in capital increase strategies in Chile¹⁶. The new *Compañía Explotadora de Lota y Coronel* was established with a capital of \$5 million. This was due to the fact that Luis Cousiño transferred to the new society all of his assets invested in the coal complex. Luis Cousiño’s capital increase project was a great success: over 60 shareholders participated and invested in the new company, which created a directory integrated by Luis Cousiño, and other prominent local businessmen, such as Rafael Larraín Moxó, José Mariano Astaburuaga, Vicente Reyes, José Arrieta, Domingo Fernández Concha y Miguel Cruchaga¹⁷. There were reasons to be optimistic, after one year of operations only, the company reported profits for \$266.000¹⁸.

But Luis moved beyond the coal complex, making new investments in rural estates, buying hacienda “El Escuadrón” and “Los Ríos”, the latter being an extensive plot located south of Curanilahue (nearby Lota), where he decided to plant pine and eucalyptus to supply Lota and Coronel with wood (Astorquiza & Galleguillos, 1952). Thus, he was further compromising with the strategy of vertical integration pursued by his father: wood was fundamental to build the tunnels to mine deeper coal. Equally important, Luis also bought a hacienda in Santiago, called “Macul”, to experiment with wine production, using grapevines brought from Europe (Anonymous, 1999), accentuating the horizontal diversification of the family business. This proved to be a fundamental decision for the future of the family busi-

¹⁶ That said, after Cousiño, many competitors followed suit, setting up joint stock companies in the coal mining industry (Ortega, 1982).

¹⁷ ANCH, Registro de Comercio de Santiago, 1869, vol.18, fs. 24-26.

¹⁸ Compañía Explotadora de Lota y Coronel. *Memoria 1º semestre 1870*. Santiago, 1870.

ness, as we shall see. Finally, Luis Cousiño even invested in a silk factory, establishing a workshop in Catedral street (Ortega, 2005)¹⁹.

Apart from these productive investments, Luis and Isidora also invested in a new house in Santiago, designed by the French architect Paul Lathoud, which provided them with higher social status, being the finest residential construction of the city (Curtis, 1888). Likewise, following his father's example, Luis also entered into political and social life, being deputy of the Liberal Party many periods, president of *Club de la Unión* (the most prestigious of the country) during several periods, founded the *Club Hípico* (Santiago's Equestrian Club), and constructed and launched a great park in Santiago under his own name, which was inaugurated in 1873. But there was a reason for this: Luis was affected by a serious tuberculosis and died that year in Lima, where he went to enjoy fresher air, in a last attempt to try to recover from a terminal disease (Medina, 2007). Aged 38, he died younger than his father, leaving a young widow in charge of seven children, and who became the backbone of the family business. It was the first time that the family fortune was administrated by a woman. Furthermore, when Emeterio died, without descendants, Isidora's inherited additional and sizeable assets²⁰, that further contributed to increase her family's fortune²¹.

Thus, Isidora Goyenechea became the wealthiest woman in Chile, probably in her entire history. Indeed, the wealth of the family was estimated in 1882 in \$14 million (over US\$125 million of today's money), second only to the Edwards family, the richest in Chile (*El Mercurio*, 26 April 1882). A contemporary observer (US Secretary of the Latin American Trade Commission) wrote that 'there are few men or women in the world richer than she. There is no end to her money' (Curtis, 1888, p. 487). Nonetheless, we know little about her economic activities, which is not surprising: 'women play a crucial role in family business although their formal status, even today, is often hidden' (Colli & Rose, 2010). But Isidora was up to the challenge, being considered as a great entrepreneur of her times (Martínez,

¹⁹ The silk factory was later on sold by Isidora (ANCH, Notarios Santiago, Vol. 515, 29 October 1874).

²⁰ Emeterio, in his will, left only two houses and some cash to her sister Isidora. After a lengthy legal process, Isidora was declared 'the only and universal' heir of Emeterio, inheriting most of his fortune, which provided her \$2.8 million (ANCH, CBR, Santiago, 1885, volume 69, Posesión efectiva, ARNAD-C-SAN-V69). See also ANCH, CBR, Santiago, 1885, volume 69, Inscripción especial de herencia, ANCH, ARNAD-C-SAN-V69.

²¹ ANCH, CBR, Valparaíso, 1884, 2 December 1884, volume 36, Posesión efectiva, ARNAD-C-VAP-V36; Valparaíso, 1884, volume 36, 2 November 1884, Testamento, ARNAD-C-VAP-V36. Emeterio's will.

2015), making the right calls at the right time, and being assisted by the executive directors of the main companies of the family group²². Even before her husband's death, according to Curtis, and in relation to Matías' fortune, 'their property was kept separate, the husband managing his estate and the wife her own, and the people say that she was altogether the better "administrator" of the two' (Curtis, 1888, pp. 487-488). And indeed, she increased the patrimony of the family during her reign, in particular the coal related business, despite selling some family properties²³. Indeed, during the nitrate boom, the Cousiño Goyenechea's fortune increased substantially, which led Isidora to invest heavily in urban estates, as did most members of the economic elites after the 1880s, which became rentiers, more than entrepreneurs (Nazer, 2017).

Isidora did not restrict her economic activities to just keep on with the existing family businesses. Rather, as her husband, she entered into new adventures. Indeed, she was a pioneer in hydroelectric centrals in Chile. The hydroelectric central Chivilingo, the first of its kind in Latin America, was constructed under Isidora's direction (Etchebarne et al., 2012; Mazzei, 1997). She was also the first Chilean entrepreneur to introduce salmon's ova into Chile to produce salmon industrially, and this as early as 1888 (Golusda, 1907). But she also took key decisions in the already existing wine side of the business, bringing French oenologists to improve the variety of their wines, greatly increasing the value of Cousiño-Macul vineyard, which became a model wine maker in Chile, employing four thousand workers (Curtis, 1888; Etchebarne et al., 2012). To further promote the wine industry, Isidora started to produce her own bottles to sell their wine (thus being a pioneer in bottled wine exports in Chile). She also decided to increase the estate agency investments, ordering to construct an important building in urban Valparaíso for renting. She also managed to finish the new family residence in Santiago, in *Dieciocho* street, eventually inaugurated in 1883, with the attendance of the Chilean president at that time: Domingo Santa María (1825-1889), while also ordering the construction of a Palace in Lota, together with a great park, described as one of the 'finest private parks in the world' (Curtis, 1888; Medina, 2007), and being 'also the principal stockholder in the largest bank in Santiago' (Curtis, 1888).

²² ANCH, Notarios Santiago, Vol. 514, Daniel Alvarez, 5 June 1874.

²³ She sold the silk factory, several houses. ANCH, Notarios Santiago, Vol. 515, 5 June 1874 and 29 October 1874.

By the mid-1880s, despite the spectacular inauguration of the new family residence, Isidora decided to leave the country and to establish with the family in Paris. The European *belle époque* life style (c. 1880-1914) attracted many Chilean elite families (e.g. Cousiño, Edwards, Lyon), to the extent that it is possible to even talk about a “Chilean colony in Paris”, made up of members of the most prestigious Chilean families (Nazer, 2002; González, 2003). According to a chronicler, Isidora and her family settled in a colourful and centric *hôtel particulier* in the corner of Rue de Lota and the Long-champs, in the XVI district, taking the opportunity to provide her children a first class education and also to travel through the main European cities of the time.

Although at times distant from Chile, Isidora closely followed the economic and public affairs of her country. For instance, during the Pacific War (1879-1883), she put at the government’s disposal the whole steamships fleet of her companies, to supply with coal ships and troops of the Chilean army and navy (Martínez, 1911). For this, Isidora received an homage by the Chilean Congress, awarding her the Honor Medal for her services to the homeland (Astorquiza & Galleguillos, 1952). Likewise, almost ten years later, in the middle of the 1891 civil war, Isidora negotiated with the president to ensure the normal working of the family’s coal mines and related business, thus avoiding reprisals against the family business (Astorquiza, 1942).

To ensure the normal running of the businesses in Chile, Isidora undertook regular visits to the country, during which she took the time to bring with her all sort of furniture and ornaments for her properties in South America (Anonymous, 1999). Regarding family affairs, before dying in Paris in 1898, she witnessed the marriage of many of her offspring, and the arrival of grandsons and granddaughters, being all of them included in her final will. But she also left resources to build two churches, two hospitals and two schools in the Lota area²⁴. At the moment of her death, in 1897, the Cousiño-Goyenechea family remained at the top of the economic elite in Chile.

This takes us to how Isidora’s inheritance was shared. Her sons Luis Arturo and Carlos Roberto quarrelled about who was to retain the leading role in the firms. Furthermore, they also fought about who was controlling two of their sisters’ assets: María Luz, resident in a convent in France; and Adri-

²⁴ ANCH-CBR, Copiapó, volume 392, 1898, N° 146, Will of Isidora Goyenechea Gallo, June 1893.

ana, who had been declared interdict due to mental problems (dementia). The two brothers could not reach any amicable agreement, and Joaquín Prieto was declared as guardian of Adriana's assets, while German Riesco was appointed as partition judge of Isidora Goyenechea's inheritance.

CONCLUSIONS

The Cousiño-Goyenechea business group were ahead of their own times, and this in many aspects of their entrepreneurial activity. The group started highly concentrated, both geographically and in the sectors they traded: it was initially confined to the north of country and to copper and silver mining, thus linked to the export sector, showing a highly concentration risk strategy. Nonetheless, his first patriarch, Matías Cousiño, decided to expand geographically, by investing in the south and centre of the country, thus covering the whole national territory. But Cousiño also decided to enter into new sectors, such as coal mining, steamships, docks, railways, copper smelting, brick production, wheat and flour, wine, amongst others, introducing modern technologies imported from Britain, also using imported highly qualified human capital.

The group was a pioneer in vertical integration in the country, as well as in related and unrelated diversification. Equally important, by entering in many of new sectors of the economy, the group did not rely solely in the export economy, since coal was mainly consumed internally, as well as most wheat, flour and bricks, not to mention estates and transport services. Finally, the beginning of industrialisation in Chile is very much exemplified in the business activities of this group: they produced their own bricks, wine bottles, silk textiles and smelted copper, hydroelectric centrals, amongst other products. Despite the spectacular rise of this group during the 1850s-1890s, and as happened to most business groups in Chilean history, their prominence lasted two generations only. After Isidora's death, the capital of the group was atomised, thus disappearing from the national rankings during the inward looking development period.

The decay of the Cousiño-Goyenechea, a family business, it is greatly explained by the incapacity of Isidora's heirs to avoid the fragmentation of the family's assets. The demographic growth of the third generation of the family was far too damaging: six brothers and sisters had to forcedly share Isidora's fortune. The previous generations did not have to deal with capital fragmentation. The whole fortune of the Goyenechea Gallo family

came under the full control of Matías Cousiño. Then it passed to his son, Luis, and his wife (and stepsister) Isidora, who in turn inherited most of her brother's wealth (i.e. Emeterio's), and when Luis died, Isidora retained it all. That is, the couple made up by Luis and Isidora kept the whole fortune of the first generation, plus the capital accumulated by themselves. But the third generation was a different tale: they entered into a bitter legal dispute, which led to the division of the family fortune. They maintained some union, but only through the coal business, which was not enough to keep them as a top business group in Chile. This shows that one of the main challenges faced by big family businesses is to ensure a successful transfer of the family's main capital from generation to generation.

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