Politics and endurance of entrepreneurial families: the case of "presidential families" in a Latin American economy (Colombia, 1850-2010) ¹

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Abstract

Recent pleas in business history literature on the scholarship in the subdiscipline (“Reimagining business history”, Scranton and Fridenson, 2013; “Time for debate”, Friedman and Jones, 2011; “Varieties of business history”, Kobrak and Schneider, 2011; “In defence of business history”, Toms and Wilson, 2010) have called attention upon the need for new areas that hold promise away from conventional focus on corporations. This paper approaches the theme of this session, i.e., the historical study of entrepreneurial families, through a dimension that has not received major consideration in the family business literature: its interaction with politics and the State. More to the point, the approach developed deals with a specific, perhaps uncommon form of interaction between business and politics: the existence and endurance in a specific emerging economy of “presidential families”. They are wealthy entrepreneurial families that embodying the characteristics proper of “dynasties” (Landes, 2006 and Fernández-Pérez & Puig, 2010), are to be distinguished among them because of their inordinate role in politics: they have been at the apex of government –i.e., members of them become heads of state- for several presidential periods. They exemplify the overlap between business and political elites in particular historical and geographical settings.

The purpose of the paper is to invite comparison across different regions of the world to examine the relationship of entrepreneurial families with politics and the State. The approach is applied to an emerging, Latin American economy - Colombia-, wherein at the beginning of the XXI century fourteen out of top eighteen business groups belong to entrepreneurial families (Rodríguez-Satizábal 2010). The paper examines the case of six “presidential families” in the period 1850-2010. Among the country’s forty five incumbents of the President’s office along this period, one out of each five of them have been members of these families accounting for a closed knitted country’s elite. The study is based upon a disparate business historiography in terms of time coverage, thematic scope and quality. An extension of Chandler’s (1992) concept of organizational capabilities, as well as Pfeffer and Salancik’s (1978) resource dependence approach and Baumol’s (1968, 2010) concept of productive, improductive and destructive entrepreneurial functions are used to analyze the singular relations of these families with politics and the State (Dávila 2012) and the configuration of institutions (Torres 2003). They serve to counterpoint current criticism of entrepreneurial families by corporate governance scholars (Morck & Steir 2005, Morck 2009) and of elites’s role in the making of poverty by students of nations’ failure (Acemoglu and Robinson 2012). Furthermore, an internal comparison among the families studied is carried out along a number of variables proper of the family business literature.

Introduction

Family business relationship with politics and the State have received little attention in the literature on family businesses which has mostly focused in endogenous over exogenous factors. However, it constitutes a key skill in family business performance and survival. One form this relationship can take is by holding public office, and one of these, the highest, is the head of State. The locus of this paper is an emerging Latin American economy (Colombia). In the period studied, 1850-2010, ten (10) of the forty-
five (45) presidents of the Republic of this Latin American country have been members of six entrepreneurial families. All these families have been a feature of Colombian life for at least 100 years. This paper comprises five sections. The first refers to the growing interest in various disciplines and, in particular business history, to study entrepreneurial families and family business as key forms of business organization in capitalist development. Departing from current ("Manichean") critique to family business, the second section approaches the diverse forms of interaction of entrepreneurial actors with politics and the State. In the third section, the case of one of the six presidential families is presented; in the fourth, all the families are compared using a series of variables (longevity/dynastic character, education, intergenerational social mobility and business diversification). The final section provides a series of considerations on content, method and theory for further research.

**Family capitalism, business history and family studies: a need for multi-disciplinary research**

Family business is not an anomaly of capitalist development, nor is it an obsolete player on the way to extinction. It is a form of business organization that requires a multidisciplinary approach for its research. Recent international publications agree on their contemporary relevance and the need to study its historical path. In Spain and Latin America, on which most of the papers of this session are focused, there are emblematic family groups of entrepreneurial families whose origin goes back to the second half of the 19th century and that represent a form of business organization different from that of the large multidivisional firm characteristic of US managerial capitalism (Chandler 1977).

This form of organization has gradually aroused the interest of academics, not only in the field of management and entrepreneurship (Crismas, Chua, and Sharma 2005; Fernández 2012), but in various disciplines, especially researchers in business history and economists interested in corporate governance. In the case of the former, this is reflected in recent international publications (Colli and Rose 2007; Colli 2011, 2013; Fernández 2012; Fernández and Colli 2013); likewise, it has been recognized (if also stereotyped) by
some studies on corporate governance (Morck and Steir 2005). What is certain, in this new historical phase of globalization, is that the reality of the diverse forms of ownership, governance structures, and organization that family businesses have taken on to endure, defies those who predicted their progressive demise. The example of the family multinationals and their strategy and structures in various parts of the world is evidence of this (Lubinsky, Fear and Fernández 2013; Colli, García-Canal, and Guillén 2013). The Latin American multinationals (*multilatinas*) are already recognized in the bibliography, and the most prominent are those owned and controlled by entrepreneurial families (Casanova 2008; Santiso 2013). Even in a market such as the Colombian which is smaller and less developed than that of Argentina, Brazil, Mexico or Chile, various family economic groups have, since the beginning of the new century, advanced in their process of internationalization and are now poised to entering the group of *multilatinas*\(^3\). A handful of family business groups made their name in the period 1880-1930 and established themselves in the main cities of this "country of regions". In 1975, among the 24 largest conglomerates, nine were family-owned (Superintendencia de Sociedades 1978). In those years, an economic group from a traditional family of the country’s capital city (Bogotá) elite (Grupo Grancolombiano of the Michelsen Uribe family), barely five years in existence, suddenly became the most powerful group in the country. But it was short-lived: in the financial crisis of 1982, the government intervened and the main bank was nationalized, and later the Group was liquidated amid a notorious scandal involving private loans and inappropriate handling of investment funds (Donadio 1983, 1984; Echavarría 1983; Semana 1989).

In the following decades, business groups multiplied and gained importance in the economic activity of the country to become a central player in Colombian business (Rodríguez 2010; Dávila 2013). Three of the four largest business groups are family-owned (Sarmiento Angulo, Santo Domingo and Ardila Lulle) and have been in this position for a quarter of a century (Rodrí guez-Satizábal 2010, Dinero 2013, Portafolio 2013). With their influence and connection to recent key episodes in Colombia's political and economic situation, they have displaced the employer associations (Rettberg 2003, 2004).

\[^3\] Out with the coffee sector (agro-exporter), the pioneer in internationalization is a family group from the sector of office and graphic art materials (Carvajal), founded in 1904, that began to internationalize in the late 1950s in the midst of the boom of substitution of imports (ISI) (Caballero 2011).
Semana 2013), by deftly cultivating politics/State relations in their various forms. It should be emphasized that the presidential families we are looking at in this paper are not owners of any of the mentioned groups. In fact, having lasted for more than a century, they have witnessed - since the mid 1970s - the rise and consolidation of new, proactive groups with greater economic power and wide diversification in their investments, facing the new phase of globalization.

**The relationship of business families with politics and the State: beyond Manichean criticism**

A starting point for this work is the recognition of the different developmental paths of capitalism and, more precisely, the variation in forms of business organization in different societies, for example, in emerging economies. In other words, our aim is to study the evolution of entrepreneurial families and family businesses, rather than following the "teleological hierarchy" marked by the development of the United States as archetype for business historians (Herrigel and Zeitlin 2010, 667). Another starting point states that institutional structures, that is, the systemic relationships between firms and public authorities and the way the market is organized, condition business strategy; public institutions, in turn, could be seen as a resource for the firms, to the extent that they have influence on the formation of the institutional framework (Iversen 2010, 665-666). This approach is complemented by the perspective of the theory of resource dependency, which studies the relationship between organizations and their environment (Pfeffer and Salancik 1978). Particularly, the focus is on the strategies and tactics of power and management control in inter-organizational relations; in this case, between entrepreneurial families and the State, as well as between the families themselves when faced with other players in the market. Over the years, these families and their businesses and groups evolved strategies to operate and consolidate themselves, oriented by the idea that power (not only profit or efficiency) is a key objective (Davis and Cobb 2010).

Thus, this paper does not focus on endogenous factors that determine the permanence, performance and entrepreneurship of family businesses in the long term. Although it shares with other papers in this session a historical perspective and an interest in gaining
insight into common features - as well as national differences - in the track record of family business in Spain and Latin America, it revolves around a different analysis: the entrepreneurial family per se and its long-term relationship to politics and the State. Its main aim, perhaps its contribution, is to point out the need for opening the field in this direction, and underline the potential for future research, especially of a comparative historical nature.

The hypothesis is that in the emerging economies of Latin America, large economic groups hierarchically controlled by entrepreneurial families are main players in economic development. Under such circumstances, the skillful handling of the relationship with power and the State, a central but not unique element of the context, leads to the accumulation of resources of political power and builds up a capacity over the long-term (similar to the organizational capabilities of firms) (Chandler 1992). This capability is crucial in economic, political and social environments that are turbulent and full of uncertainties, typical of Latin America; and it has evolved over many generations of these entrepreneurial families, giving them a distinctive competence, similar to the core competencies of firms, in their business activities, and of significance because of their enduring nature.

To study this political capability, it is worth considering the approach on productive, unproductive and destructive functions that entrepreneurs deploy in response to the rewards structure (incentives) and the constraints that institutional frameworks (institutions in general and rules of the game in particular) offer in each historical period (Baumol 1968, 2010; Torres 2003). This perspective, although still under elaboration, is very thought-provoking and provides an insightful perspective on the relationship between business and politics, rather than blindly accepting the easy and trite option that stigmatizes this relationship⁴. In addition to being dynamic, the institutional framework is far from neutral in the face of different social actors, nor does it embody the "common good"; likewise, it is not perceived by everyone in the same way. Its formation (including organization of the State), implementation and modification are influenced by the intervention of the business actors, acting in their own interests. In addition, the

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⁴ This paragraph draws on Torres (2003), who complements and expands the ideas of Baumol (1968, 2010), especially in relation to institutional change.
behaviour shown by social and economic actors, entrepreneurs, entrepreneurial families, and business lobby groups, is marked by restricted rationality, incomplete information and opportunistic conduct.

For this reason, the conditions of the market in which they operate should be studied, but it is also fundamental to consider the conditions of the institutional environment in which they are immersed; thus, entrepreneurs seek efficiency through adequate management and, at the same time, they exert influence (through one or many forms of political entrepreneurial action) on the State. Entrepreneurs have to act simultaneously on both fronts. And in the cases where institutional development is precarious, as in Colombia, typical of States still evolving in the late 20th century whose institutional frameworks are characterized by the instability of the rules of the game, their political action has a special significance. Under these conditions, if the entrepreneur or entrepreneurial family contributes to economic development (productive function) - ; or if, in contrast, it aims for rent-seeking and collateral activities that do not contribute to economic development, that is, if its activity is assigned to unproductive functions - ; or if rather leads to the destruction of resources - not only ecological (destructive function), this should not be taken for granted, but rather be motive for research. It should be made clear that these functions, in the empirical reality, are not present in a pure form. They are unveiled through research, and illustrate, for example, that in a lifetime, an entrepreneur and his/her family, plus the social and political networks they weave, can display one or other entrepreneurial functions, in one moment or another, in this or that economic sector or business.

The empirical evidence analyzed here relates to a very special type of entrepreneurial family: the dynasties that, being part of the economic and political elite, have more than once held the position of head of State in Colombia in the years 1850 to 2010. It should be clarified that being elected to public office (for example, as local councillors, mayor, representatives at departmental assemblies, governors, members of the House of Representatives, senators) is only one of a whole spectrum of ways that an entrepreneur can engage in politics. And to study the alternatives, a typology has been developed that
covers a dozen ways the entrepreneur can participate in politics and relate to the State (Dávila 2012, 67-70). These means include:

(i) Voting in elections;
(ii) funding of political campaigns;
(iii) leadership responsibilities in political parties or groups;
(iv) discharge of public office by appointment, especially high level public administration, at a national, departmental or local level;
(v) government contracts and concessions (public works of infrastructure, service delivery; handling concessions, rents, etc.);
(vi) purchaser of services and products from State enterprises;
(vii) ownership and management of mass media and public opinion channels (newspapers, television channels, radio networks, etc.);
(viii) organization of business associations, lobbying;
(ix) promotion of and participation in social, voluntary, civic and NGO movements;
(x) promotion and management of private foundations;

It should be mentioned that the presidential families have had members of various generations active in many of these ways of political participation. Those members who have reached the pinnacle of power (becoming head of State) had previously pursued a substantial political career, either by elected office (councillors, members of regional chambers, congressmen/women), or through appointment to positions in high level of State administration (ministers, management of national and regional public organizations, diplomatic positions, etc). Some, in their lives as ex-presidents, have continued to be active in politics, and not only as ambassadors for their country or representatives in international organizations. At the same time, they have rejoined their businesses. It would be interesting to examine if this wide-ranging portfolio of relationships with politics has been exclusive to emerging economies, in this case Latin America, or if it is also present in economies of other continents, where entrepreneurial families continue to have hierarchical control over business groups. It is a subject that would make comparative research very attractive. In particular, it could provide evidence that diverges from the "Manichean critique" (Fernández 2003, 3) made by scholars of
corporate governance in large businesses, with regard to ownership and family capitalism in the more advanced countries. These scholars contrast it with other forms of capitalism (shareholder capitalism or Anglo American capitalism and bank capitalism): "The studies in this volume provide ample evidence of powerful family economic groups that behave like establishments or like oligarchies, or first the one and then the other" (Morck and Steir 2005, 33). Basing themselves on Thurow (1989), Morck and Steir (2005, 33) point out that both are able to lead their countries but, while the establishment seeks assurance that its country is functioning in order to reap benefits for itself, the oligarchy has only its own interests in mind, without giving any thought to the future of the country. One of the evils attributed to it, is the "risk of systematic mismanagement" of its businesses leading to macroeconomic instability (Morck 2009). According to these authors, instead of "healthy institutions" (those of advanced economies), poor countries with a short industrial history have "oligarchical institutions" that do not protect the minority investor and, in contrast, bring about economic backwardness. For example, Mexico and Peru, part of the “most advanced non-Western societies”, have faced great difficulties in incorporating modern Western institutions (Morck amd Steier 2005, 45).

From a wider perspective than that of corporate governance, two renowned economists have recently asked themselves: "Why are some nations rich and others poor? Why do nations fail?" Like their colleagues from corporate governance, they reach a similar verdict: nations fail because of the presence of "extractive institutions" (economical as well as political) based on elites who design them in a such a way as to make themselves rich and perpetuate their power at the cost of the majority of the population. "Vicious circles" are created that must be converted to "virtuous circles" (convert "extractive institutions" into "inclusive institutions" and so end the "iron rule of the oligarchy" (Acemoglu and Robinson 2012, 399; 430-431; 388).

The generalizations of these four authors are reminiscent of other generalizations made about underdevelopment in the 1960s and 1970s. They were fodder for academic debates and international development policies. They originated in ideologically opposite shores. On the one hand, the theories of modernization, rooted in the United States and
embedded in the structural functionalism of Talcott Parsons, gave priority to non-economic factors of development (cultural, ethnical and psychological) (Dávila 2010). On the other hand, the theory of dependence and imperialism elaborated in Latin America underlined the inequality (asymmetry) in the economical and political relations between center (empire) and periphery (Miller 2010b). Both arrived at a deadlock because of something they both, ironically, had in common: a fragile empirical base and lack of rigorous empirical research. In both currents, ideological and political considerations prevailed over considerations of academic research.

Returning to the role of entrepreneurial families in the development of capitalism, it would be advisable to avoid resorting to the simplistic generalizations attributed to the elite, in this case the large families that have formed part of the ruling class: that their role is absolutist, omnipotent, without temporal or spacial nuances, defending the status quo, the exclusion and the utilization of the State for its own benefit. The business community, in this case the large entrepreneurial families and their business groups, have been neither heroes to be glorified nor villains to demonize.

In contrast to these simplistic views, that nevertheless still have a recurrent glamour in the international academic world, the discoveries of the last decades, made through studies in social, political, economic and business history of Spain and Latin America, point towards a renewed, nuanced - not Manichean - understanding of reality using empirical research. Despite its importance, this subject has not received due attention in the bibliography of family businesses. This is shown by a recent state of the art study that revolves around the positive and negative aspects of family business. And that, precisely, emphasizes the need to study not only the endogenous aspects of family business, but also to pay due attention to exogenous factors which are primarily institutional in nature (Colli 2013).

The historical perspective offers a promising path for this and, more precisely, allows for the possibility of dialogue between academics of family business and of business history, in tune with recent debates on the future of this latter discipline on a global scale (Friedman and Jones 2011; Kobra and Schneider 2011) and thus avoiding the "traps"
that may ensnare business historians (Scranton and Fridenson, 2013). One of these is ignoraning the role of the State as an actor in capitalist development; another is to assume that the experiences of the United States and Europe are "the one best way", as "normal and normative" ("something done so often that you hardly even notice it") (Scranton and Fridenson 2013, 16-22; 47-50; 45).

In this context, the paper is not concerned with the evolution of the main family businesses in the different periods of Colombian economic development, nor does it in particular allude to the twenty (20) largest family businesses in 2010, the data collected for the quantitative comparative analysis among the countries that the comparative international project of which is part covers. However, it does contribute to exploring a subject (the relationship of entrepreneurial families with politics and the State) that is a fundamental part of the capability for adaptation of Latin American entrepreneurial families to the perennial environmental turbulence in which they are created, within which they develop and wherein they are immersed.

**Entrepreneurial and presidential families in Colombia, 1850-2010. The case of the López family (two presidents in four generations)**

When talking about presidential families, we refer to those entrepreneurial families that, in addition to being characterized as having an important, diverse and continued economic activity, have also had, in the last 150 years, one or more members as head of State in the Republic of Colombia. The category "presidential families" as such is not explained in the specialized bibliography, although they could be considered family dynasties (Landes 2006; Fernández and Puig 2010). The study presents a clear example of what nascent business historiography regards as one of the characteristics of Latin American and Colombian entrepreneurship (Barbero 2008; Dávila 2013); that is, a close relationship between the business world - in this case the entrepreneurial families - and politics and the State, and the high concentration of economic and political power that reveals - in the case of Colombia - a tightly closed elite with great influence on life in this

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5 See footnote 1.
Latin American country. It was found that out of the total of forty-five (45) presidents of the Republic of Colombia between 1850 and 2010, ten (10) of them, almost a quarter, belong to six entrepreneurial families, all of whom have been a feature of Colombian life for over 100 years. Specifically: “the” Os pinas (3 presidents): Mariano Ospina Rodríguez, 1857-1861; Pedro Nel Ospina Vásquez, 1922-1926; Mariano Ospina Pérez, 1946-1950; “the” López (2 presidents): Alfonso López Pumarejo, 1934-1938 and 1942-1946; Alfonso López Michelsen, 1974-1978; “the” Santos (2 presidents): Eduardo Santos Montejo, 1938-1942; Juan Manuel Santos Calderón, 2010 to the present; “the” Reyes (1 president: Rafael Reyes Prieto (1904-1909); “the” Restrepos (1 president): Carlos E. Restrepo Restrepo (1910-1914); “the” Sampers (1 president): Ernesto Samper Pizano, 1994-1998.

In a very summarised form, we will present below a series of historical, economic, political and social environment elements that have conditioned the evolution of family businesses and entrepreneurial families in the last 150 years. A series of expressions associated with Colombia will help to understand the evolution of this country since the mid 19th century: "fragmented land, divided society"; "country of regions"; "country of cities"; "El Dorado country"; "in the early 20th century one of the most underdeveloped countries of the region"; "industrialization did not begin in the capital"; "monoexporter of coffee"; "not an immigrants’s land"; "secondary periphery"; "country in which the 19th century lasted until 1920"; "coffee republic 1903-1946"; "a nation despite itself"; "cradle of political violence"; "country unfit for military dictatorships"; "exclusive society"; "high concentration of wealth"; "bipartite regime"; "modest public enterprise"; « narco-stained nation », "country in armed conflict since the mid 20th century"; "land of the drug cartels"; "formal electoral democracy"; "notable macroeconomic stability throughout the 20th century".6

The slow economic development of the Colombian economy in the 19th century was marked by a weak link to the international market in comparison with other Latin American countries. This was due to the country's geographical location and the lack of infrastructure. Colombia was primarily dependent on agriculture, particularly coffee, which made up a large portion of its export revenues. However, the country was unable to diversify its economy, leading to a reliance on coffee exports and a lack of industrial development. This弱点 led to a slow economic growth and a limited integration into the global economy.

6 These characteristics are widely documented by historiography for the period under study, among which the following are basic references: Meisel and Ramírez (2010), Ocampo (1984, 1987), Palacios (1979, 2011 and 2012), Safford (2002, 2011), Safford and Palacios (2002), Robinson and Urrutia (2007), Grupo de Memoria Histórica (2013).
American countries like Mexico, Brazil, and regions such as the Southern part of Latin America. The country went through a succession of ephemeral agro-export bonanzas between 1850 and 1880 (tobacco, quinine, indigo); gold was the only stable export product until the rise of coffee in the 1880s (lasting a century - in 1989 the International Pact of coffee ended) made the Colombian economy a mono-exporter of this product (Ocampo 1984). The evolution of the Colombian economy occurred in a bipartite political context (Liberal and Conservative parties) with numerous (regional) civil wars during the 19th century that ended in the Thousand Days' War (1899-1901), and effected the business activity of the families who, due to their political affiliations, were not isolated from these conflicts. Many business families were proud of having war generals among their number. Perhaps with the exception of the conservative region of Antioquia, whose entrepreneurs displayed a certain pragmatism ("make business" instead of becoming involved in political conflicts), it was not the same situation in other regions of the country: not in Cauca Valley and the region of Cauca in the southwest of the country, nor in Santander, in the northeast. The "conservative hegemony" (1900-1930) stimulated the beginnings of industrialization in the first two decades of the 20th century, saw the dispossessed Panama by the United States in 1904, was the boom period of coffee as principal export, and a decade (the 1920s) characterized as the "prosperity of debt" (because of private loans obtained in the US and the income from coffee) or the "dance of the millions". Then came the sudden rise to power of the Liberal party (1930-1945), the bloody confrontation between liberals and conservatives (known as the Violence, 1945-1958), the bipartite peace pact (the Frente Nacional 1958-1974), armed conflict involving many sides (the State, guerrilla, drug traffickers, paramilitarists, from 1965 to the present day), the illegal economy of drug trafficking since the second half of the 1970s, the change in economic model and the neoliberal economic opening (in 1990), and the greatest economic crisis of the 20th century, between 1998 and 2002 (Safford and Palacios 2002). It was with this background that Colombia gave the mandates to the ten presidents of the Republic, members of six prominent entrepreneurial families that will be studied in this paper.
The traditional proximity of the Colombian entrepreneurial world to politics can be studied, for a large part, through the case of the López Pumarejo family and their successors, the López Michelsen, then López Caballero family. The history of this family is defined by four generations that span the late 19th century until today; each of these generations has produced notable members with central roles in Colombian political and economic life. In the first generation, the trunk of the family, Pedro A. López (1857-1935), son of a tailor and craftsmen leader (Ambrosio López), with little education, married the daughter of a wealthy businessman from a region interior from the Caribbean coast. Having begun as an employee in the trading house of another presidential family (the Samper) in 1889, he decided to establish his own merchant house and very soon was specializing in coffee orders from the United States and Europe, as well as making internal purchases of grain (Latorre 1961, 120-131). In 1893 he returned to Bogota and opened his store in the center of the capital. In 1895, at barely 39 years of age, he was already one of the top coffee purchasers at national level (Santamaría 1986, 24); a rich tradesman, his wealth was built up on the export of coffee and leather, and it positioned his descendents (five children, three boys, two girls) in the political, social and business elite of the country.

He became actively involved in politics as councillor of Bogotá (1917), appointed Treasury Minister in 1918, an offer he turned down, and was senator in 1921. His merchant house became Banco López, created in 1919 and bankrupt in 1923, after the fall in the price of coffee in the New York market (Latorre 1961, 215). At this time, the trading houses, the import and export businesses, offered opportunities in related financial business, within a society in which "free banking" (1870-1922) had come to fill the void of a formal banking system that only came into existence in 1923.

After his son Alfonso retired from the family firm, another son (Pedro) ran the coffee export business, and ended up controlling almost seventy percent (70%) of it; meanwhile the bank was managed by Eduardo, another of the three sons. The family firm entered into various businesses related to foreign trade (steam navigation, the construction of a railway line), as well as being founding partner of two factories - shoes and drapery - and
beginning the construction of an aqueduct and sewage system in a provincial capital. After the bankruptcy of 1923, it was forced to sell its family assets in order to pay off the debt and the company went into liquidation. Don Pedro A. "ended his days in the countryside in financial straits", according to testimony from his grandson, president López Michlesen (López Michelsen 2001, 17-18).

The second son of Pedro A. and future president (the “old López Pumarejo”) was for twelve years head of the family firm, travelling frequently inside and outside the country and establishing contacts with bankers in London, Paris and New York. As is common in entrepreneurial families where internal tensions arise, serious disputes with his father made him retire from the family business and sell his rights to his father, who distributed them among his other offspring. In 1916, he set up an import-export company (López & Michelsen) and was manager of a subsidiary of a US bank (the American Merchant Bank and its subsidiary Compañía Mercantil de Ultramar) in the years 1918-1921 (Latorre 1961, 86). In the 1920s, when his political activities were on the rise, he maintained his business (basically real estate and representation of foreign firms) through his company López y Michelsen.

Regarding his participation in politics, it began along with other young people in the ambit of the El Liberal newspaper, and then with the Diario Nacional. He was a congressman in a provincial assembly in 1915, member of the House of Representatives of Colombia in 1925 and senator in 1930. In 1929 he was chairman of the Liberal Party national convention and as their candidate won the presidential elections of 1934. López Pumarejo was prominent as a modernizer and reformer of the rural society that was Colombia until 1930. This period (1934-1938), known as "The Liberal Republic" or "The Marching Revolution", led the way to socio-political and institutional changes (the constitutional reform of 1936, State intervention, the relation State/church, labour law, education, tax reform) and prompted foreign investment (Tirado 1981, 23). He was re-elected president for the period 1942-1946, which he did not complete due to acrimonious opposition to his reforms as well as allegations of conflicts of interest of his son Alfonso López Michelsen and the illness of his wife; he renounced office in 1945.
He was chairman of the Security Council of the United Nations in 1948 and played an important role in the overthrow of the military dictatorship (of Rojas Pinilla, 1953-1957), the only dictatorship Colombia had seen in the 20th century; later he was ambassador in London where he died in 1959.

With regards to the entrepreneurial activity of the second generation, it should be remembered that this had dwindled somewhat due to the decline in business of this once powerful company at the end of the 1920s. In the final years of the following decade, one member of that generation, Alfonso López Michelsen, was an active defender of his family's economic interests in the intra-family conflicts between the López and the landowner family of his wife Cecilia Caballero, who he had married in 1938. The episode revolved around the prolonged decadence of an agro-industrial project (1908-1982) in the northeast of the country, which depended on foreign capital (French-Belgian) and proposed the creation of an ambitious agro-industrial complex (sugar mills, cocoa, distilleries, flour mills, and textile) (Raymond 2008, chapter 4). This resulted in a battle between the two families that continued into later generations.

This very same Alfonso López Michelsen, indisputable head of the third generation, was president of the Republic between 1974 and 1978. It should be mentioned that the elections in 1974 reflected a unique and revealing fact in the role of the presidential dynasties in Colombia. The three candidates (from the Liberal party, the Conservative, and from a populist and left-wing party - the Alianza Nacional Popular, Anapo), despite their ideological differences and their confrontations in the election campaign, had one thing in common: they were all sons of ex-presidents (López Pumarejo, Laureano Gómez, 1950-1953; and the general who staged a coup: Gustavo Rojas Pinilla -1953-1957). Ten years later, this pattern of "dolphins everywhere" (Semana 122, November 1983) blossomed into a new generation: four sons of presidents (two liberal and two conservative) leapt into the political arena; one of them (Andrés Pastrana) would become head of State between 1998 and 2002.
Long before becoming president, López Michelsen - who went to school in Brussels, London and Paris, and studied law in Colombia - was actively involved in politics. In 1959 he founded the Liberal Revolutionary Movement (MRL), sympathetic to the Cuban revolution and an expression of rebellion and dissatisfaction with the existing regime; it had the aim of safeguarding liberal principles from the risks inherent in the establishing of bipartitism in Colombia between 1958 and 1974 through the Frente Nacional. He was foreign minister at the end of the 1960s and Governor of a region on the Caribbean coast.

In his government (that of the "clear Mandate"), there was a period of coffee bonanza, an explosion of large economic groups as central players in the Colombian economy, a blossoming of the illegal economy of drug trafficking, pronounced financial speculation, increased wealth concentration and an intensification of labour conflicts, especially among State workers (Ocampo, 1987). At the end of his presidential term, he continued active in politics and re-entered for election, but was defeated in 1982. In the remaining quarter century of his life, he continued to write for different journalistic media, was involved in various controversies: "He was like a bull of lidia... He was not afraid of anything that came his way… No biography could match his memories" (Casas 2013, 26). As ex-president, he was member of the Foreign Affairs Commission and was a reference point and advisor to presidents, ministers, political leaders and entrepreneurs.

The fourth generation of the family comprised the three sons of Alfonso López Michelsen, the López Caballero brothers (Alfonso, Juan Manuel and Felipe). The eldest, Alfonso Jr., after holding an executive position in a foreign bank in Colombia, played an important role in the political life of his country. Among other important positions, he was minister twice (Agriculture and Government), ambassador (Paris, London, Ottawa) and negotiator in the unsuccessful peace process (1998-2002) with the Revolutionary Armed Forces of Colombia (FARC). His brother Felipe had an outstanding career in journalism, having founded in 1982 the magazine Semana, Colombia’s leading journal of opinion over the last three decades, evolving into a powerful and influential publishing group (Iragorri 2012). Despite the publishing house not belonging to the large economic
groups of the last decades, it is curious that these groups paid remain attentive to the
critical and cutting analyses in the weekly magazine owned by Felipe López Caballero,
who since 1982 was a wealthy and powerful journalist-entrepreneur; the same is true of
the column that one of his brothers (Juan Manuel) wrote in the top Colombian business
journal (Revista Dinero). Likewise, one of his cousins, Clara López Obregón, for some
years the head of a left-wing political party (Polo Democrático), in 2011 was in charge of
the city hall of the country's capital\(^7\), and is official shortlisted presidential candidate for
the left, standing in the 2014 presidential elections.

This new generation of the “casa López” was no longer, as in the first decades of the
20th century, a synonym of the powerful merchant and banking house, but rather had
basically become consolidated into one of the most powerful families of the Colombian
political and social elite. The entrepreneurial tradition of the first generations of the
family blossomed again in the 1980s with one of the López Caballero brothers who, as
mentioned above, is owner of the publishing house created around his weekly magazine.

The four generations of the López family that cover the period between end of the
19th century and the present day are an indication of the significance of belonging to the
Colombian political and social elite\(^8\) and at the same time being an active entrepreneur.
This family illustrates a case of continuance of power, since the remote entrepreneurial
beginnings of Pedro A. López until the journalistic clout of Felipe López, an ever critic of
the government of the moment. It should be said that the political interventions of the
López Pumarejo family and its successors show some nuances that would be inconclusive
if the family were simply put in the box labelled 'oligarchy', intent on forming "extractive
institutions" designed to make them rich and perpetuate their positions of power at the
cost of the poor majority.

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\(^7\) The incumbent mayor (Samuel Moreno, 1997-2011, ex-congressman), grandson of an ex-president
(general Rojas Pinilla, 1953-1957) and son of a presidential candidate in the 1970s, was ousted in a
corruption scandal.

\(^8\) In Colombia, academic literature on the elites is scarce in comparison with Mexico, Argentina and Peru;
this is partly due to the fact that Colombia, being characterized as an "oligarchical democracy" did not
stimulate much empirical research. In contrast, in the mid 1970s a research project on economic and
political elite in medium sized cities emerged (Dávila 1976); and more recently on regional power in
ministerial positions in the 20th century (Meisel 2012).
The pertinence of the phenomenon of presidential families is seen in the ongoing electoral process for presidential elections 2014. As mentioned previously, an heir of the López family will stand against the current president, another member of a presidential family who is aspiring to re-election. A third candidate (Oscar Iván Zuluaga, ex-Chancellor, 2006-2010), belongs to the third generation of an entrepreneurial family from the coffee-growing region (Antiguo Caldas), whose business group became a steel multilatina, although the family's political path cannot be compared to that of the López nor the Santos family (Semana 2013, 17). In addition, the candidate Zuluaga was elected by his right-wing coalition party in a bitter contest with another member of the Santos family, Francisco Santos, cousin of the current president (Juan Manuel Santos) as well as his opponent, who was vice president of the country in 2002-2010, during which time the current president was a minister.

Comparative analysis of the six presidential families

In this section, we present a brief comparative analysis of the families studied, according to the following variables: dynastic longevity (number of generations) and nature, regional origin, social intergenerational mobility, education abroad, geographical mobility, family size and sectors of business activity. 9

One variable related to the longevity of these families is its dynastic character. This characteristic is uniform within the sample studied. The Ospina, Restrepo, López and Samper families are all now entering the fifth generation; the Santos, the fourth. Only one family, the Reyes, disappeared as such after the first generation in which one of its members, an export trader of quinine and rubber, became president (Rafael Reyes, 1904-...
Regarding their political affiliations, three families have been champions of the Liberal party (López, Samper and Santos), and three of the Conservative (Ospina, Reyes, Restrepo). They come from two regions: the central-east (four families) and Antioquia (Ospina and Restrepo); none of the families have immigrant origins. Only the Samper family has some foreign link, given that the second generation on the maternal side (Samper Brush) in the early 20th century was English. One demographic data should be added: the size of the families in the first two generations was very large, especially among those from Antioquia. Families with ten children was commonplace.

Three of these families in the first and second generations (Ospina, López, Samper) sent their children to study abroad (the United States, Great Britain, France); the other two (Santos and Restrepo) did so in the third and fourth generations. In particular, they studied Engineering and Business Administration in the case of the two families from Antioquia; law, journalism and administration in the case of the families who had long ago settled in the capital (Bogotá) (López, Santos, Samper). Of the ten presidents, members of the six presidential families, half of them completed secondary or university studies abroad. Nine of them lived for some time in another country, usually as part of the diplomatic service. For the different generations, but most especially for the first, these international contacts and experiences meant privileged circulation of business information, knowledge of the international market, technology, familiarity with international management practices, etc.

As far as social mobility in the first generation is concerned, it is only observed in the López family, whose trunk (Pedro A. López) was son of an artisan (tailor). None of the other families have working class or peasant roots and already in the first generation there was a tendency towards relatively important business activity in an economy that had only just entered industrialization in the first decade of the 20th century. The exception is the Santos family, whose original head (Eduardo Santos, son of a provincial politician) was not a businessman. Francisco Santos Calderón, vice president of the Republic (2002-2010), and cousin of the current president Juan Manuel Santos Calderón, indicated that his father (second generation) "had never made a deal in his life" (Santos 2013; 30-31). However, he, his brothers and cousins from the third generation, in the early 1990s
combined the political role of the family newspaper founded in 1911 and with great influence on Colombian life throughout the 20th century, with the formation of a powerful economic group (Casa Editorial El Tiempo, CEET) in the communications sector (print media, publishing houses, television channels) with managerial support from family business consultants (Santos 2013, 111). In 2007 it was bought by a Spanish family media group (Grupo Planeta) that subsequently sold it to one of the largest Colombian family business groups (Grupo Aval/Sarmiento Angulo).

With regard to the economic sectors in which these six families had their business activities, with the exception of the Santos family, the first generations were linked to foreign trade (import of European and US merchandise, and export of agricultural and livestock products, especially coffee, the main export product from the 1870s to 1989\(^\text{10}\)). The Ospina family also made money in gold mining in the second half of the 19th century, and still in 1927 held executive positions in the mining association; it invested heavily in livestock and came to have one of the main cattle ranches of the country in the early 20th century. The Restrepo family were initially colonizers, traders, representatives of foreign trading houses and partners of nascent textile industries in Medellín (the industrial capital of Colombia). In banking and finance, in the middle of the "free bank" period (1872-1922), two of the families from the capital intervened directly, one with their own bank (López in the 1910s), others as founding partners of a bank (Banco de Bogotá in 1870); and the other two (Ospina and Restrepo) developed financial activities as part of their trading house.

In general, these families were very diversified in their businesses, especially in the first generations. The Samper family was involved in the nascent manufacturing activity of the capital (electric power, cement, glass) until 1950, when they lost majority control of the Bogotá cement works and stepped out of its management. And the Ospina and Restrepo family intervened in the manufacturing activity of Medellín (textile), as

\(^\text{10}\) The great coffee-growing expansion began in 1905 and saw average yearly growth rates of 7.5% (Pizano 2003, 1111); traders with foreign connections (Palacios 1979), such as the López, Samper and Ospina families, played an important role in this.
promotors and partners. Well into the next generations (and until today), the Restrepo family continued to play a decisive role in the industrial, commercial and financial development of Medellín, for example by holding key executive positions in the only large family group out of the four that, since the 1980s, is not family-owned (Grupo Empresarial Antioqueño), but distinctively regional. Its origins are rooted in the 1920s through the association of rich families from this area of the country to form "companies of companies". Since the beginning, this family has held other positions of entrepreneurial leadership (national association of industrialists, organisation for the promotion of Antioquai, interventions in peace processes, etc.) going beyond the sphere of business, being involved in civic, cultural and educational initiatives and holding public office, especially at a local and regional level. Even though, since the second generation (1910-1914), there was not another president of the Republic with their name, they have never stopped being intensely involved, very noticeably at a regional level but also with economic power at a national level.

In the case of the Ospina family, who, like the Restrepos, is a Conservative presidential family from Antioquia, it has held the presidency of the Republic three times (more than any other family studied here) and at very different moments of the country's development (1857-1861; 1922-1926; 1946-1950). Although it had been active in the manufacturing industry (and outwith Medellín), it has since the third generation concentrated its main activity on services (construction industry and urbanization) in Bogotá, where it founded a large company (Ospina & Cía.) that celebrated 80 years of existence in 2010. Before becoming president of Colombia in the mid 20th century, Ospina was at the head of this company; and also lead a key organization in Colombia's development (the National Federation of Coffee Growers, created in 1927) at a critical moment in time (1930-1934).

Four of the families (Santos, López, Restrepo and Ospina) have been involved in media for various generations. They have also, from the beginning, been part of cultural and educational activities (principally the Samper family in second and third generation, the Restrepo family since the second generation and the Ospina family in the second and
third generation) without suffering from the "Buddenbrook syndrome" (Fernández 2003; Allende 2009). That is, they did not follow the route of progressive decline of the family business that often leads to members of the third or fourth generation showing less inclination for business and more for spending their time involved in cultural, artistic and journalistic activities, and "la dolce vita".

**By way of conclusion**

Below we present a few considerations on content, method and theory related to the relationship between family businesses and politics in an emerging Latin American economy. Regarding the first, although it is complex and requiring further empirical research, it seems more relevant to encourage this type of study rather than dogmatically condemn (or praise) the entrepreneurial families, their ways of operation, their relationship with the State and their role in the development of capitalism in societies in different stages of economic development.

Certainly, the existence of presidential families studied in this paper is not to be taken as an example of an institutional trajectory to praise or as an open, inclusive democratic society model to follow. Yet neither does their existence support oftenly-repeated generalizations on the existence of “extractive institutions” designed for their own benefit by elites that supposedly embody the “iron law of oligarchy”. To promote this caricature leads nowhere; neither does it open any avenue for further research that illuminates the nuances of their rule throughout the period under study. What the empirical evidence demonstrates, perhaps taking the case of the presidential families as an extreme example, is that in emerging economies relationships with politics and the State constitutes a key capability ensuring the endurance of entrepreneurial families.

The impact of this concentration of presidential power in the hands of six families over 150 years is a subject for research, and toward this end examining their productive, unproductive and destructive functions seems to provide fertile ground (Baumol, 2010; Torres, 2003). Thus, for example, nearly half of these six families played an important
role in the export-based model, particularly in the case of the coffee economy in the 1880-1930 period. They deployed productive entrepreneurial functions, perhaps in contrast to combining them with unproductive, rent-seeking functions in the following six decades (1930-1990) marked by State protectionism that favored the coffee sector. The deploying of destructive functions, on the other side, does not seem evident in the presidential families during either of these two periods. On the other hand, the outline presented here of a great variety (9 or 10) of modalities of involvement in politics allows for examination of the vast array of combinations of political action open to entrepreneurial families (Dávila 2012). Undoubtedly, this poses a more demanding intellectual challenge and yet is a more promising approach than stereotyping the political relationships of entrepreneurial families in terms of a simplistic dichotomy of good and evil.

We are not ignoring the entrepreneurial families that, although not having reached the political apex (head of State), managed to forge transgenerationally a capability for handling the relationship with politics and the State as a strategic resource for their entrepreneurial activity, by way of the various methods shown here. Exemplifying this are the "merchant houses" of the powerful families in the gold-mining region of Antioquia, which since the mid 19th century, even before the emergence of the coffee economy (from 1880s onwards) had excelled thanks to their diversified entrepreneurship (gold mining, import and export, land colonization, family banks, later coffee, and the textile-based industrialization of the regional capital Medellín) (Botero 2013; Montenegro 2002, Chapter 3). They were never far removed from regional public affairs, forming part of the local elite since the late 18th century (Twinam 1982). And in the present era, the large family business groups located in the main cities (Bogotá, Medellín, Cali and Barranquilla) not only routinely provide financial support to various presidential candidates, but also enjoy privileged access to senior public officials; lobby the executive and legislative powers; are owners of -- or partners in -- media groups; participate in large State contracts, and at times have members holding high public office by appointment (presidential advisors, State ministers, ambassadors etc.). In addition, they have never been far removed from negotiations to resolve the armed conflict that has
plagued Colombia for the past 25 years (Rettberg 2013). The ways that entrepreneurial families (presidential or not), and also non-family-owned business groups, interact with politics and the State -- to a greater or lesser extent, in one combination or another, or at this or that moment in time -- depend on the formation, modification and evolution of the country’s institutional framework, referred to in this paper. Within this structurally turbulent context, they display, at each specific time and place, various functions that are productive, non-productive or destructive in terms of economic development (Baumol 2011 and Torres 2003).

For the smaller and less powerful family business groups, as well as entrepreneurial families who operate small- and medium-sized businesses, there is a clear lesson: without strategic handling of the relationship with politics and the State, even at a local level, an entrepreneurial family has very little room to maneuver (even the task of legally registering its companies becomes difficult). It should be added that participation in politics, in the discharge of public office (both by election and appointment), what is known colloquially as "the revolving door" (the step from private sector to temporally holding public office), has among its costs the frictions, conflicts of interests and hostilities that inevitably arise from decision-making, which in the long term can effect the relationship with other families and business sectors.

In presidential families, as well as in any large family business group, the social network (through marriage, kinship, elite schools and universities, professionals, social clubs, regional identification, immigrant colonies, etc.) continues to play a crucial role.

Important to mention, in the context of Latin America the case of conflict-ridden Colombia in the last half century (1960-2010) is singled out for the complex and continuing armed conflict (“a prolonged and degraded war”) wherein illegal groups (guerrillas, drug traffickers and their networks, paramilitaries and alliances and counteralliances among some of them) paradoxically coexist with a robust record of economic growth and internationally acknowledged macroeconomic stability. Undeniably, in the destructive entrepreneurial activities deployed by all such groups,
families have been a central actor. Not only in this “narco-stained nation”\textsuperscript{11} the drug cartels typically have been family-based, but also in financial scandals, political corruption and in general the “capture of the State”, especially at the local and regional levels, entrepreneurial families have long played a central role. However, entrepreneurial families condemned for their illegal activities, families praised for their contribution to economic development and family business groups that are blazing trails in the globalization process are all subjects for future scholarly empirical research. This is a far better option than to depict such diverse entrepreneurial families with a broad stroke as all-powerful, ever present, “extractive oligarchies”.

This study also clearly shows that the entrepreneurial family as the unit of analysis used here, is different from the family firm and deserve room in the family business scholarly literature. It would be worthwhile continuing to research the entrepreneurial family, as much in its endogenous factors (structure, education, values, the role of kinship and its reproduction, division of work among members, succession, intergenerational transition, the family as reservoir of entrepreneurship, etc.), as in the handling of and adaptation to the contexts through which the entrepreneurial family passes from generation to generation. This paper hopes to contribute in this aspect. For this we have to turn to the focus points and tools of history, especially business history, as well as the traditions of sociological and anthropological studies on family (for example, Adler and Pérez-Lizaur 1987). As previously noted, entrepreneurial families should be studied in diverse contexts of economic development (comparative research between advanced and emerging economies, but also between the latter, for example, between various Latin American countries, and also between these and Spain).

It would seem that, in addition to engaging in dialogue with critics of family structures in the corporate governance of businesses groups (Morck and Steir 2005, Morck 2010), and with the critics of families as oligarchical institutions who only have their own interests at heart (Acemoglu and Robinson 2012), the subject explored in this chapter,

\textsuperscript{11} This label applied to Mexico in a recent Time magazine cover story (Time International Edition, February 24 2014) it also fits well for Colombia.
i.e. the crucial role of the relationship of entrepreneurial families with politics and the State, can contribute to the current interest in the varieties of capitalism (VoC) (Schneider 2010; Business History Review 2010, 638-674); not only at a global level, but even to distinguish "sub-varieties" thereof within Latin American countries (Miller 2010a).

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