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Unit 3 study guide us history

BRIAN KENNY: You listen to one of the most famous commercial jingles of all time performed by singer Patti Clayton in 1944. Patti gave voice to animated Miss Chiquita Banana, a curvy cartoon in a bright red dress that balances a bowl of fruit on her head while dancing salsa. At its peak, Chiquita's banana ringing played up to 346 times a day on radio stations across America, making Miss Chiquita a household name long before she danced in the living rooms on televisions in the 1950s. In the coming decades, it will help make bananas the most popular fruit in the United States, but what Americans didn't know about the hilarious looking fruit with the iconic blue sticker was the upheaval it left in its wake. Today we will hear from Professor Jeff Jones about his case entitled Octopus and Generals: United Fruit Company in Guatemala. I'm your host, Brian Kenny, and you're listening to Cold Call, recorded live at Klarman Hall Studio at Harvard Business School. Jeff Jones is a historian who studies the evolution, influence and responsibility of global business. He has written a lot about the history of emerging market business in Latin America and elsewhere, but we will stick to Latin America today, because that's where this case happens. Thank you for joining me today, Jeff. GEOFF JONES: My pleasure. BRIAN KENNY: I'm glad you're back on the show. We've had you here a few times before, so we're going to continue to expose these cases about business history because there are so many lessons we can learn today, obviously from what happened in the past, so I think people will really enjoy hearing about United Fruit Company, which today is known as Chiquita. Many of us have bananas every day. In fact, I read a statistic that says Americans eat up to 30 pounds of bananas a year. Sounds right? GEOFF JONES: I'm afraid that's probably true, yes. BRIAN KENNY: That's a lot of bananas. I have one day, so I contribute to this. Maybe you can start as we always do by helping us open a case. How does the case start? GEOFF JONES: This case starts very dramatically. It was June 1954, and President Jacobo Arbenz, who was the first democratically elected president in Guatemala's history, heard news that rebel forces had invaded to overthrow him. Later in this case, we hear that he is going to make a point that the United States is helping to overthrow his government in the interests of the banana company. BRIAN KENNY: As a business historian, I'm curious how you decide to write about this particular case? GEOFF JONES: As you mentioned, my course is that I am currently teaching deals with the rise and fall and rise and fall of globalization again, so I am always looking for key turning points and key points. The CIA's arbenza was the central moment tortured relations between the United States and Latin America. It became a symbol and crystallized Latin American resentment against the power of the United States. This event leads directly to the Cuban revolution five years later and to decades of anti-American populism in Latin America, so this is indeed a pivotal moment in the history of globalization. BRIAN KENNY: Why don't we go back to the late 1800s and tell us about the origins of the United Fruit Company. GEOFF JONES: Well, it's a very Boston story, quite appropriate. United Fruit was formed in 1899 as a result of the merger of two Boston banana companies. Bananas are tropical fruits, so they are not grown in the continental United States, and so what you have since the mid-19th century these Boston guys are going in search of regular banana supplies from Central America and the Caribbean. It's quite a challenge and they end up building plantations, building railroads, and building shipping lines all designed to find the source of the bananas that they ship to Boston and the rest of the United States. BRIAN KENNY: Was there even a market for bananas at the time? GEOFF JONES: If you come back like in 1850, almost no one in the United States has even seen a banana. BRIAN KENNY: What were the economic conditions in Central America at the time? GEOFF JONES: I think it's fair to say that Central America and Guatemala are in an absolutely terrible state. Historically, it was the home of an ancient Mayan civilization, so it was once one of the most advanced civilizations on Earth. It went into decline, and then when the Spaniards took over the area in the 16th century, they created a society in which a small white elite dominated society and the economy and ruled the descendants of the Maya, who were in terrible conditions of poverty and illiteracy, employed practically as slaves. The situation was even worse in the early 19th century, when the Spanish colonial regime was overthrown and this white elite established itself as fully governed. What we see in the 19th century is a series of oppressive, corrupt dictators, ruling and exploitatives of the country. At the time United Fruit enters, the dictator in question is called Manuel Estrada. He's murderous, he's corrupt, he's cruel, and he's totally crazy. He is a follower of the ancient Roman cult of Minerva, so in this desperately poor country he builds it all like Roman temples. He's the guy who gives the first banana concessions to United Fruit. BRIAN KENNY: Wow, so they're already starting to kind of in the shadows of this. What were some of the problems they faced early on when they started setting up their business? GEOFF JONES: The easiest problem is politics, because all these states were governments, but they were bribery and corrupt, corrupt, You can just get concessions if you just give them enough money, so that's fine. Logistics is a much more serious problem. Bananas are harvested when they are green, but once they are picked, they start to turn yellow as the starch turns into sugar. You wait too long and the banana is ruined, so the business depends on creating a supply chain that worked perfectly from collecting a banana to delivering a banana to the United States to getting it into the hands of consumers. If you get something wrong, you will have a lot of rotten bananas. Shipping was very important, so United Fruit created a giant shipping fleet, the Grand White Fleet, which at one point was the largest shipping line in the world. The third problem was, as we started to talk, people didn't know what the banana was, so the company needs to start convincing people to eat these bananas if they can get them to it. They invest heavily in educational materials for schools, all sorts of ways of introducing banana to people. One of the most interesting things they did was join forces with Kellogg, a cereal company, and they convinced Kellogg to put pictures of bananas on their cornflakes to show people that they went very well together. The message, all the way through, was that bananas were very healthy fruits. Just like drinking milk, eating bananas, you would be much healthier. It works very well. It's a very brilliant marketing campaign and it convinces Americans to eat bananas. BRIAN KENNY: The ringing we played at the top of the show is actually an educational song. She tells listeners when they should eat bananas, right? GEOFF JONES: Absolutely. I mean eating bananas is not a natural thing to do. People are convinced eating bananas is a healthy thing to do, a very sophisticated marketing campaign. BRIAN KENNY: Tell me, what were the conditions for people who were working on plantations at the time? Did United Fruit care about its employees? GEOFF JONES: Indigenous conditions in Guatemala were terrible even before The arrival of United Fruit, so, in some respects, United Fruit improved its conditions. They provided housing. They provided basic schooling. They provided basic health facilities, which was very important because bananas were grown in areas contaminated with malaria. However, they did so with very restrictive conditions. For example, workers were not given money. They were paid in vouchers which you then had to use at plantation shops. By the interwar years, you have an increasingly belligerent labor movement trying to protest against this kind of conditions. BRIAN KENNY: How do they fare? Have they made any progress? GEOFF JONES: It was, in the interwar years, extremely difficult to make progress because you have these brutal governments that put any kind of movement, especially any kind of movement that even hints at with the Communist Party, which has now emerged, so that the United Fruits are fully supported by the regimes in the area. BRIAN KENNY: What was the competitive landscape like in the banana industry? United Fruit was not the only player in the game. GEOFF JONES: No. For a while, it's almost the only player when you get this merger between the two Boston companies, but it's an attractive business, so you get new entrants. The most important new entrant was Sam Semurray. He's an immigrant from Russia. He sees a banana, and he has a vision that this is the basis for an amazing empire, so he starts selling bananas along the railway lines in New Orleans. By the 1920s, he had entered Honduras and set up a large plantation business, and he became a formidable competitor to United Fruit. BRIAN KENNY: The case focused on Guatemala, so I was curious to read it, the banana industry was kind of spread across Central

America at the time, so they were in Honduras, as you mentioned, and Guatemala and other places. Why are you focusing on Guatemala on this case? GEOFF JONES: That's absolutely true. United Fruit is very diversified. In some countries there are legal or other restrictions that stop United Fruit from actually owning plantations. In countries like Costa Rica, for example, it will buy bananas from producers and then do the rest, all the transportation. In Guatemala, his involvement is much deeper. It has huge plantations. It becomes the largest company in the country. It owns all infrastructure, such as trains, as well as radio stations, communications and shipping infrastructure, and accounts for 75 per cent of the country's banana exports. Almost the only thing that the country exported bananas, except for some small coffee, so it is a very dominant influence, although, elsewhere, it also dominates. BRIAN KENNY: There's a central character in the case. Jacobo Arbenz. I would love if you could talk about what led to his growth and the role he plays in this matter. GEOFF JONES: Jacobo Arbenz is not one of the landed elite. His father was a Swiss immigrant who eventually committed suicide in his youth. His mother was Guatemalan, but not one of the highest elite, so he does what many people do in many places. He joins the army as a way of social mobility. By the 1930s, discontent was growing ... You could call them urban middle class as top-landed elites to completely dominate the place. In the early 1940s, as a young captain, he took part in a military coup to overthrow the last dictator. The coup is successful and it is then part of this new generation of military who are trying to start the process of reforming Guatemala. They make racial discrimination They legalize trade unions and establish free and fair elections. The very first was 1951, when he was a candidate and won the election. Elections. KENNY: That's where the United States is starting to participate in a way that maybe they weren't before in the company's history. You mentioned before the CIA engaged in significant ways. Can you tell us why the U.S. government was so concerned about political affairs in Guatemala? GEOFF JONES: Arbenz's key task is to move away from the feudal nature of Guatemalan society. He is concerned about land reform, so he actually replicates The U.S.-imposed land reform of Japan, which involves expropriating unused land and giving it to farmers. He's trying to create-BRIAN KENNY: That's pretty controversial, yes. JEFF JONES: ... a fairer society. It is unfortunate from an American point of view because United Fruit is a leading company, but it is more unfortunate that it comes to be seen as influenced by the Communist Party. This is the height of the Cold War. The newly elected Eisenhower administration is at the forefront of the cold war. Secretary of State John Foster Dulles, who sees the struggle between the United States and communism as a battle between good and evil, and so the United States is gradually concerned that we see here the communist takeover of the country. On the other hand, it must be said that the formation of this concern is greatly influenced by Sam Semurray and United Fruit. Semurray hires a guy named Edward Bernays, who is known as the father of public relations and who has a very important role in persuading women to smoke in interwar America, for example. He's a brilliant guy, and he intends to work using all the public relations powers to convince politicians in Washington that we're looking at a communist takeover of the country. This ignited fire in the minds of people like President Eisenhower and Secretary of State Dulles. BRIAN KENNY: Was it a play in the media? These days, obviously, if something like this was to happen to the Internet and social media, it would be hard to keep a lid on it, but was it... At the time, were the media buying into this story, or are they really trying to dig in and report on what's really going on there? GEOFF JONES: Bernays is a very smart man. It takes journalists on tour in Guatemala. He's a master of media work, so he's built a very compelling case. Remember, this is the McCarthy era. This is an era of great concern about communism. BRIAN KENNY: We're kind of approaching the current time, United Fruit is still working. They work like Chiquita. What legacy have they left on their way to Central America? GEOFF JONES: The overthrow of Arbenz destroyed Guatemalan society. For the next 50 years there is a terrible civil war. Civil society never recovers. Now it's the poorest countries in the entire region. 23% of the population extreme poverty, and it is the main source of immigrants seeking to travel north, and it is the main source of the drug trade. The country itself was devastated by the coup in 1954, and it also has a greater influence on broader Latin American perceptions of the United States. The United States is seen as a country that will overthrow democratic governments for the benefit of banana companies. This shapes the way generations of Latinos have treated American and American businesses. United Fruit has come to represent what American companies are doing. It's kind of a devastating effect on the legitimacy of, I think, American capitalism. BRIAN KENNY: By claiming emerging markets today, can something like this happen in today's society? Is there a place in the world where you could have the same level of corruption and open the door for it to happen again? GEOFF JONES: There are large parts of the world where there is this level of corruption and foreign interference. Many of them are in Africa, in fact, places like Congo where you have the same history of foreign companies looking for resources, corrupt governments, very bad legal frameworks, very limited international governance, controlling what happens. Will the United States participate in the overthrow of governments now in support of American business? No, not at all. At the same time as the Guatemalan coup, there is the CIA overthrow of the government in Iran, which also has very bad consequences in future American relations. This era, more or less, the overthrow of governments more or less ended in the 1970s, and it was replaced, in particular, by the use of sanctions in an attempt to punish governments that are considered hostile to American interests or American business. We are now in an era of sanctions, not covert operations. For the most part, sanctions, like covert operations, have not worked terribly well and, worse, threaten legitimacy. BRIAN KENNY: Have you discussed this case in class before? JEFF JONES: Yes. I've been discussing this case for several years. BRIAN KENNY: I'm curious what kind of reaction you get, and particularly if you have students in the class who are from this part of the world. GEOFF JONES: I think there are several levels of reaction. First, shock. For the most part, students have no idea about the history of United Fruit or the overthrow of Guatemala or where the bananas come from, so it's a huge shock. Then what to do with this shock, I had a lot of reactions. I had students from Central America almost in tears that finally it is discussed in the classes of Harvard Business School. I've had Cuban-Americans say it's a very good thing, otherwise the overthrow of Arbenz, otherwise Guatemala would be like Cuba under an unpleasant communist regime. This is very strong tension among students and is cause for concern. Then some of the biggest debates are actually about Sam Semurray himself, the guy who started this coup because, as the case says, he's also an amazing philanthropist. He practically built Tulane University. He funds the first chair for women working at Harvard University, which is still busy. It's all done with money from the sponsors of the wars in United Fruit and the Guatemalan episode, so it creates, I think, an important and meaningful conversation about the charity business and whether it matters where the money comes from the good things to happen. BRIAN KENNY: That's a whole other thing, I think. You're going to have to write a case about it so we can talk about it so we can talk about it. Jeff, thank you for joining us today. GEOFF JONES: My pleasure. 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