

Europe), while exports were directed increasingly at the USA. This was the inverse of the Argentinian position, where the UK absorbed the lion's share of exports, with Argentinian imports coming increasingly from the USA. As will be show below, arguments about the nature of trade patterns assume some importance in the debate about imperialism and state-craft. Was the USA a more 'tolerant' (as well as a more dynamic) commercial partner than the UK? Was is 'easier' to negotiate with a confident, ascendent USA than with a decadent Britain which needed to 'squeeze' commercial and financial associates harder in order to sustain a threatened position in the global system?

Abreu charts the steady decline in British-Brazilian bilateral commercial and financial relations.²³ For much of the nineteenth century, Britain was Brazil's principal trading partner and the main source of imported capital. In the early 1870s, Britain had absorbed around 40 percent of Brazilian exports: by the beginning of the new century, only 15 percent. In the 1920s, Britain never took more than ten percent of Brazilian exports. Often the proportion was considerably lower. On the eve of the First World War, Britain was by far the largest supplier of Brazilian imports: in good years imports from the UK almost approximated the combined total of purchases from Germany and the USA. This position also changed in the 1920s, particularly in the second half of the decade when Germany and the USA mounted strong challenge. In the 1930s, the UK share of the Brazilian market halved, largely as the result of Brazilian-US bilateral trade and compensation trade with Germany.

Around 1905, portfolio debt accounted for approximately two-third of British investment in Brazil. Although British DFI in Brazil grew faster than purchases of government bonds during the pre-First World War liquidity boom, by 1913 the stock of DFI and debt were approximately equal. Thereafter, during the 1920s, debt tended to rise faster that direct investment so that, by 1930, the proportions were back to what they had been in 1905, suggesting a less dynamic (or more risk-averse) approach to investment in Brazil by London. Although the UK remained the main supplier of external funds, imports of capital from Europe probably grew faster than the British between 1905 and 1913, admittedly from a smaller base. The stock of US investment in Brazil was small at this stage. These circumstances change during the inter-war period. According to Abreu, New York became particularly important for Brazil during the 1920s. This represented a major change from the pre-1914 period when the London branch of Rothschild held a virtual monopoly on the under-writing of Brazilian bonds. Even during the 1920s, however, London (and Paris) remained important markets for coffee valorisation loans, which could not be placed on Wall Street due to US anti Trust legislation.²⁴

23 Abreu, Marcelo de Paiva 'British business in Brazil: maturity and demise, 1850-1950' mimeo Pontifical Catholic University of Rio de Janeiro, Department of Economics Working Paper (2000).

24 Abreu 'British business' op. cit. (2000) p.18.

The structure of British investment in Brazil indicated a further a lack of dynamism. Funds were increasingly concentrated in such 'stagnant' sectors as bonds and railways. Again, according to Abreu, British investment was '... singularly absent from industry ...'.²⁵ This reduced the importance of the UK as a partner for Brazil and, arguably, reduced the leverage of British agents in Brazil. During the 1930s, it was precisely the focus on bonds and railways that eroded the British presence and helped sour relations between London and Rio de Janeiro. Default by Brazil had a disproportionate impact on the UK and, especially after 1932, Brazil proved particularly intransigent when it came to servicing sterling debt. The ways in which Brazil operated exchange control and debt service regimes had more profound consequences for financial and commercial relations with the UK than the USA and Germany, and London appeared particularly inept in its management of relations with Rio de Janeiro.²⁶

In addition to coffee valorisation, addressed above, and which became more institutionalised during and after the 1920s as the 'permanent defence of coffee', Brazilian economic adventurism or un-orthodoxy assumed various forms. These included: a modest expansionary monetary policy predicated on a late return to the Gold Exchange Standard — and a return at a level considerably below the pre-1914 parity, followed substantial growth in the monetary base in the 1930s; increasing commodity price intervention — both with regard to exports and basic domestic staples; a pragmatic approach to the management of overseas commercial and financial relations — particularly after 1932; and (above all) a sophisticated programme of exchange rate management and foreign reserve allocation that maximised the capacity to secure strategic imports — notably capital goods and inputs essential for industrialisation. According to Moura and Hilton, by the later part of the 1930s, confronted by rising regional and social demands at home, and buffeted by pressures from overseas, the administration embarked on a conscious programme of structural change. This entailed a reorientation of production away from an agro-export bias towards the urban, industrial economy, and the explicit management of external relations to serve these objectives.²⁷

The context, content and components of the 'Brazilian game' were diverse, complex and changing. The international context involved tri-lateral Great Power Rivalry, US-UK jockeying for position in South America, efforts by Germany to maintain markets and stock-pile strategic primary commodities in the run-up to the Second World War, and assumptions of a new approach by the USA to the ordering of South America policy that

25 Abreu 'British business' op. cit. (2000) p.19.

26 Abreu 'British business' op. cit. (2000) pp.22-23.

27 Moura, Gerson *Autonomia na dependência: a política externa brasileira de 1935 a 1942* (Rio de Janeiro: Nova Fronteira 1980) p.69; Hilton, Stanley E. *Brazil and the Great Powers, 1930-1939: the politics of trade rivalry* (Austin: University of Texas Press 1975) p.xxi.

entailed *inter alia* promoting Brazil (at the expense of the Argentine) as a sub-regional power to secure US political and economic objectives, not least to contain and undermine British influence in the River Plate. The domestic political content was no less complex and shifting, and involved re-crafting the balance of political power in Brazil. That is, rebuilding the authority of the central state. Reconstructing federal authority meant reducing the influence of key state governments, an influence that had grown as a result of the 'extreme' federalist constitution introduced in 1889. The main political economy components were industrialisation, export substitution, economic internalisation and national economic integration. Although there were significant 'ruptures' and 'reversals' during the inter-war period, there was a slow reconstruction in the authority of the central state and a steady restructuring of the economy — essentially the shift to an endogenous model of accumulation that witnessed the significant growth in domestic industrial capacity.

Most of the principal sources acknowledge the achievements of policies designed to promote agricultural diversification and industrialisation. For example, federal government subsidies to promote raw cotton production can be presented as delivering on several fronts. Grown in the north-east to supply factories in the industrial centre-south, 'cotton policy' was a strategy for regional regeneration and import-substitution: the north-east was in crisis due to the decadence of sugar production and much raw cotton had previously been imported from the USA. In addition, the policy can be viewed as both export substitution (land was switched from the production of exports to a commodity that was increasingly directed to the home market) and export diversification (raw cotton became a 'dynamic' commodity as others decline, and was directed towards new markets). Cotton policy was also integral to a pragmatic stance in international trade and external economic relations: raw cotton featured prominently in bilateral trade with Germany, a new market that, in a dollar-economising exercise, took Brazilian cotton in preference to US. In addition, there was a domestic political economy dimension: the subsidised production of raw cotton in the north-east meant federal support for a restive regional landed oligarchy while national availability of an essential input addressed the needs of an increasingly assertive business lobby whose activities had been jeopardised by exchange scarcity that threatened to cut off access to imports.²⁸

Many authors similarly acknowledge the achievements of manufacturing, attributing this principally to official action. In the second half of the 1930s, industrial activity grew at a rate considerably faster than during the same period of the 1920s — years of export boom. Capacity to import industrial capital goods was also considerably higher in the late 1930s than

28 Hilton *Brazil and the Great Powers op. cit* (1975) pp.73-4, 87-88, 139-40; Moura *Autonomia na dependência op. cit* (1980) pp.90-91.

at the beginning of the decade.²⁹ Sustaining the capacity to import capital goods was a function of the stance on the external debt, tariff strategy and exchange policy.³⁰ Foreign exchange reserves were hoarded by manipulating overseas creditors who were enticed to re-schedule service payment with the promises of providing something (as opposed to nothing) and the threat of debt repudiation. Efforts were made to play off one set of foreign creditors against another. And, when exchange was particularly scarce, even the promise of reduced service was withdrawn.

A number of contemporaries — not only nationalists — regarded policy pragmatism and industrial growth as signalling economic sovereignty and an effective rebuttal of imperialistic influences. These views were subsequently elaborated by *dependistas* and *cepalistas* who dated industrialisation from the 1930s, and were similarly inclined to interpret the emergence of manufacturing, and government involvement in the process, as confirming the construction of a distinct and more autonomous relationship with the international economy. As indicated above, *dependistas* present industrial expansion and domestic diversification deriving from an effective and efficient management of domestic and external economic policy as confronting and challenging imperialism. Some subsequent scholarship is sceptical: Abreu disagrees profoundly with arguments advanced by such authors as Gambini and Moura, who depict the international stance of Brazil in the 1930s as one of ‘pragmatic equidistance’ between Germany and the USA, and vaunt the capacity of the country to play a ‘double game’ — a game of bluff, setting Britain, Germany and the USA, one against the other. For Abreu this is a caricature of the real economic bargaining power of Germany in Brazil, and considerably downplays the weight of US influence.³¹

Like the Brazilian, the Argentinian nationalist historiography of the period, and subsequent radical writing, observes a resurgent imperialism, thought associated with a decadent but assertive Britain, rather than the USA. However, the main difference between the contemporary literatures is that whereas several authors writing in Brazil see a robust state successfully confronting overseas agents, in the Argentine, radical commentators of the right and left argued that a supine landed oligarchy and its commercial allies sold out to London. Instead of rebutting imperialism, a clientelistic state in Buenos Aires collaborated with

29 Hilton *Brazil and the Great Powers op. cit* (1975) pp. 26-8; Cardoso de Mello, João Manuel *O capitalismo tardio* (São Paulo: Editora Brasiliense 1982) pp. 110-1; Suzigan, Wilson *Indústria brasileira: origem e desenvolvimento* (São Paulo: Editora Brasiliense 1986) pp.242-56, 362-4.

30 Hilton *Brazil and the Great Powers op. cit* (1975) pp. 43-44; Abreu, Marcelo de Paiva *Ordem do progresso: cem anos da política econômica republicana (1889-1989)* (Rio de Janeiro: Editora Campus 1990) pp. 81-85).

31 Abreu *Ordem do progresso op. cit.* 1(1990) pp. 87-88. See also Moura *Autonomia na dependência op. c.it* (1980) and Gambini, Roberto *O dublo jugo de Getúlio Vargas* (Rio de Janeiro: Livraria Fala Rabino 1977).

overseas interests in a manner later neatly theorised by Robinson and Gallagher.³² Clearly, British-Argentinian commercial and financial relationship was asymmetrical. The critical question is whether or not a lack of symmetry signals exploitation and imperialism.

Britain was an early investor in the Argentine, but commercial dominance came relatively late in the nineteenth century. In the 1870s and 1880s, continental Europe (mainly Belgium and France, and, subsequently, Germany) was the principal markets for Argentinian exports. The UK only became the principal consumer of Argentinian exports after 1900. By the early 1880s, Britain was already the main — though hardly hegemonic — supplier of Argentinian imports. Not until the early 1900s did the UK become the dominant provider of Argentinian imports - supplying as much as Germany and the USA combined. On the eve of the First World War, the UK provides some 34 percent of Argentinian imports and took almost 30 percent of Argentinian exports. By 1929 the British share of Argentinian imports had fallen to about 18 percent, while the British market absorbed 32 percent of Argentinian exports. During the same period, the share of Argentinian exports directed towards the USA declined from 12 percent to around 10 percent, though the proportion of Argentinian imports provided by the USA rose from 13.5 percent to 26.3 percent. It was at this point that the ‘classic triangularity’ in Argentinian overseas trade emerged: the UK was the largest market for Argentinian exports and the USA main supplier of imports.³³ Hence, while the Argentine tended to acquire substantial net earnings from trade with Britain, the balance of Argentinian trade with the USA was consistently in deficit, and the deficit rose substantially over time. The UK remained the principal market for Argentinian exports during the 1930s, usually absorbing considerably above one-third, while the USA often took less than 10 percent. However, the most observed feature of Argentinian overseas commercial relations in the 1930s was the recovery in British exports: in 1939, the UK supplied 22 percent of Argentinian imports and the USA only 16.4 percent.³⁴

If Britain was an overwhelmingly important trade partner for the Argentine before the Second World War, regularly taking a very large share of exports and supplying a substantial proportion of imports, there was little reciprocity: imports from, and exports to, the Argentine

32 Gallagher, John & Ronald Robinson ‘The Imperialism of Free Trade’ *Economic History Review* VI 1 (1953) pp.1-15.

33 Fodor, Jorge & Arturo O’Connell ‘La Argentina y la economía atlántica en la primera mitad del siglo XX’ *Desarrollo Económico* XIII (1973) pp.1-67. See also, Arturo O’Connell ‘Argentina into the Depression: problems of an open economy’ in Rosemary Thorp (ed.) *Economic History of Twentieth-century Latin America: Latin America in the 1930s* (London: Macmillan 2000).

34 Vázquez Presedo, Vicente *Estadísticas históricas argentinas (comparadas) primera parte, 1875-1914* (Buenos Aires: Ediciones Macchi 1971) pp. 65-66, 74-75 & *Estadísticas históricas argentinas (comparadas) segunda parte, 1914-1939* (Buenos Aires: Ediciones Macchi 1976) pp.222-5, 244; Rapoport, Mário *Historia económica, política y social de la Argentina, 1880-2000* (Buenos Aires: Ediciones Macchi 2000) p.158.

rarely constituted more than two or three percent of total British overseas trade. For a significant element of contemporary opinion, the recapture by Britain of a large share of the Argentinian import market in the 1930s was due to the pursuit of 'aggressive bilateralism' and intervention by London in support British commercial and financial interests there.

Virtually from Independence in the 1810s, London had been the principal source of overseas investment for Buenos Aires. In 1914, one-eighth of the total stock of British overseas capital was located in the Argentine, or approximately half of all British funds invested in Latin America. In the pre-First World War world investment boom, more new money had flowed from London to the Argentine than to any other region of the globe. By 1914, British capital probably accounted for around two-thirds of the total stock of foreign capital invested in the country.³⁵ Clearly, the Argentine was a significant destination for British overseas lending and, from the 1880s, particularly direct investment. Hence, for some contemporary commentators, the absolute scale of sterling flows and the relative weight of British funds invested in the country, along with asymmetry in commercial relations and aggressive British bilateralism in the 1930s, constituted clear evidence of economic imperialism.

Gravil and Rooth argue that Britain's relationship with the Argentine in the inter-war decades was characterised by sustained British pressure to defend or recover market share through the exercise of political pressure. British leverage derived precisely from the imbalance in the commercial relationship. Losing ground to the USA and Germany in other Latin American markets, and under pressure elsewhere in the global economy, Britain resorted to (or was compelled to apply) political pressure in order to defend its position in the River Plate.³⁶ Even before the inter-war depression and a generalised lurch towards bilateralism in the 1930s, Britain was using its position as the principal market for Argentinian exports, and as the main provider of capital, to push the Argentine towards informal bilateralism (the 'buy-from-those-who-buy-from-us' campaign of the late 1920s), an arrangement that was formalised by the Roca Runciman Pact of 1933. In addition, seeking to equalise the commercial balance between the two countries, pacts of the 1920s and 1930s also committed governments in Buenos Aires to favour British firms when awarding official contracts and to prioritise sterling debt service and remittances by London registered companies when allocating foreign exchange. Fodor and O'Connell take a similar view: they build on the

35 Stone, Irvine *The Global Export of Capital from great Britain, 1865-1914: a statistical survey* (London: Macmillan 1999) pp.28-31; Weil, Felix J. *Argentine Riddle* (New York: John Day Company 1944); Paish, George 'Great Britain's Capital Investment in Other Lands' *Journal of the Royal Statistical Society* LXXII 3 (1911) pp.465-80.

36 Gravel, Roger & Timothy Rooth 'A Time of Acute Dependence: Argentina in the 1930s' *Journal of European Economic History* VII 2/3 (1978) pp.337-78.

contemporary literature to support the argument that extra-economic factors account for the British presence in the Argentinian market, particularly recuperation in the 1930s.³⁷

Locked into a dependent relationship with an ailing economic power, the UK, the Argentinian economy suffered structural sclerosis and delayed industrial growth. Economic progress depended on breaking the relationship with Britain and internalising the engine of investment, production and growth. There are, of course, other views: an early revisionist approach was pioneered by Alhadeff, who reassessed the Roca Runciman Pact. Confronting assessments of the period and later dependency interpretations, he argues that the arrangement with the UK provided an opportunity to stabilise the economy and establish fundamentals for economic recovery.³⁸ The fundamentals included managed exchange rate depreciation, non-inflationary monetary expansion and enhanced business confidence resulting for low borrowing costs.

Almost exceptionally in Latin America in the 1930s, the Argentine continued to service a substantial proportion of its external obligations, thereby maintaining access to foreign money markets, even if there was little international liquidity. In this way, the country experienced a phase of rapid recovery and growth with macroeconomic stability. There was little of the exchange volatility observed elsewhere, where growth proved more volatile and was usually marked by inflation and exchange depreciation. Thus, what the contemporary and subsequent nationalist historiography depicts as economic imperialism and subservience to London, more recent commentators have described as ‘... perceived mutual self-interest’.³⁹

Does mutual self-interest explain the remarkable international position of the Argentine in the first half of the twentieth century shown in Table 1 below? As data displayed in the above table indicates, in terms of GDP per capital, there was considerable convergence between the Argentine and the UK in the ‘classic age of British hegemony’. In 1870, Argentinian GDP was 41 percent of the British; in 1913, 77 percent; in 1930, 72 percent. Hence there was considerable catch-up between 1870 and 1913, with some relative decline between 1913 and 1950. In 1870, Argentinian GDP was almost double the Brazilian; in 1913 over four and a half times; in 1950 almost three times. Again, the Argentine pulled away from Brazil — sharply — between 1870 and 1913, though there was a modest Brazilian catch-up between 1913 and 1950. Are the variations between 1913 and 1950 explained, respectively, by British imperialism and Brazilian state capacity? What of the spectacular performance of the Argentinian

37 Rapoport, *Historia económica op. cit.* (2000) pp.164-71.

38 Alhadeff, Peter ‘Dependency, Historiography and Objections to the Roca Pact’ in Christopher Abel & Colin M. Lewis (eds.) *Latin America: economic imperialism and the state* (London: Athlone 1985) pp.367-78.

39 Knight, Alan ‘Rethinking British Informal Empire in Latin America’ in Matthew Brown (ed.) *Informal Empire in Latin America: culture, commerce and capital* (Oxford: Blackwell/Society for Latin American Studies 2008) p.43.

Table 1: GDP per capita (1990 International US\$)

| Region | 1820 | 1870 | 1900 | 1913 | 1950 |
|----------------------|------|------|------|------|------|
| Latin America | | | | | |
| Argentina | 1300 | 1311 | 2756 | 3797 | 4987 |
| Brazil | 646 | 713 | | 811 | 1672 |
| Mexico | 759 | 674 | | 1732 | 2365 |
| New Countries | | | | | |
| Australia | 517 | 3645 | | 5715 | 7943 |
| Canada | 893 | 1695 | | 4447 | 7437 |
| USA | 1257 | 2445 | 4096 | 5301 | 9561 |
| Europe | | | | | |
| Italy | 1117 | 1499 | | 2564 | 3502 |
| Spain | 1063 | 1376 | | 2255 | 2397 |
| UK | 1707 | 3191 | 4593 | 4921 | 6907 |

Source: Maddison, Angus *The World Economy: a millennial perspective* (Paris: OECD 2001) pp.185, 195; Paolera, Gerardo & Alan M. Taylor 'Introduction' in Gerardo della Paolera & Alan M. Taylor (eds.) *A New Economic History of Argentina* (Cambridge: CUP 2003) p.8.

economy relative to virtually all the others in the set between 1870 and 1913? For growth economists and new institutional economists, the performance of the Argentine between 1870 and 1913 is explained by economic openness (aka the application of orthodox economic policies), and slippage relative to other 'new countries' between 1913 and 1950 a function of the onset of statist, 'closed' economics.⁴⁰

Whether or not economic imperialism was a reality in Brazil and the Argentine during the inter-war years, views and policies from the period had a lasting impact. Ideas about state competence, and an association of effective policy with industrial growth, became embedded and institutionalised in Brazil. Conceptualised as '*Brasil potência*' and '*Brasil: o país do futuro*' ('Potent Brazil' and 'Brazil: a coming country') these views became part of popular culture and shaped attitudes among the policy-making elite. From the 1920s onward there would be no discussion about the desirability of state-supported industrialisation — it was taken as a given. The only debate has been about the model — 'closed' or 'open': would the

40 Cavallo, Domingo & Yair Mundlak *Agriculture and Growth in an Open Economy: the case of Argentina* (New York: International Food Policy Institute, Report No. 361, 1982) pp.17-21 & ff; Paolera, Gerardo & Alan M. Taylor 'Introduction' in Gerardo della Paolera & Alan M. Taylor (eds.) *A New Economic History of Argentina* (Cambridge: CUP 2003) pp.1-18.

process be better served through global economic insertion or protectionism. This has been the key point of difference in Brazilian policy-making circles, the 'how' of industrialisation, not the 'if' of state supported industrial growth. In the Argentine, there was also a policy and cultural shift. Ideas that British imperialism had been a reality, and the state weak, became part of popular mythology. The 'rupture of Peronism' is directly attributable to nationalist and radical assessments of the economics and politics of the inter-war years. These interpretations and assessments explain polarised views about foreign investment, international economic engagement and about the nature of industrial growth itself. In the Argentine, there was little consensus and much contestation in domestic and external economic policy which, from the 1940s to the 1990s, fostered an adversarial relationship with the international economy. Thus, in Brazil, 'industrialisation' captured the popular and policy-making mind; in the Argentine it was 'imperialism'. This, in part, explains post-1920s priorities: delivering industrial growth or avoiding imperialism.

Economic Volatility and Re-configuring the State: models and responses

As the above section suggests, in a number of countries of Latin America, state institutions were — or were perceived to be — under pressure in the early decades of the twentieth century. It is a moot point whether the locus for change was rooted in global instability or progressive socio-economic developments associated with the export-led growth model — or devised to forestall political demands triggered by modernisation. Undeniably, the international economic environment was changing. Commodity prices were softening, the rate of growth of the volume of exports was slowing and capital flows becoming more erratic. Even without the First World War, price instability, changes in global polarity, and new institutional and ideological developments within the continent would have led to demands for greater economic and political accommodation.

The most potent forces working for change were nationalism and demands emanating for the largely urban middle classes for greater access to power. Sometimes these demands were triggered by macroeconomic instability. Certainly, economic volatility made it difficult for oligarchic regimes to accommodate these pressures. At this stage, nationalism and populism were to become especially pronounced in the Southern Cone and Brazil, most precisely — and precociously — epitomised by the administration of Batlle Ordóñez in Uruguay, the Radical ascendancy in the Argentine and the Alessandri presidencies in Chile. Later expressions were *varguismo* and Peronism in Brazil and the Argentine, respectively. Perhaps because they were articulated earlier, populist programmes seemed to have been most easily accommodated in Uruguay. In the Argentine and Chile, export sector crisis made for messier political

adjustments. Urban groups were pressing for accommodation in the political market place precisely as the rhythm of economic growth was faltering. Politics became a zero-sum game. New groups could no longer be accommodated by re-distributing the proceeds of future growth: accommodation implied re-allocating existing resources, a more delicate operation that challenged the very existence of a regime and even of the state itself.

Nationalism, associated in some countries with *indigenismo* and *hispanidad*, heightened concerns about statecraft, and challenged previous concepts about the role of the state. Nationalism also served as a cement for proto-populist alliances in some countries and assumed a more overtly anti-liberal and anti-internationalist tone by the 1930s. Nationalist and developmentalist regimes of the 1930s were framed by economic dislocation provoked by the First World War and the inter-war depression. In addition, they were conditioned by criticism of the economics and politics of export-led growth voiced earlier by conservative-nationalists and radical thinkers. These ideas were seized upon by sectors such as the military, bureaucrats and industrialists. All argued for a more pro-active stance by government to ensure greater local consumption of commodities for which overseas demand had contracted, domestic production of items that could no longer be imported and, occasionally, the application of *ad hoc* welfare measures to pre-empt further social discontent.

Policy debates and institutional developments of this period had an influence on post-Second World War strategies of import-substituting industrialisation. The relatively speedy recovery of most Latin American economies from the worst affects of the depression by the early/mid 1930s similarly influenced later thinking, creating the impression of bureaucratic competence and macroeconomic management efficiency. Yet it would be a mistake to project back into this period expectations and programmes of the post-Second World War decades. During the 1930s economic policy was piecemeal and directed towards export substitution — ‘economic internalisation’ — rather than industrialisation *per se*. Increased domestic industrial production was an important element in this process but it was a part rather than the whole. Moreover, particularly in the early 1930s, Latin American policy-makers were by no means convinced that overseas demand for exports would not recover nor foreign capital markets not re-open.⁴¹

Many contemporaries viewed developments of the period as signalling a heightened degree of ‘economic’ sovereignty, and greater state competence. If the oligarchic state had

41 Díaz Alejandro, Carlos F. ‘Latin America in the 1930s’ in Rosemary Thorp (ed.) *Latin America in the 1930s: the role of the periphery in world crises* (London: Macmillan/St. Antony’s College 1984) pp.15-42; Abel, Christopher & Colin M. Lewis ‘The Era of Disputed Hegemony: introduction’ in Christopher Abel & Colin M. Lewis (eds.) *Latin America: economic imperialism and the state* (London: Athlone 1991) pp.269-87; Bulmer-Thomas, Victor *The Economic History of Latin America since Independence* (Cambridge: CUP 2004) pp.221-8.

been exercised by internal challenges to sovereignty emanating from recalcitrant provinces and the real threat of ethnic violence, the populist state was more concerned about class relations: hence an emphasis on diffusing 'social representation' within the state. Paradoxically, and running counter to contemporary assumption, increased internal sovereignty may have been countered by a decline in 'external' sovereignty. Volatility in world commodity and financial markets provoked attempts by foreign business interests, aided by their governments, to defend assets in Latin America in the face of nationalist demands, economic contraction and increased international rivalry. This interplay of domestic forces and external pressures posed problems for a number of regimes. Responses to these challenges varied across the continent. From these responses, three categories of states may be identified. First, those that adopted a Gerschenkronian position, employing 'ideology' or 'national project' in order to up-grade state competence and in so doing came to project an image of efficacious management of domestic and external relations.⁴² These states obtained greater legitimacy. Secondly, regimes that implemented only limited modifications to the institutional *status quo* — perhaps due to a perceived lack of need, or an inability to do more. Finally, states that surrendered a substantial degree of sovereignty in order to survive in the colder climate of global recession, and rising internal and international tensions.

Countries such as Brazil, Chile and Mexico were representative of the first group. In Chile and Brazil, programmes of industrial growth and regional economic regeneration gave the central state enhanced domestic authority and, apparently, greater competence in the management of relations with domestic actors and external agents. Internal economic regeneration in Mexico culminated in the radicalism of the Cárdenas *sexenio* (1934-40) that witnessed state action in the rural and urban sectors, including massive agrarian reform and the expropriation of foreign-owned. In all three countries — though to a much greater degree in Mexico - domestic sovereignty and state capacity had slipped in the 1910s and early 1920s, the armed phase of the Mexican Revolution which also witness foreign intervention and, it was argued, externally provoked regional rebellions. National and regional politics had become more violent in Brazil and Chile during the 1920s as challenges to the central administration proliferated. This instability was not unconnected with weakness in key export sectors. In Chile instability was associated with the collapse of the nitrate sector, dominated by British (and, to a lesser extent, German) capital, and which had hitherto generated the export taxes that under-pinned state finances, and the sluggish performance of the copper industry, where US investments prevailed and where foreign firms has secured substantial tax exemptions in

42 For a discussion Gerschenkron, ideology, economic policy and statecraft, see; Gourevitch, Pater A. *Politics in Hard Times: comparative responses to international economic crises* (Ithaca: Cornell University Press 1986) pp.63-8.

the 1920s which reduced state fiscal capacity. In Brazil, dislocation was particularly associated with over-production and price collapse in the coffee sector. Although, in the 1920s, neither Brazil nor Chile experience anything approaching the upheaval of the Mexican Revolution, recrudescence of regional and class conflict made the task of re-establishing central authority more urgent. It is instructive that, although starting from very different positions, the central state in Brazil, Chile and Mexico became highly interventionist. Welfare programmes — education reforms, an extension in social insurance provision and labour legislation — were stressed in all three. There was too a proliferation of commodity boards, often exhibiting distinctly corporatist tendencies involving the ‘representation’ of workers and employers, producers and consumers, as well as the state. Greater state action in the banking sector also facilitated more adventurous monetary, exchange and external debt management strategies. Because intervention in these areas often displaced foreign agents, governments were depicted as ‘recapturing’ control over monetary policy and adopting a nationalist stance in negotiations with foreign interests — and their domestic clients. (The adoption of the Gold Standard in the nineteenth century implied that governments had surrendered control of money to the market.)

The Argentine and Colombia best typify the second group of countries. Despite the establishment of central banks, the provision of producer protection, and some interventions in the fields of workers protection and modest welfare provision, similar to that observable in Brazil, Chile and Mexico, there was less ‘ideology’ and less ‘project’. In the 1930s in Colombia and the Argentine, the commitment to economic liberalism and the prevailing pattern of economic activities was more entrenched. There may also have been less pressure for a radical re-definition of the reach and composition of the state. Either that, or domestic politics may have been too riven: rival blocs were too evenly balanced, to permit the emergence of an opening for change. Arguably, the ‘delayed’ response to state re-configuration in these countries at this point may explain the up-surge in political violence in Colombia in the 1940s, and the rupture in Argentinian history represented by Peronism after 1946. Peronism, in particular, appropriated the language of anti-*vendrepatismo* to construct a national development strategy that was ‘neither capitalism nor communist’, yet stressed the struggle against British exploitation, epitomised by ‘unequal’ commercial pacts and preferential treatment accorded to British enterprises in the 1930s, and which resulted in the nationalisation of London-registered companies in strategic transport and communications sectors. The third group of states is probably best represented by Nicaragua and Cuba. These states might have acquired international recognition by the twentieth century and a degree of domestic sovereignty but they had hardly secured the exclusion of external authority. In the inter-war period, elements of statehood were ceded (or re-ceded) to US pro-consular officials and/or business as overt external assistance was vital to sustain the regime and/or the state.

Conclusion

During the inter-war decades, no less than elsewhere in the world, there was much debate in Latin America about models of growth, appropriate economic policy, and the role of the state. New ideas, coupled with international economic volatility, which was often particularly acute in commodity exporting economies, served to reconfigure the role of the state in economy and society. Yet, there was particular paradox: although Latin America witness recovery from the impact of the 1929 crash considerably earlier than most regions, and growth in the latter part of the 1930s was substantial, the period also saw an intense debate about economic imperialism and state competence. While recent writing questions both the substance of 'imperialism' and the bases of much of the contemporary intellectual discussion, it is beyond doubt that nationalist analyses of the 1920s and 1930s had a lasting impact. Arguably, the associated experiences of economic volatility, 'heightened external pressure' and the struggle to 'reconstruct' the state, combined to cement and popularise assumptions of exploitation. Perceptions of externally frustrated industrialisation before and during the 1930s account for the rapid acceptance of *cepalista* historical analysis and policy prescriptions in the 1940s and 1950s, and dependency theories of underdevelopment in the 1960s. These schools drew on — and oxygenated — arguments about *vendepatrismo* that had taken shape in the 1930s. Perhaps this explains why the discussion about imperialism and foreign dominance influenced policy-making and popular thinking in — and about — Latin America to such an extent, and for so long.

As Thompson notes, Latin America has been integral to the concept of 'informal empire'. The continent is also progenitor of *cepalista* developmentalism and several strands of *dependencia*. However, while dependency portrayed the external connexion in overwhelmingly negative terms, 'informal empire' was more reticent on the question of whether Latin America pursued export-led growth to its profit or detriment.⁴³ Since the writing of Gallagher and Robinson, and elaboration by Cain and Hopkins, the discussion has come full circle. Integration into the world economy in the nineteenth century provided the countries of Latin America with a growth opportunity, an opportunity that involved the import of capital, people and ideas — and volatility. Export-led growth benefited some regions and groups more than others, and shed light on state capacity. Dealing with external interests became a litmus test of state capacity, especially during the conjuncture of the inter-war years. This paper has pointed to the micro- and macro-management of relations with foreign interests and governments. It has questioned a number of assumptions about the powerlessness — or

43 Thompson, Andrew 'Afterword: informal empire, past, present and future' in Matthew Brown (ed.) *Informal Empire in Latin America: culture, commerce and capital* (Oxford: Blackwell/Society for Latin American Studies 2008) p. 229-30.

compliant acquiescence — of domestic actors in dealings with external forces. Latin American history is a profitable field to test such concepts as informal empire and business imperialism. If, as was assumed by several contemporary interests, economic imperialism was a significant force for much of the period studied, this paper has argued that there was also considerable domestic capacity to resist and negotiate with overseas interests.

Appendix 1: Stock of Foreign Investment in Latin America, nominal values by principal source (£m)

| | 1840 | 1880 | 1897 | 1905 | 1913 | 1929 | 1939 | 1950 | 1969 | 1972 | 1981 |
|-----|------|------|------|------|------|------|------|------|------|------|-------|
| GB | 31 | 180 | | 689 | 1180 | 1209 | 1127 | 560 | | 354 | 987 |
| Fr | | | | 130 | 329 | | 113 | | | | |
| Ger | | | | | 185 | | 242 | | | | |
| USA | | | 63 | | 255 | 1147 | | 1570 | | 5694 | 14892 |
| Jap | | | | | | | | | 172 | | |

Source: Colin M. Lewis 'British Business in Latin America' mimeo (2005)