

Between “Informal Empire” and “Good Neighbor”: Latin America in an age of shifting global polarity, c. 1900-1960s

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ABSTRACT/OVERVIEW

Since the seminal study by Cain and Hopkins, published in 1993, the debate about ‘informal empire’ and ‘business imperialism’ has shifted considerably.ⁱ Their views on the relationship between business and finance and government had a profound impact on the debate about Britain overseas. Their exploration of the role of London in the international economy, before the First World War — the age of British financial paramountcy, during the inter-war period — when the influence of The City in world capital markets was considerably strained, and after the Second World War as the long retreat from formal empire gathered momentum has had a considerable impact. Yet scholars of Latin America have been slow to respond to this analysis, or to take on board the evaluations of students working on the impact of British colonialism and international trade and finance on other parts of the globe. Perhaps this was because social scientists and historians engaged in the study of the continent were only then emerging from the influence of dependency, a paradigm that had shaped the Latin America research agenda since the 1960s. Perhaps, too, it was because that during the 1990s the backlash against structuralism and *dependencia* was gathering momentum, driven by the new institutionalism. It was precisely at this juncture that social science historians, notably those based in the USA, proponents of the new institutional economics and strategists associated with the Washington Consensus looked to the golden age of growth in Latin America during the first age of globalisation. For social science historians and proponents of the Washington Consensus re-evaluating the *Belle Époque* of commodity-based export led-growth, the economic history of Latin America between 1870 and 1914 served as a laboratory to test — and peddle — the prevailing model of economic openness and unrestrained markets characterised by the New Economic Model of the 1990s. These critics of dependency also looked to the period of state-led industrialisation between the 1930s and the 1960s, a development strategy deriving

i Cain, Peter J. & Antony G. Hopkins *British Imperialism: Vol. I: innovation and expansion, 1688-1913 and British Imperialism: Vol. II: crisis and destruction, 1914-1990* (London: Longman 1993).

from UN Economic Commission for Latin America analyses of the structurally subordinate position in the continent in the world order before 1930 to explain what went wrong with the long-run Latin America growth trajectory. Excessive and inappropriate government action (that is, import-substituting industrialisation) caused the continent to 'fall behind' North Atlantic countries at a time when the East Asian 'newly industrialising' economies were developing rapidly.

Arguably, from the last quarter of the nineteenth century until several decades after the Second World War, Latin America was a more important actor in the international economy than Asia or Africa, absorbing a larger share of foreign investment than the other 'developing' continents, and accounting for a greater proportion of world trade. In addition, living standards in parts of the continent compared well with those of southern and eastern Europe, and were considerably above Asian and African averages. As late as the 1960s, Argentinian incomes per capita stood above the Japanese. Similarly, between 1929 and 1983 Asian GDP per capita increased at an annual average rate of 2.24 percent: the Latin American figure was 2.63 percent. The best performing Asian economies were Korea and Taiwan, with rates of 4.89 percent and 3.80 percent *per annum* respectively: Brazil, the best performing Latin American economy achieved 5.32 percent; Mexico, the second ranking economy registered 3.30 percent. The worst performing Asian and Latin American economies were India, 1.43 percent and Cuba, 1.25 percent.ⁱⁱ Latin American growth rates also compared favourably with those of Western Europe and the USA. Between 1913 and 1950, annual average compound rates of growth for Latin America were almost double those of the North Atlantic economies: from 1950 to 1973, the Latin American figure was virtually within half a percentage of the average of these countries; from 1973 to 1980, about 60 percent higher.

The changing ranking of Latin America in continental league tables came to perplex scholars in the latter part of the twentieth century, and continues to do so. It is also a phenomenon that resonates beyond the academic world. For many public intellectuals in Latin America in the 1930s, the cause of problems confronting the continent were clear enough - the pernicious economic influence of external interests. These views would later influence structuralism and dependency. Increasingly in the 1960s, arguments about state capacity would be integrated into these approaches. That is, and accepting that there were considerable differences between the two periods, the effectiveness of government successfully to

ii Maddison, Angus 'Economic and Social Conditions in Latin America, 1913-1950' in Miguel Urrutia (ed.) *Long-term Trends in Latin American Economic Development* (Washington D.C.: Inter-American Development Bank 1991) p.17; and Urrutia, Miguel 'Introduction' in Miguel Urrutia (ed), *Long-term Trends in Latin American Economic Development* (Washington D.C.: Inter-American Development Bank 1991) p.vi. See also Maddison, Angus *The World Economy: a millennial perspective* (Paris: OECD 2001).

implement programmes of structural after the 1950s was associated with a capacity to manage external economic relations during the turbulent inter-war period. In short, states that proved to be more adept at responding to economic and political shocks in the 1920s and 1930s (or 'confronting imperialism') proved to be more effective at advancing the industrialisation project thereafter.

As indicated, conventional chronologies of Latin American history tended to present 1929/30 as a turning point. For political historians, 1930 was the year of revolutions when global crisis had a dramatic and immediate impact: regimes were over-turned as the result of street protest or opportunist *coups*. Hence, c.1930 marked the demise of oligarchic politics, prefiguring the rise of populism. Another conventional approach demarcates 1930 as the year when industrialisation became possible. First associated with structuralist, and subsequently dependency, approaches, scholars who regarded export-led growth as inimical to industrialisation viewed the collapse of the multilateral international order as presenting opportunities for indigenous industrial growth. These over-stylisations of the nature of the economic and political events of 1930 have been challenged. Acknowledging the drama that unfolded in many countries around 1930s, and the severity of the immediate shock to political and economic arrangements, revisionist scholars are now inclined to depict the period between the two world wars as a unity - a period of incremental, as well as sudden, changes, no more so than in the field of external commercial and financial relations. For some, this period of shifting global economic polarity represented a particularly important conjuncture for Latin America, a conjuncture that witness the final demise of British influence and the cementing of US hegemony. The ability of interest and sectors in Latin America to manage (or optimise) the events of the period were conditioned by the stance and strategy of the main global players and, perhaps even, more by the capacity of local regimes.

The paper consider the changing relationship between Latin America and the UK and the USA in the first half of the twentieth century, a period that opens with near continental financial and commercial dominance by Britain and ends with US supremacy. During these decades, British interests in Latin America felt themselves to be under threat from North American and European competitors. There was also a sense, in some countries, that national governments were pursuing consciously anti-British strategies while favouring commercial and financial interests from other countries. Conversely, in other regions, Britain was viewed as a less threatening partner than the USA. For Washington, this was a period of growing self-confidence, though one that also witnessed a shift from the raw robber baron capitalism of manifest destiny to the "Good Neighbor" programme which promised constructive economic and political engagement with republics to the south. Exploring the re-ordering of the international commercial and financial order in the first half of the twentieth century, this

paper considers ways in which interests in Latin America responded to changing global polarity and 'imperialism ambitions' in the continent. In so doing, the paper also acknowledges that the discussion also hinges critically on assumptions of state capacity. That is, the competence of national administrations in Latin America to manage external relations at a critical juncture in the history of the international economy.

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Introduction

During the first half of the twentieth century, three principal phenomena confronted Latin America. These were: shifting international polarity as the USA displaced the UK as the financial and commercial lynchpin of the global system; transition from an export-led model of growth to one characterised as internally-orientated development (conventionally depicted as import-substituting-industrialisation); and, in many countries, the rise of populism. With the passage of time, these phenomena would become inexorably entwined, most obviously during the inter-war decades. Coping with global structural change, negotiating with external actors and resolving domestic conflict depended critically on state capacity. Outcomes were also determined by state competence and robustness. That is, the ability of regimes to manage external economic relations while dealing with the conflicting demands of local groups. If the inter-war period witnessed increasing international rivalry in Latin America, including overt expressions of imperialism, the rise of economic and political nationalism was the domestic counterpart. Both tested administrative competence and statecraft. As elsewhere, the re-configuration of the international order was associated with challenges and opportunities that would result in structural change. Turbulence and volatility were not peculiar to Latin America, but the restructuring of domestic politics and economics during the inter-war period triggered heightened concerns about what were often described as the forces of imperialism. For contemporary radical commentators of both the left and the right, these included foreign governments and their agents, overseas financial and commercial interests, and their domestic associates — the despised *vendepatristas* (landed oligarchs, 'internationalist' intellectuals and supine politicians who sold their countries short).

This paper revisits the debate about economic imperialism in Latin America by presenting three inter-connected essays. One considers 'encounters' with overseas businesses: it is composed of a set of micro studies of engagements between dominant groups in Mexico, Brazil and the Argentine and key external financial and commercial interests. It seeks to show that local actors were far from powerless in dealings with overseas agents during the classic age of 'informal empire'. Whether these micro studies are exceptions that prove the rule of

imperialism, or challenge several assumptions that shaped the economic historiography and economic development literature on Latin America for much of the second half of the twentieth century is left open. The second essay is a macro study of the political economy of the Argentine and Brazil during the inter-war decades. For Latin America, this is sometimes as presented as a period of transition — from one imperialism to another, when hegemony passed from the UK to the USA and, possibly, there was a moment when the continent might have ‘escaped the imperial embrace’. Various factors that could have contributed to (or constrained) that escape are identified and explored. The third essay examines state capacity: the extent to which new state formations — and a new political economy — emerged during the second half of the twentieth century. The middle third of the twentieth century may be described as the moment when many of the countries of Latin America passed from export-led growth to state-sponsored structural change. Conventionally described as import-substituting industrialisation, for those who subscribed to the imperialism thesis, industrialisation represented a strategy for autonomous national development.

The paper opens with a statement about the principal approaches to the study of the economic history and economic development of the continent in order to frame the following essays. At the end, there is an appendix that charts the stock of foreign investment from the 1840s to the 1980s. The data in the appendix is not robust, but illustrates the changing importance of external sources of funds — something that has loomed large in the story of imperialism. Perhaps it is also worth observing that during the twentieth century, of all the regions of what used to be called the Third World, Latin American was by a considerable margin the most popular destination for international capital. Not that this was peculiar to the twentieth century: resource-rich, under-populated parts of South America, as their counterparts elsewhere have proved popular with foreign capitalists (and overseas migrants) since the beginning of the nineteenth century.

Some Historiography: long-run approaches to the economic history of Latin America

Various revisionist contributions have radically altered approaches to the study of Latin American, particularly during the decades often regarded as the ‘classic’ age of economic and business imperialism. Interest in the subject has been invigorated by new theoretical frameworks. Some are primarily concerned with events and processes of the period itself. Others reflect on configurations and contexts of the period of export-led growth so as better to appraise the long-term trajectory of the continent. Much of the impetus derives from the new institutional economics approach, which consciously seeks to refute former dominant paradigms of structuralism and dependency that both derived from, and help shape, debates

about economic imperialism. Partly in response to the strictures of institutionalists, neo-structuralists have also re-visited *cepalista*¹ interpretations of export-led growth and state-sponsored solutions to the structurally subordinate position of Latin America in the global system. In addition, historians of culture and consumption offer distinct insights into the nature, scope and outreach of markets in Latin America, before and after the nineteenth century.

New-institutionalist and social science historians start from an assumption that structuralism and dependency — popular from the 1950s to the 1970s — are bankrupt. Haber is the most direct exponent of this view. He inveighs against the pernicious influence of structuralist and *dependista* paradigms: these constructs were unsystematic, lacked theoretical rigour and cavalier in use of evidence.² Questioning frameworks and resultant policy prescriptions associated with *cepalista* developmentalism, social science growth historians have refocused attention on the pre-1914 *Belle Époque* which they depict as a laboratory for historical analysis. It provides neo-classical economists with the apparatus and evidence both to challenge the ‘failed’ strategy of import-substituting industrialisation advanced by the UN Economic Commission for Latin America after the Second World War, and *inter alia* to test neo-liberal remedies advocated by proponents of the Washington Consensus in the 1990s.³ Many growth economists and social science historians are inclined to the view the pre-1914 period as characterised by relatively untrammelled markets and economic openness, namely, one in which liberal theories were translated into policy by ‘small’ governments. Economic specialisation, comparative advantage, institutional stability and effective integration into the ‘global order’ of the day resulted in growth. These positive features of the Latin American export economies were, according to Haber, underplayed, or consciously ignored, by structuralists-cum-*dependistas*. *Cepalistas* and proponents of dependency theory were excessively over-concerned with theories of unequal exchange, and were so convinced of the pernicious influence of foreign investment that they failed to observe mechanisms promoting productivity growth and the impact of organisational and technological innovation on savings rates, labour force allocation and capital formation. Hence, or so the line of reasoning goes,

1 The term *cepal* derives from the Spanish and Portuguese acronym for the UN Economic Commission for Latin America, sometime headed by Raúl Prebisch, father of structuralism, and, with Hans Singer, associated with Prebisch-Singer thesis of negative trends in the terms of trade for primary exporting economies, underdevelopment and frustrated industrialisation. Hence such adjective as *cepalista*, *cepalino* and the like.

2 Haber, Stephen (ed.) *How Latin America Fell Behind: essays on the economic histories of Brazil and Mexico, 1800-1914* (Stanford: Stanford University Press, 1997) pp. 5, 7-10.

3 Della Paolera, Gerardo & Alan M. Taylor *Straining at the Anchor: the Argentine Currency Board and the search for macroeconomic stability, 1880-1935* (Chicago: University of Chicago Press/NBER 2001) pp.5-9, 17-18.

deploying a robust theoretical framework, and emphasising the positive impact of institutional innovation on the supply side, new economic institutionalists and social science historians have returned to the analysis of these aspects of the export economies, and offer perceptive insights into the causes of growth and determinants of stagnation in Latin America.⁴ Much of this literature employs the economic history of the USA as a template against which to evaluate the performance of Latin America.

Consumptionists and historians of culture offer a less economic approach, yet one that represents a revival of the Keynesian emphasis on the demand side, combining the 'culture and politics of consumption' with the social anthropology of the market place. Pursuing elements of ideas developed by those contributing to the debate about the 'industrious revolution', it is argued that the growth of a consumer society, observed through developments in taste, fashion, and marketing strategies, were the essential main spring of social and economic organisation. In shifting the focus from the supply-side, consumptionists also argue for a direct focus on the internal — particularly social — determinants of growth. Bauer and Orlove are equally critical of *desarrollistas* and neo-structuralists (and, by implication, many *dependistas*) who over stressed external factors in Latin American development.⁵ Assessments of the pros and cons of export-led growth by diffusionists and *dependistas* alike mean that considerable attention had been devoted to the dynamics/constraints associated with insertion into the international economy — flows of factors to Latin America, the mechanics (and costs) of export production, and the political economy of the global system. For consumptionists, these fixations deflected attention from the internal. Little thought was given to the market for imports, which tended to be taken as a given, or a dependent variable of export commodity production. Even debates about the economic and social policy environments, and about productivity, have been conceived in terms of 'transfers' from the external sector. Consequently, consumptionists advocate a paradigmatic shift from an analysis of the 'export-economies' to an exploration of the 'import-economies'. This requires an investigation of cultural factors (as well as economic rationality) influencing preferences for locally-produced items in addition to imports, and strategies devised by households to consume from the market.⁶ The 'value' attached to consumption may be even more instrumental than the 'price' of acquisition: so industrious acquisitiveness promoted factor

4 North, Douglass C. & Barry Weingast 'Conclusion' Haber, Stephen, (ed.) *Political Institutions and Economic Growth in Latin America: essays in policy, history, and political economy* (Stanford: Hoover Institution Press 2000) p.273.

5 Bauer, Arnold J. & Benjamin Orlove 'Introduction' in Benjamin Orlove (ed.) *The Allure of the Foreign: imported goods and post-colonial Latin America* (Ann Arbor: University of Michigan Press 1997) pp.1-3.

6 Bauer & Orlove *loc.cit.* (1997) pp.6-7; Bauer, Arnold J. *Goods, Power, History: Latin America's material culture* (Cambridge: Cambridge University Press 2001) pp.8-9.

reallocation and factor saving, as well as leisure reduction, to sustain consumption. Although much of the language of this literature jars with the new institutional economics and the 'hard' data requirements of cliometric history, elements of the consumptionist approach connect with concerns emphasised by social science historians, namely the critical importance of markets.

While neo-structuralists — proponents of a pragmatic heterodox stance — may be presented primarily as apologists for the *cepalista* project, anxious to defend the growth record and achievements of the 1950s and 1960s, and to highlight the myopia of some social science historians, their work also offers thoughtful insights. The importance attached by neo-structuralists to the 'quality of growth' is particularly instructive — and challenging for their critics. Advocates of pragmatic heterodoxy draw attention to the more stable rates of economic growth that prevailed during the long boom from the late 1940s to the 1970s, largely due to 'smoothing action' by government. This perspective places into relief the volatility of growth during the *Belle Époque*. Average rates of growth may have been greater before 1914 than after the 1940s, and some peaks considerably higher, but troughs were also lower and cycles sharper. Hence economic and social gains were difficult to sustain — cyclical crises had a negative impact on households and businesses. The more stable and predictable environment associated with smoother rates of growth during the '*cepalista* decades' delivered sustained welfare gains, as reflected in key aggregate social indicators like life expectancy at birth and levels of literacy. For neo-*cepalistas* there was a double convergence after the 1940s: Latin American social indicators converged up with those of the USA and Western Europe, and there was greater uniformity of progress across the continent as 'laggard' Latin American countries caught up with hitherto better performing economies. Although there is evidence of welfare gains in some economies during the latter stage of the period of export-led growth, sustained cross-continental improvements in living standards were particularly pronounced in the period from the Second World War to the 1970s.⁷ If social science historians vaunt the potential of the Latin American export economies before 1930 in order to underscore the economic and social costs of 'inward development' after the 1940s, new statistical evidence compiled by neo-structuralists point to the limits of productivity and welfare gains before the 1930s by quantifying post-Second World War achievements.

Recent debates have also served to revitalise interest in earlier, classic surveys and approaches, these include institutional typologies offered by Cardoso and Faletto. Their classification was based on organisational, or capitalistic, capacity. That is, the ability of local

7 Astorga, Pablo, Ame Bergés & E.V.K. FitzGerald 'The Standard of Living in Latin America during the Twentieth Century' *Economic History Review* (2005) LVIII 4 pp.765-96; Thorp, Rosemary *Progress, Poverty and Exclusion: an economic history of Latin America in the twentieth century* (Baltimore: Inter-American Development Bank 1998) pp.35-45.

agents to retain control of assets and to employ them productively. They identify particularly dynamic actor-state social arrangements in the new coffee zone of Brazil where land was controlled by *fazendeiros* who, due to a peculiar sub-set of institutional and conjunctural circumstances, presided over the consolidation of a modern, diversifying economy. A not dissimilar retention of domestic control of resources by *estancieros* was observed in the River Plate. However, perhaps because commodity production was too lucrative for too long, or because states were less 'developmentalist', there was over commitment to the export sector until the staple trap snapped shut, stalling the engine of growth. Cardoso and Faletto note that mineral exporting economies were less likely to develop. Here, as a result of resource alienation and an ensuing dependence on foreign capital, managerial expertise and technology, internal linkages were virtually non-existent.⁸ An even more direct 'old' institutionalist framework was being developed near contemporaneously by Glade.⁹ Glade similarly devoted considerable attention to commodities, organisations and institutions, and to the distinct social formations associated with specific types of export economies. He also attributed particular importance to the role of 'ideology' (pragmatic positivism) in assisting the formation of markets for factor and products, and in shaping organisational response to exogenous growth stimulants. The interaction between organisations and institutions determined the strength (or weakness) of domestic linkages and, hence, the capacity to retain and internalise growth potential delivered by the external sector. In short, these conditions determine the capacity to resist (or otherwise) 'imperialistic forces' and to maximise opportunities arising from engagement in the global order of the day. For Glade, some commodities, like cereals were 'linkage rich'. Here the market itself served to reinforce inherent backward or forward linkages, and ensure substantial final demand (or domestic consumption) linkages in the shape of a growing national market for locally produced goods and services. Linkages between mineral enclaves and the national economy tended to be weak. In the case of mineral exporting economies, the role of the state was vital — not least to confront dominance and exploitation by external agents. Strong fiscal linkages were essential to internalise export earnings. Without a competent state, there would be little 'trickle down' from export activities — resources would simply be 'extracted' overseas.

To conclude, confrontations between new institutionalists and neo-structuralists have reassessed the position of Latin America in the international economy, in part by revisiting earlier analyses, and also by reflecting on developments in related bodies of literature. To

8 Cardoso, Fernando Henrique & Enzo Faletto *Dependency and Development in Latin America* (Berkeley: University of California Press 1979) pp.xviii-xx, 54-73.

9 Glade, William P. *The Latin American Economies: a study of their institutional evolution* (New York: American Book 1969).

students of imperialism, these confrontations contribute refinements that are relative and provocative. Neo-political economists and social science historians offer new insights on the pre-1930 institutional order: namely, '... the relationship between public authority and private rights, and their mediation by the rule of law ...', or new perspectives on the micro-foundations of macrosocial change and the politics of economic development.¹⁰ Arguing that the demand-side is at least as important as the supply-side in the development equation, and that the consumer is a key economic decision-taker, consumptionist cultural historians and neo-structuralists shed light on the social formation of the market and the politics and economics of engagement with it.¹¹ Specifically with regard to the debate about imperialism, the impact of these approaches — social science history and the history of culture — are summarised by Brown. He argues that '... juxtaposing political economy and cultural studies ... breathes new life into the concept of informal empire ... and provides a sound basis for interpreting the complex processes of nation-building and state-formation in Latin America'.¹²

Dealing with Foreign Business during the 'Classic' Age of Imperialism: confrontation, negotiation and opportunism - exceptions to the rule or challenges to theory?

Arguably, the shift in international polarity from the UK to the USA during the inter-war decades was most acutely observed in Latin America. While US commercial and financial relations with the continent had grown substantially since the 1890s, around 1900, Europe (and more especially the UK) remained the most important trading partner for most South American countries and the City, rather than Wall Street, the principal international financial centre. By the late 1930s, that picture had changed dramatically. Although the stock of British investment in Latin America in 1939 remained larger than the US, new investments during the 1920s had come principally from New York. Moreover, during the investment boom of the 1920s, and when direct investment began to pick up again in the later part of the 1930s, new direct investment had come overwhelmingly from the USA. In part this was due to the shortage of funds available in London after 1914. It was also due to a conscious effort by US capital to challenge and displace the British. This challenge had begun in the 1900s and intensified during the 1920s, when it dovetailed with official Washington strategy, a US business-state collaboration neatly encapsulated by the Good Neighbor policy. In this sense,

10 Adelman, Jeremy *Republic of Capital: Buenos Aires and the legal transformation of the Atlantic world* (Stanford: Stanford University Press 1999) p.13.

11 Bauer *op. cit.* (2001); Orlove *op. cit.* (1997).

12 Brown, Mathew 'Introduction' in Matthew Brown (ed.) *Informal Empire in Latin America: culture, commerce and capital* (Oxford: Blackwell/Society for Latin American Studies 2008) p.viii.

Wall Street, business USA and Washington collaborated to construct a strategic partnership with the continent. Whether this constituted imperialism or business imperialism — or a benevolent relationship — remains a matter of debate.

Any assessment of imperialism and state competence in Latin America must acknowledge the external environment, and not solely during moments of economic down-turn. Periods of international economic openness and global liquidity, as much as moments of economic downturn and international crisis, determined opportunities for would-be imperialistic forces as those determined to oppose them. Sharing a number of assumptions with the dependency debate, much of the conventional literature on imperialism in Latin America - whether couched in terms of 'informal empire', 'business imperialism' or 'economic imperialism' — tends to assume that the balance of power (almost) exclusively favoured external interests and/or presents local groups (including the state) as powerless or uncritical of the external; connexion. Citing a number of examples, this section of the paper points to moment — or opportunities — when groups and interests within Latin America sought to maximise opportunities for leverage. These include examples of efforts by regimes to play off external interests one against another in order to 'negotiate' more space for local groups and to counter what were perceived as more pernicious external actors.

As the following examples taken from the Argentine, Mexico and Brazil illustrate, international liquidity enabled governments in Latin America — usually acting under pressure from key domestic interests — to assume a robust stance in confrontations with overseas business and commercial groups. Although the political economy of the oligarchic regimes which typified much of Latin America before the 1920s was rooted in the export-led growth model, that did not signal an uncritical relationship with the global commercial and financial order. Moreover, and accepting that landowners and traders were the dominant forces in domestic politics, state action was not always driven by these interests. Quite the contrary, as the early twentieth century progressed, governments sometimes deployed the rhetoric — and action — of nationalism to sustain their credibility. Confronting foreign business groups and defending national interests generated internal support, contributing to state survival. Despite a general commitment to liberal economic internationalism, playing the nationalist card sometimes suited the landed oligarchy when confronted by middle class and urban groups clamouring for greater access to power. And, the dominant elite had its own axe to grind when foreign capitalists were perceived to be capturing a disproportionate share of the fruits of export-led growth.

The railway sector in the Argentine is often presented as a British preserve, dominated by London-registered enterprises that extracted monopoly rents. Recent research questions this assumption, showing that while certain local interests were convinced of the advantages of

attracting foreign capital to the transport sector, those interests were far from ignorant of the dangers of British dominance in the sector. As Regalsky observes: 'Without doubt, the government looked to promote the entry of new investor groups into the railway business so that they would compete with established interests ...'.¹³ Two examples involving the Buenos Ayres Great Southern (BAGS), a London-registered firm, serve to illustrate this point, while shedding new light on the debate about economic imperialism and the balance of interest between foreign capitalists and local interests. In the late 1860s, having observed the phenomenal increase in land values occasioned by the first wave of railway investment in the north and east of the province of Buenos Aires, landowners in the centre-south were exercised by the sluggish pace of rail construction by the BAGS. Local *estancieros* were able to deploy two important weapons in their struggle with the Great Southern: the provincial state and the state railway — the Ferrocarril Oeste. In 1866, the provincial administration compelled the BAGS to finance promised construction by threatening either nationalisation or competitive construction by the Oeste.¹⁴ Following much bluster, including hints that it might seek diplomatic support, the Great Southern eventually agreed to commit to a dynamic programme of railway building. Arguably, the effectiveness of this strategy by local landowners to increase the pace of new construction derived from the *anglo-criollo* character of the BAGS, as well as the company's anxiety not to miss out on lucrative new opportunities for investment. There was as much a correspondence as a clash of interests among *estancieros*, foreign capitalists and the state, but deals had to yield mutual benefits for all parties, not disproportionate gains for some. Government and *estancieros* were anxious to promote an increase in the stock of social overhead capital that would facilitate a rise in production, tax receipts, land values and rural incomes; Great Southern directors and investors sought to ensure that they obtained a reasonable share of the resulting gains in the form of profits and dividends.

Another clash occurred around the turn of the century. On this occasion, the conflict involved rail freights, sluggish construction and anxiety about a London monopoly. Until the Argentine returned to the Gold Standard in 1900, the BAGS had linked freight rates to the gold premium, adjusting charges to movements in the exchange rate. While this practice was applauded by overseas shareholders as a rational response to inflation and monetary instability in the host economy, it outraged producers and exporters. This practice left a bitter memory, and one that later fed into renewed annoyance at the slow pace of construction on the frontier.

13 Regalsky, Andrés *Mercados, inversores y elites: las inversiones francesas en la Argentina, 1880-1914* (Buenos Aires: EDUNTREF 2002) p.240.

14 Lewis, Colin M. *British Railways in Argentina, 1857-1914: a case-study of foreign investment* (London: Athlone 1983) pp.34-36; López, Mário J. *Historia de los ferrocarriles de la provincia de Buenos Aires, 1857-1886* (Buenos Aires: Lumiere 1991) pp.51-53, 115-125.

Hence, first the provincial authorities, and later the federal authorities, were pressed by landowners to play the concessions game: new lines were franchised and concessions made available to various consortia.¹⁵ Although the immediate impact was limited, the strategy began to work with the surge in international liquidity after c.1907. The provincial government went to Paris and concessionaires peddled franchises in London as well as Paris. As new, competitive lines were built, the Great Southern also raised additional funds to construct trunk line extensions and branches, and to modernise equipment, while agreeing to reduce freights — justified to shareholders on the grounds of cost-saving resulting from new investment and the growth of traffic. As in the 1860s, the outcome was a re-balancing of interests and benefits among contending parties.

While Buenos Aires *estancieros* were encouraging provincial and federal authorities to flood European capital markets with new rail concessions, they are also welcoming US investment in the meat packing sector. Around 1900, the embryonic Argentinian meat export business supplied principally the UK market and was mainly controlled by local and British interests. It was generally acknowledged that meat-packing was highly cartelised: sellers were many, and packers few, a situation that ‘... in general favored some sort of restriction of competition’.¹⁶ This Anglo-Argentinian ‘trust’ imposed a regime of low prices on landowners while selling dear overseas.¹⁷ Unsurprisingly, the appearance of Chicago packers in 1907 was welcomed, notwithstanding their fearsome reputation. The honeymoon did not last long, but *estancieros* assumed that competition between established packers and newcomers would result in better prices, and that the presence of such Chicago firms as Swift & Company and Armour & Company prefigured the penetration of the US market, a prospect that promised demand growth and good prices. These ambitions were never realised and sheep producers and cattlemen would soon demand that the government regulate packers, fund a local co-operative, or nationalise the processing industry.

In Mexico, US investment and the dominance of US firms in the railway, mining and other sectors occasioned official disquiet. While the object of local concern was different, the strategy employed to curb ‘imperialism’ was not. Around 1905-9, Finance Minister Limantour took steps to nationalise the railways system and break the US monopoly of meat packing in

15 Regalsky, Andrés ‘Foreign Capital, Local Interests and Railway Development in Argentina: French investment in railways, 1900-1914’ *Journal of Latin American Studies* XXI 2 (1989) pp.425-452; Regalsky *Mercados, inversores y elites op.cit* (2002) p.327-331.

16 Hanson, Simon G. *Argentine Meat and the British Market: chapters in the history of the Argentine meat industry* (Stanford: Stanford University Press 1938) p.143.

17 Liceaga, José V. *Las carnes en la economía argentina* (Buenos Aires: Editorial Raigel 1952) p.23.

northern Mexico.¹⁸ In the case of the railways, creeping expropriation was effected by floating bonds in Paris and London to finance the purchase of stocks and shares of railway companies registered in the USA.¹⁹ As oil exploration took off, the administration of Porfirio Díaz was at pains to award concessions to the British Pearson group, in the face of strong lobbying by US firm. Indeed, such was the perceived favouritism of the regime towards British and European interests by 1910 that business and official USA was active in supporting revolutionary challenges to the government in Mexico City.²⁰ According to Topik and others, the most audacious confrontation with foreign interests occurred in Brazil when coffee producers successfully rigged prices in their favour: market power and control of the government of the state of São Paulo enabled growers to withhold supplies and restricting production.²¹ Resisted by importers and roasters in the USA as a restraint on trade and a conspiracy against consumers, the state government placed bonds on European capital markets to finance the construction of warehouses and stockpile coffee. Control of coffee stocks enabled the state government to force up, and then stabilise, export prices. Other question the long-term success of valorisation, but point both the determination of local interests to confront perceived foreign monopolies and their capacity to deploy political power to achieve these ends.²²

While it may be possible to dismiss these cases as exceptions that do not disprove the case for economic and business imperialism, the persistence and repetition of moves to curb 'imperialist excesses' should at least inject a note of scepticism. Similarly, while accepting that the achievements of local efforts to intervene in the transport, meat packing and coffee export businesses were contingent on international liquidity, the willingness and capacity of local interests to act against 'foreign monopolies' cautions against glib assertions of external hegemony and compliant or complacent local interests. Perhaps, too, state survival may have depended, in part, on a demonstrable capacity to impose discipline on international businesses.

18 Knight, Alan *The Mexican Revolution: Vol II: counter-revolution and reconstruction* (Cambridge: Cambridge University Press 1990) p.508.

19 Kuntz Ficker, Sandra & Paolo Riguzzi *Ferrocarriles y vida económica en México: del surgimiento tardío al decaimiento precoz* (Mexico: El Colegio Mexiquense/Universidad Autónoma Metropolitana Xochimilco 1996).

20 Skirius, John 'Railroad, Oil and Other Foreign Interests in the Mexican Revolution, 1911-14' *Journal of Latin American Studies* XXXV 1 (2003) pp.25-51.

21 Topik, Steven C. *The Political Economy of the Brazilian State, 1889-1930* (Austin: University of Texas Press 1987) pp.59-92; Abreu, Marcelo de Paiva & Felipe Tâmega Fernandes 'Market Power and Commodity Prices: Brazil, Chile and the United States, 1820s-1930' (2005) PUC-RJ Discussion Paper 511.

22 Greenhill, Robert G. 'State Intervention in the Brazilian Coffee Trade during the 1920s: a case study for new institutional economics?' in John Harriss, Janet Hunter & Colin M. Lewis (eds.) *The New Institutional Economics and Third World Development* (London: Routledge 1990) pp.194-6.

Managing the Imperialists: shifting global polarity and state-craft

If the previous section focussed on the 'micro-management' of foreign businesses during periods of international liquidity, this discusses state competence during the difficult inter-war decades, a period when British power was demonstrably on the wane and US influence becoming determinedly more assertive. With regard to the management of international economic relations, the contemporary focus was principally on the external accounts — managing the balance of payments and the balance of trade — and the exchange rate, which had implications for monetary policy and domestic liquidity. In addition to the general global context, for the countries of Latin America, the shift in global polarity and distinct evolving British and US approaches to the transition from commercial and financial multilateralism to bilateralism again had a particular impact. And, critically, the triangulation of global insertion: that is, the precise nature of commercial and financial relations with the USA and Europe (or, specifically, the UK).

The principal thesis advanced for the inter-war period is that for some countries, the USA proved to be a more accommodating ascendant hegemon than the UK which, in the face of regional and global decline, became more 'extractive' in its relationship with the continent — at least with regard to those countries where it was still able to exert sufficient influence. A stylised narrative of the history of Argentinian and Brazilian external economic relations may serve to illustrate this argument. With regard to Brazil, two main interpretations prevail: the 'US tolerance' and 'statecraft' approaches. That is, on the one hand, that the USA was prepared to allow Brazil a degree of independence in the conduct of international economic relations and domestic economic policy and, on the other, that an effective, pragmatic and adventurous stance on economic policy and international relations allowed Brazil to maximise opportunities generated by economic crisis at the centre and Great Power Rivalry to create space for autonomous action. In the Argentinian case, the principal views are more polarised: economic imperialism versus precocious developmentalism. That is, the country was subject to an imperialism onslaught by Britain — epitomised and institutionalised by an unequal commercial and clearing agreement, the Roca-Runciman Pact. Revisionists observe realism in the conduct of external economic international relations that under-pinned a combination of orthodoxy and experimentation in internal economic strategy that reflected domestic needs and which facilitated rapid recovery structure change.

Until the 1900s, the UK was the principal supplier of finance to both countries. One difference was that, after the 1880s, new capital flows to the Argentine were composed overwhelmingly of direct foreign investment (DFI), while government debt tended to predominate in the case of Brazil. The critical differences, however, were to be found in patterns of trade. The principal source of Brazilian imports was the UK (and continental