


The business dynamics of Madrid's economic growth (1886-1935)

Las dinámicas empresariales del crecimiento económico de Madrid (1886-1935)

Jorge Hernández-Barahona (jorgeh05@ucm.es)* 

Universidad Complutense de Madrid. Departamento de Economía Aplicada, Estructura e Historia

Águeda Gil-López (aguegil@ucm.es) 

Universidad Complutense de Madrid. Departamento de Economía Aplicada, Estructura e Historia

Elena San Román López (esanroma@ucm.es) 

Universidad Complutense de Madrid. Departamento de Economía Aplicada, Estructura e Historia

ANALYTICAL SUMMARY

This paper delves into the composition and evolution of Madrid's business structure from 1886 to 1935, a period characterized by substantial economic expansion and modernization. Despite the accrued interest in this process of regional economic transformation during the early decades of the 20th century, the extent, uniqueness, and specific features of Madrid's business growth and diversification remained largely unexplored.

We show the trajectory of companies established in the Spanish capital during this era drawing upon data sourced from books 1-265 of the Madrid Mercantile Registry, supplemented by information extracted from the Financial and Corporate Yearbooks (*anuarios financieros y de sociedades anónimas*), alongside a 1919 report compiled by a military commission (*comisiones de Movilización del Arma de Artillería*). This analysis encompasses their legal form, economic activity, and size, providing insights into the evolving dynamics of Madrid's business structure. This enables us to identify the business dynamics that accompanied the regional growth process and contributed to the consolidation of Madrid as a central player in the national economy and finance during a critical stage in the configuration of capitalism in Spain. Thus, we provide an overview of the capital during a period that, hitherto, had primarily been examined through isolated case studies of entrepreneurs, companies, and sectors, lacking a comprehensive quantitative aggregate analysis.

Our findings indicate that Madrid's economic transformation was fuelled by a remarkable expansion of the region's business structure, an early proliferation of the stock company, significant diversification across sectors, and the advancement of medium-sized enterprises. All these dynamics gained momentum after the First World War, exerting a more pronounced and enduring positive impact on business development in Madrid compared to the rest of Spain. Amidst the ongoing debate regarding the relationship between business size and economic growth, our findings underscore the divergence of Madrid's business dynamics from the conventional Chandlerian model. Indeed, our paper reinforces the idea that economic growth in Spain during the 20th century was primarily driven by small and medium-sized enterprises (SMEs), rather than large corporations. Additionally, our research demonstrates that during the first third of the century, Madrid saw not only an increasing presence of medium-sized firms, but also a decline in the number and average size of large companies.

The evidence of this paper, in sum, serves to downplay the argument that the absence of large companies was indicative of economic backwardness in 20th century Spain. Instead, medium-sized companies played a pivotal role as agents of modernization and economic growth.