

“‘Is Imperialism Good for Growth?’: informal empire and Latin America - re-considering old debates’

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## SOME ILLUSTRATIVE QUOTES

If, therefore, imperialism is regarded as a close synonym for annexation or colonization, or as the more intensive exploitation of a dependent or semi-dependent territory in the service of a State at the centre of the world economy, then it would appear that there was no British imperialism in Argentina. Capitalists did not want it; the British State did not want it; and the two were culturally so distant that it all probability neither could have persuaded the other to come to its assistance in any overtly aggressive stratagem directed at the Argentine State (Jones 1980: 437-8).

Looking back over the whole of Argentine history, the British may plausibly be cast either as progressive partners in the development of Argentine or as the creators of insuperable obstacles constraining economic life and public policy: engine or brake (Jones 1992: 63).

With the development of railways and steamships, the economies of the leading Latin American states were at last geared successfully to the world economy. ... But this investment, as was natural, was concentrated in such countries as Argentina and Brazil whose governments (even after the Argentine default of 1891) had collaborated in the general task of British expansion. For this reason there was no need for brusque or peremptory interventions on behalf of British interests. For once their economies had become sufficiently dependent on foreign trade the class whose prosperity was drawn from trade normally worked themselves in local politics to preserve the local political conditions needed for it. (Gallagher & Robinson 1953: 9-10).

Foreign-owned railways extended the area of commercial farming and permitted the preparation of pasture for stock raising, but systematically impeded internal trade and local industrialisation. Because they suffocated progress and any means of unseating their hegemony, the railway was the primordial weapon that foreigners valued. They were ours, colonial railways destined to maintain us in a most primitive rural condition - a routine from which there was no escape. This sad consequence can be deduced from our railway history, and that was the purpose for which they were constructed. (Scalabrini Ortiz 1958: 17-18).

The opening of internal markets by the extension of railroads changed the geography of production. Iron rails lay behind the appearance of more modern national textile and flour milling industries, and because railroads

carried coal for steam engines in the new factories and mills, neither were dependent, as they had been, on hydraulic sources for power. Producers of furniture, housewares, and food-processing plants, including the manufacture of noodles and various pastas, came into existence. ... Railroads not only provided better transport, they inspired some entrepreneurs to industrial activity. (Bauer 2001: 141, 143).

Railroad expansion in the second half of the century made for continuous reductions in the costs of shipment, which integrated markets, made possible regional specialization, raised productivity, and increased Brazil's national income well above what it would have otherwise been. Railroads were not only the backbone of the export sector. They laid the groundwork for Brazil's transition to rapid economic growth after 1900. The improvement of transport conditions that railroads made possible had an enduring and important impact on Brazilian economic performance. (Summerhill 2003: 1).

## ABSTRACT

Almost 70 years ago, Gallagher and Robinson launched the debate about the imperialism of free trade. In addition to challenging assumptions about a non-(or anti) imperial interregnum between the end of the 'Old Imperialism' of mercantilism and monopoly trade at the beginning of the nineteenth century, and the rise of the 'New Imperialism', characterised by Great Power industrial and financial rivalry towards the end of the century, an important contribution of the Gallagher-Robinson thesis of 'free trade imperialism' was to bring Latin America into the frame. Their reading of 'unequal' British commercial and financial relations with the continent (as well as of not infrequent military interventions during the revolutionary and immediate post-Independence decades) contributed to the subsequent evolution of their thesis in several respects. These included the formation and diffusion of the 'ideology' of free trade, the nature of relations between 'official' Britain and 'business' Britain, and the elaboration of the concept of 'collaborative elites' - a term applied to governing groups in the informal, as much as the formal, empire.

Although there is little evidence of cross-fertilisation, much of the early dependency literature produced in Latin America during the 1960s (or even earlier) chimed with assumptions and arguments elaborated by Gallagher and Robinson. Authors like Ibarguren and Scalabrini Ortiz observed a conspiracy between British merchant-financiers and landowning and mining oligarchies to perpetuate a pattern of economic activity which, in benefiting its collaborators, frustrated national development. Later, Frank described the chains of dependency that siphoned surplus from Latin America to London: insertion in the nineteenth-century world financial and trading system underdeveloped Latin America. Conflating industrialisation and development, structuralists observed the instability and institutions associated with export-led growth of the c.1870-1930 period as inhibiting economic and social progress. In part this was due to the inappropriateness of imported economic ideologies and the weakness of states, which proved incapable of resolving bottlenecks that checked development.

The apparent correspondence of theories of the imperialism of free trade, structuralism and dependency was not un-challenged. Platt first took issue with Gallagher & Robinson and later confronted proponents of business imperialism and the *dependistas*. While Platt was

questioning the Gallagher-Robinson thesis, and developing ideas about business imperialism largely from a Latin America perspective, near contemporaneously Cain and Hopkins were adding considerably more nuance to the discussion, exploring and advancing their concept of 'gentlemanly capitalism' in what would become a magisterial body of work. Outside Britain, the protestations of Platt had little impact until the coming of the new institutional economics. Recent contributions by economic historian of Latin America, drawing upon quantitative methods and institutionalist constructs, have revisited the *Belle Époque* of export-led growth. They are re-evaluating the growth-inducing capacity of the insertion of Latin America within the international economy, and the dynamic potential of institutional arrangements imported during the 'liberal growth economics' period.

This paper reflects on the implications of more recent revisionist currents in the literature about Latin America for earlier debates about the imperialism of free trade and business imperialism. It pays particular attention to the Argentinian case and focusses specifically on the position of London-registered railway companies which became a particular target of mainly Spanish-language nationalist anti-imperialism writing.

## Introduction

This paper examines the ways in which new currents in the literature have influenced writing on Latin America. The last few decades have witness pioneering contributions that draw on radically distinct approaches, namely, the new institutionalism (or neo-political economy) and the history of consumption. Very recent institutionalist writing tends to place more emphasis on the political economy of engagement between organisations and institutions and is rather less cliometric than some initial writing. Although there is an established literature on 'cultures of consumption', the approach is new to scholarship about Latin America, contributions for the post-Colonial period remaining relatively limited.

From the 1950s to the 1970s, in common with writing in other areas of the social sciences, the economic and social historiography on Latin America was dominated by what may be described as 'structural' approaches, successively, modernisation theory, developmentalism, and dependency. Haber inveighs against the pernicious influence of structuralist and *dependista* paradigms on the study of the economic history of Latin America. The approaches were unsystematic and lacked rigour. They were insufficiently grounded in 'hard' theory, and cavalier in use of evidence (Haber 1997a:5, 7-10). According to North and Weingast, although only recently observed, the new institutional economics already offers perceptive insights into the causes of growth and determinants of stagnation in Latin America (2000: 273). Drawing on assumptions that the consumer, not the entrepreneur, is the prime economic decision-taker, and that the demand-side is at least as important as the supply-side in the development equation, consumptionist approaches are also beginning to have an impact, particularly long-run surveys by Bauer and Orlove (Bauer 2001; Orlove 1997). Arguably, consumptionism connects with a growing interest in commodity chains - an approach that seeks to meld the 'micro' and the 'macro', and to map dynamic links between the determinants of consumption (taste, culture, and purchasing power) and the organisation of production (Gereffi & Korzeniewtz, 1999; Clarence-Smith & Topik 2003: 3-4, 22; Samper 2003: 120). Analyses of product chains link the 'social life' of commodity mass consumption with the 'market forces' of (large-scale) production and distribution.

How are new approaches shaping (or re-shaping) the research agenda and analyses of the long-run history of Latin America? Scholars need to take account of arguments that taste, as much as technology, shaped the market, and the injunction by Haber that economic historians cannot effectively appraise the origins and consequences of economic institutions without also taking cognizance of the structure of political decision-making (Haber 2002a: 10). In distinct ways, these new currents re-focus attention on the inter-connexion of state, market and society (Topik 1999: 6-7; Adelman 1999: 11). They have also re-invigorated the debate about the external connexion: ‘Did rich economies at the core of the world economy exploit the poorer countries at the periphery?’; or was a new growth-inducing institutional framework imported into (or exported to) Latin America (Coatsworth & Taylor 1998: 6, 10-11)? To address these points, this paper first schools the literature by focussing on the ‘condition’ of Latin American economic and social history. The second section reviews the literature on Argentinian growth in the long-run, appraising the extent to which new writing impinges on issues long associated with key aspects of the debate about economic and business imperialism. These include the outcome of export-led growth during the *Belle Époque* - notably social configurations and economic structures, the appropriateness of ‘ideologies’ transmitted to the Argentine, and the extent to which the ‘external connexion’ contributed to economic stasis and political instability - the dominant theme in the literature of the second half of the twentieth century. The third section focusses more narrowly on the debate about railways as an institution limiting or promoting diverse market activity during the ‘classic’ period of economic imperialism, c. 1880-1914.

#### The Literature on Latin America: approaches, context, crises and conjunctures

As stated above, the literature has been shaped by five principal currents of thought: successively, modernisation theory, structuralism-cum-developmentalism, dependency, and (currently) by two contending approaches: the neo political economy/institutionalism and the history of cultures of consumption. All, since the 1940s, have reflected a concern with contemporary, macroeconomic performance. There has been a tendency amongst intellectuals and policymakers to deploy analyses of the history of the Latin American economies to validate strategies of the moment designed to resolve perceived problems of the day. The sequencing of the historiography has often been driven by scape-goating, a desire to demonise groups or ‘forces’ responsible for mistaken strategies that jeopardised a better future or compromised a promising history. In short, there has been a ‘blame game’: much of the literature deriving from a desire to explain the present rather than to understand the past. This perspective is neatly captured in the title to the second English language version of one of the most influential *cepalino* (structuralist) texts: Celso Furtado *Economic Development of Latin America: historical background and contemporary problems* (Cambridge, 2nd Edition, 1977).<sup>1</sup>

Much has been written since the Furtado treatise, including Victor Bulmer-Thomas’ neo-structuralist *The Economic History of Latin America since Independence* (Cambridge 1994, first edition: second edition, revised and extended, 2003), and Rosemary Thorp *Progress, Poverty and Exclusion: an economic history of Latin America in the twentieth century* (Baltimore 1998), a sympathetic reappraisal of developmentalism, funded by the

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<sup>1</sup> The terms *cepalino*, *cepalista*, and *cepalismo* are derived from the Portuguese and Spanish acronym for the UN Economic Commission for Latin America (now & the Caribbean), namely CEPAL. These terms are inter-changeable with ‘developmentalist/ism’ (*desenvolvimentista/ismo* or *desarrollista/ismo*) and ‘structuralism’.

BID, along with companion volumes edited with Enrique Cárdenas (London 2002). Nevertheless, Furtado's book remains a prescient exposition of authentic structuralist analysis. It draws on earlier contributions, namely, comprehensive national studies by Aldo Ferrer *The Argentine Economy* (Berkeley 1967), Celso Furtado *Economic Growth of Brazil* (Berkeley 1965) and Aníbal Pinto S.C. *Chile: un caso de desarrollo frustrado* (Santiago de Chile 1962).<sup>2</sup> As is widely known, an early, strident statement of the dependency standpoint was provided by André Gunder Frank *Capitalism and Underdevelopment in Latin America: historical studies of Chile and Brazil* (New York 1969). A similarly pioneering view was offered by Barbara H. and Stanley J. Stein *The Colonial Heritage of Latin America* (New York 1970). More familiar to readers in Latin America was the contemporary publication by Fernando Henrique Cardoso and Enzo Faletto *Dependencia y desarrollo en América Latina: ensayo de interpretación sociológica* (Mexico 1969), subsequently published in English as *Dependency and Development in Latin America* (Berkeley 1979) with an extensive epilogue. Frank's initial work was indebted to the classic criticism of export-led growth, Jonathan V. Levin *The Export Economies: their pattern of development in historical perspective* (Cambridge, Mass. 1960), and US New Left writing such as Paul Baran *The Political Economy of Growth* (New York 1957) and Baran & P.M. Sweezy *Monopoly Capital* (New York 1966). Orthodox Marxist expressions which shaped dependency, not least writing on Brazil, may be found in Caio Prado Junior *História econômica do Brasil* (São Paulo 1956).

While both structuralism/developmentalism and dependency represented an attack on the previously pervasive 'modernisation paradigm', rejecting classical assumptions of linear growth and factor homogeneity, the relationship between them remains a matter of debate. Shared assumptions include the 'distinctness' of the Latin American economies, the unequal nature of their insertion in the international economy, the consolidation of anti-progressive forces during the period of rapid economic growth around the end of the nineteenth century, (largely) external exploitation that frustrated a gear shift from growth to development (aka industrialisation) until the 'rupture' of the inter-war depression, and the importance of state action to force development. Yet, while accepting basic elements of *cepalista* analysis, dependency authors rejected solutions posited by ECLA/CEPAL, stressing the failure of import-substituting industrialisation to deliver socially progressive national development. Most *dependista* literature drew explicitly on theories of imperialism to demonstrate the subordinate relationship of the continent with the advanced economies since 'discovery'/conquest at the turn of the fifteenth century. The form of that unequal relationship might have changed - from plunder, to Iberian monopoly mercantilist colonialism, to British '*laissez faire* imperialism', to penetration by hegemonic US corporate capitalism - but the substance remained the same, surplus extraction and the suffocation of progressive social development by a venal oligarchy and its external allies, a social configuration that exponents of the Gallagher and Robinson thesis would recognise as a 'collaborative elite'. The solution to this dilemma was social revolution and delinkage from the world, capitalist economy. Dependency writing was also informed by the crabbed political environment of the 1960s. If structuralism was associated with the 'open politics' of populist and Christian Democrat regimes of the 1950s and 1960s, such as the Alessandri and

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<sup>2</sup> The 1967 English language edition of the Ferrer book was based on the Spanish original, which appeared in 1963. An interesting difference between the two works is the title. In addition to the short title, the Spanish version contained a lengthy subtitle, employing Rostovian terminology: *La economía argentina: las etapas de su desarrollo y problemas actuales* (Buenos Aires 1963) ["The Argentinian economy: stages of development and current problems", emphasis added]. As with the Furtado book, Ferrer's Spanish title better captures the prescriptive nature of many *cepalista* tests.

Frei presidencies in Chile, or the Vargas and Kubitschek administrations in Brazil, *dependistas* were influenced by the return to militarism signalled by events like the 1964 coup in Brazil, and more overt US support for kleptocratic regimes in Central America and the Caribbean following the Cuban Revolution of 1959. As illustrated by the cases of Celso Furtado and Fernando Henrique Cardoso, many contributors to the dependency and late structuralist literatures wrote in exile.

The nature of the antagonistic but fertile relationship between *cepalino* thought and dependency are addressed by Joseph Love 'The Origins of Dependency Theory' *Journal of Latin American Studies* XXII 1 (1990), pp. 143-68, and Cristobal Kay *Latin American Theories of Development and Underdevelopment* (London 1989), pp.130-52. See also, E.V.K. FitzGerald 'ECLA and the Formation of Latin American Economic Doctrine' in David Rock (ed.) *Latin America in the 1940s: war and postwar traditions* (Berkeley 1994) pp.89-108. For comments on the use (and mis-use) of structuralism and dependency by economic historians and other social scientists, see Fernando Henrique Cardoso 'The Consumption of Dependency Theory in the United States' *Latin American Research Review* XII 3 (1977), pp.7-24, Túlio Halperín Donghi "'Dependency Theory" and Latin American Historiography' *Latin American Research Review* XVII 1 (1982), pp.115-30, and D.C.M. Platt 'Dependency: an historian objects' in Christopher Abel & Colin M. Lewis (eds.) *Latin America: economic imperialism and the state* (London 1990).

Rooted in the analyses of the Argentinian economist, Raúl Prebisch, *cepalismo* may be described as a Gerschenkronian-style project of 'national', state-managed industrial development, and was rapidly disseminated after the 1940s. Indebted also to Hirschman's concept of unbalanced growth, structuralism was informed by post-Second World War export pessimism - assumptions that world capital markets would remain closed or highly volatile, that bilateralism would continue, and that the long-established downward trend in the terms of trade of primary producing economies (masked by the war-time spike in commodity prices) would resume. The appeal of developmentalism was widespread, reflected in the popularisation of the language of the debate and the resonance of key constructs. Terms such as 'frustrated development' and 'agrarian bottleneck' spread beyond lecture halls and policy-making circles: the view that economic exploitation and political repression derived from the action of a greedy oligarchy and foreign associates was widely held. *Cepalismo* explicitly addressed the needs of the industrial sector while stressing structural and institutional blockages to development such as shallow capital markets and non-integrated labour markets, low productivity (especially in the rural sector), and weak domestic market linkages. ECLA statism was not anti-business, nor was it anti-foreign or anti-export, but by the 1970s, *cepalismo* was being depicted as providing the intellectual and ideological under-pinning for a discredited 'closed-market economy' model of development. Developmentalist strategies had failed to address the problem of poverty but had resulted in widening social disparities. There was intense debate about the role of the state as the process of import-substitution began to falter in the late 1960s. Criticisms of ECLA policy prescriptions and the analysis on which they were based multiplied.

*Dependistas* observed that import-substituting strategies had intensified underdevelopment. Manufacturing - demonstrably the most advanced sector of the economy - was unbalanced and externally rather than domestically integrated. Production was capital-intensive and skewed towards the manufacture of consumer durables, a bias that was reflected in the perpetuation of inequitable patterns of income distribution. Above all, the sector was dominated by an oligopoly of TNCs that, importing technology and components,

financed operations on the basis of local accumulation and siphoned profits overseas. Nationalists, too, were antagonised by the import-dependence and the low endogenous multiplier associated with foreign dominance of the industrial sector. Like *dependistas*, they lamented the inculcation of inappropriate patterns of consumption. They were also antagonised by crowding out of local businesses and a tendency, increasingly observed in the latter part of the 1960s, for foreign conglomerate to escape from the consumer durables ghetto, to which they had been confined for much of the post-1930s decades, to penetrate the production of wage goods (tobacco products, textiles and domestically consumed foodstuffs), hitherto largely the preserve of locally-owned firms. Where was the much-vaunted capital goods sector, so cherished by strategic planners and military-supported regimes of the 1940s? Neo-liberals observed rent-seeking, a product of ill-considered regulation, and macroeconomic instability triggered by demand creation - monetary expansion and easy credit, notoriously reflected in inflation and balance of payments crises. Liberals also pointed to the misplaced pessimism of *cepalismo*: world trade had grown rapidly after the 1940s and international liquidity increased after the 1950s. Furthermore, neo-liberals and new economic institutionalists stressed the competitive failure of forced industrialisation while vaunting welfare gains generated by market-friendly strategies such as pre-1929 export-led growth in Latin America and the so-called East Asian model of export-orientated industrialisation applied during and after the 1960s.

Heading the re-vindication of a growth-economics/quantitative approach are general collections of essays by Haber, and Coatsworth and Taylor that draw explicitly on the new institutional economics: Stephen Haber (ed.) *How Latin America Fell Behind: essays on the economic histories of Brazil and Mexico, 1800-1914* (Stanford 1997), (ed.) *Political Institutions and Economic Growth in Latin America: essays in policy, history, and political economy* (Stanford 2000) and (ed.) *Crony Capitalism and Economic Growth in Latin America: theory and evidence* (Stanford 2002), and John H. Coatsworth and Alan M. Taylor (eds.) *Latin America and the World Economy since 1800* (Cambridge, Mass. 1998). See also John H. Coatsworth, Roberto Cortés Conde and Victor Bulmer-Thomas (eds.) *The Cambridge Economic History of Latin America* (Cambridge, forthcoming). Jeremy Adelman *Republic of Capital: Buenos Aires and the legal transformation of the Atlantic world* (Stanford 1999) offers a less economic institutional interpretation of the impact of trade and ideas upon state and market organisation before the 1870s.

Severally and individually, Gerardo della Paolera and Alan M Taylor have sought to re-craft Argentinian economic history from a neo-political economy/new institutional economics perspective. Their works include *Straining at the Anchor: the Argentine Currency Board and the search for macroeconomic stability, 1880-1935* (Chicago 2001) and (eds.) *The New Economic History of Argentina* (Cambridge 2003), and various National Bureau of Economic Research working papers, studies that have re-worked data time series and re-appraised the ideology and performance of public policy. As the title signals, Edward Beatty *Institutions and Investment: the political basis of industrialization in Mexico before 1911* (Stanford 2001) is an explicit deployment of the neo-political economy and quantitative approaches to assess the efficacy of porfirian measures designed to promote manufacturing. A similar approach is encountered in Jeffrey L. Bortz and Stephen Haber (eds.) *The Mexican Economy, 1870-1930: essays on the economic history of institutions, Revolution and growth* (Stanford 2002). Much of this scholarship is indebted to Haber's original monograph, *Industry and Underdevelopment: the industrialization of Mexico, 1890-1940* (Stanford 1989). The body of work on Brazil is somewhat larger and more diverse. Gail D. Triner *Banking and Economic Development: Brazil, 1889-1930* (New York 2000) explores the

institutionality of banking, finance and credit provision. Largely unpublished work on Brazilian monetary and banking history indebted to the new institutional economics includes Anne G. Hanley 'Capital Markets in the Coffee Economy: financial institutions and economic change in São Paulo, Brazil, 1850-1905' (PhD thesis, Stanford University 1995) and André Villela 'The Political Economy of Money and Banking in Imperial Brazil, 1850-1970' (PhD thesis, University of London 1999). This research analyses the relationship between money, financial intermediation and growth, and assesses the political economy of public policy. Drawing together several earlier articles and working papers, William R. Summerhill *Order against Progress: government, foreign investment and railroads in Brazil, 1854-1913* (Stanford 2003) also deploys a mixture of cliometric and institutionalist techniques to appraise the performance and impact of railways in Brazil.

Much of the literature cited immediately above - theses, monographs and edited collections - draw attention to the interaction of law and economics. It is precisely the fruitful and mutually beneficial exchange of ideas in neighbouring fields of research like law and public choice and evolutionary economics that explains the appeal and usefulness of neo-institutional approaches (Volckart 2004: 1). Hence the focus on property rights, on regulation and rent-seeking, and the hidden costs of 'doing business' - transaction costs, namely the price of information gathering and contract enforcement. The neo-political economy literature is nothing if not concerned with the political choice of rules governing markets. Observing a bias in some systems of rules against the emergence of efficient markets, proponents seek to explain why apparently 'irrational' institutions endure and how arrangements may change from growth-inhibiting to growth-facilitating: efficient organisation means the establishment of incentives structures that bring the private rate of return close to the social rate of return (North & Thomas 1973: 1, North & Weingast 2000: 282). Implicitly and explicitly, most of this literature has little truck with concepts of imperialism and external constraints on growth: as institutions are endogenous, explanations for growth (or the failure to grow) must be found in internal arrangements - though there is an acknowledgment that the timing and quality of growth can be influenced by the rhythm and pattern of growth in the international economy.

As already indicated, for Haber the influence of dependency on the writing of Latin American economic history in the 1970s and 1980s cannot be under-estimated - and the result was highly damaging (Haber 1997a:7-10). Blinkered by a sterile fixation with 'unequal exchange' and 'exploitation' of 'external penetration', structuralists and *dependistas* jettisoned rigorous, testable theories in favour of the *ad hoc* - namely mega-marxist socio-political economy derived from a second-hand exposure to basic texts. An impressionistic use of detail and generalisation displaced empirical research bounded by 'hard' theory. The research agenda became dominated by fuddled reasoning about the nature of the external nexus - trade and finance - and an excessive concern with exchange instead of production. Over-generalised accounts of the macroeconomy fostered the view that 'underdevelopment' was a function of capitalism, and deflected attention from an analysis of mechanisms promoting (or inhibiting) productivity growth and the impact of organisational and technological innovation on savings rates, labour force allocation and capital formation. That is, on the supply side, factor endowment and institutional arrangements that maximise rational factor use.

Haber's crusading zeal is convincing but, in one respect at least, misplaced. A significant legacy of *cepalismo* was a major research effort to recapture, or re-construct, macro data for the early twentieth century and beyond. *Dependistas* may have eschewed

national-income accounting techniques, but structuralists recognised the value of collating reliable data. This is illustrated by an early publication, ECLA *Economic Survey of Latin America, 1949* (New York 1951), the projected (but incomplete) run of national reports in the 'Analysis and Projections' series of the very late 1940s and 1950s and, indeed, many other contemporary and subsequent reports and working papers. The debt to CEPAL is acknowledged in the series published at New Haven by Yale University Press under the auspices of the Economic Growth Centre: Werner Baer *Industrialization and Economic Development in Brazil* (1965) [now superseded by *The Brazilian economy: growth and development* (New York 1989)], T.B. Birnberg and S.A. Resnick *Colonial Development: an Econometric Study* (1975), Carlos F. Díaz Alejandro *Essays of the Economic History of the Argentine Republic* (1970), Marcos J. Mamalakis *The Growth and Structure of the Chilean Economy: from Independence to Allende* (1976), and Clark W. Reynolds *The Mexican Economy: twentieth-century structure and growth* (1970). (Much of the data - particularly aggregated economic and social indicators - assembled and refined by CEPAL has been complemented by the OxLAD [[www.qeh.ox.ac.uk/oxlad/](http://www.qeh.ox.ac.uk/oxlad/)], now MOxLAD [<http://moxlad.cienciassociales.edu.uy/en>]). Nevertheless, efforts by Commission in the 1940s and 1950s to recover historical time series must not be forgotten.)

Scholars like Baer and Díaz Alejandro, trained or influenced by Simon Kuznets, drew on CEPAL material, deployed quantitative evidence with varying degrees of Haberesque rigour, to appraise changes in levels of productivity, market integration, institutional innovation, and state action. However, it is the case that most scholars writing on Latin America in the 1960s and 1970s tended to neglect these important contributions based on traditional economic thinking, and failed to respond to the challenge of the pioneering monograph by William Paul McGreevey *An Economic History of Colombia* (Cambridge 1971), the first attempt at cliometric history in the field. Similarly neglected were the institutional focus employed by William P. Glade *The Latin American Economies: a study of their institutional evolution* (New York: 1969), and the concept of late (or very late) capitalism attempted by João. M. Cardoso de Mello *O capitalismo tardio* (São Paulo: 1982) and Salomón. Kalmanovitz *El desarrollo tardío del capitalismo: un enfoque crítico de la teoría de la dependencia* (Bogotá: 1983), indebted to Gerschenkron. Only the Campinas 'school' brought elements of Gerschenkron's exploration of institutional substitutes to bear on early Brazilian industrial growth: see two excellent research monographs - Wilson Cano *Raízes da concentração industrial em São Paulo* (São Paulo 1981) and Wilson Suzigan *Indústria brasileira: origem e desenvolvimento* (São Paulo 1986) - and the narrower but no less challenging Zélia M. Cardoso de Mello *Metamorfoses da riqueza: São Paulo, 1845-1895* (São Paulo 1990).

The revival of the growth-economics approach, particularly amongst young scholars working, or trained, in the USA during the 1990s, much of whose work has been published by the National Bureau of Economic Research and in the edited volumes listed above, is not unchallenged. A less economic position is being advanced by consumptionists. This represents a revival of the Keynesian emphasis on the demand side, combining the 'culture and politics of consumption' with the social anthropology of the marketplace. Pursuing ideas developed by those contributing to the debate about the 'industrious revolution', it is argued that the growth of a consumer society, observed in developments in taste, fashion and consuming habits, and new marketing strategies, were the essential main spring of social and economic organisation. Arnold Bauer *Goods, Power and History: Latin America's material culture* (Cambridge 2001) and Benjamin Orlove (ed.) *The Allure of the Foreign: imported goods in postcolonial Latin America* (Ann Arbor 1997) offer the most comprehensive

consumerist contributions. Narrower in focus, but pioneers in the field of socio-cultural history that make reference to the historical sociology of taste and consumption, are Nancy Lees Stepan *Rio de Janeiro: house and street*. (Cambridge 1994) and Jeffrey D. Needell *A Tropical Belle Epoque: elite culture and society in turn-of-the-century Rio de Janeiro* (Cambridge 1987).

In shifting the focus from the supply-side, consumptionists also argue for a more direct focus on the internal - particularly social - determinants of growth. Bauer and Orlove are critical of the extent to which *desarrollistas* and neo-structuralists (and, by implication, many *dependistas*) have over stressed external factors in Latin American development (Bauer & Orlove 1997: 1-3). Assessments of the pros and cons of export-led growth mean that considerable attention had been devoted to the dynamics of expansion and structural change in the international economy, flows of factors to Latin America, the mechanics of export production, and the political economy of the insertion of the continent into the global system that resulted in a new geography of product availability. Paradoxically, little thought has been devoted 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. New perspective require a paradigmatic shift from an analysis of the 'export-economies' to an exploration of the 'import-economies' that involves an investigation of cultural factors (as well as economic rationality) influencing preferences for locally-produced items in addition to imports (Bauer & Orlove 1997: 6- 7). Patterns of consumption defined identity as much as status, besides having a profound impact on the economics of production and trade. In short, scholars need to consider the 'why' as well as the 'how' of consumption, in conjunction with the geography of production. The 'value' attached to consumption may be even more instrumental than the 'price' of acquisition. Markets and price are important, but taste, values and the political economy of consumption are also significant (Bauer 2001: 8-9). 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 neo-institutionalists, not least endogenous institutions and organisation.

Contending theories of growth-economics and the socio-economics of consumption have resulted in a revival of interest in earlier modernisation/diffusionist texts rooted in positive assessment of comparative-advantage/factor-endowment driven export-led growth. Arguably, the first systematic attempt at a near continent-wide presentation of the diffusionist thesis was Roberto Corté Conde *The First Stages of Modernisation in Spanish America* (New York 1974), followed some years later by Roberto Cortés Conde and Shane Hunt *The Latin American Economies: growth and the export sector, 1880-1930* (New York 1985). A recent example is Stanley L. Engerman and Kenneth Sokoloff 'Factor Endowment, Institutions and Differential Paths of Growth Amongst New World Economies: a views from economic historians of the United States' in Stephen Haber (ed.) *How Latin America Fell Behind: essays on the economic histories of Brazil and Mexico, 1800-1914* (Stanford 1997), pp.260-304, subsequently published as an National Bureau of Economic Research (NBER) Working Paper *Factor Endowments, Inequality and Paths of Development among New World Economies* (Cambridge, Mass. 2002). Their study, which stresses factor endowment more than institutions, has provoked an institutionalist riposte from Douglass C. North, William Summerhill and Barry R. Weingast 'Order, Disorder, and Economic Change in Latin America vs. North America' in Bruce B. de Mesquita & Hilton Root (eds.) *Governing for Prosperity* (New Haven 1999).

Important country studies in the modernisationist (and quasi-modernist) tradition include: for the Argentine, Roberto Cortés Conde and Ezequiel Gallo *La formación de la Argentina moderna* (Buenos Aires 1967), Ezequiel Gallo *Agrarian Expansion and Industrial Development in Argentina 1880-1930* (Buenos Aires 1970), Vicente Vázquez-Prasedo *El caso argentino: migración de factores, comercio exterior y desarrollo, 1875-1914* (Buenos Aires 1971), and Guido Di Tella and Miguel Zymelman *Las etapas del desarrollo económico argentino* (Buenos Aires 1967), which offers a modified, rostovian interpretation, in addition to several contributions by Cortés Conde, for example *El progreso argentino, 1880-1914* (Buenos Aires 1979) and *La economía argentina en el largo plazo, siglos XIX y XX* (Buenos Aires 1997); for Brazil, Richard Graham *Britain and the Onset of Modernisation in Brazil, 1850-1914* (Cambridge 1968), Flávio R. Versiani *Industrial Investment in an 'Export' Economy: the Brazilian Experience before 1914* (London 1979), Nathaniel H. Leff *Underdevelopment and Development in Brazil*, 2 vols. (London 1982); for Colombia Marco Palacios *Coffee in Colombia, 1870-1970: an economic, social and political history* (Cambridge 1980), José Antonio Ocampo *Colombia y la economía mundial, 1830-1910* (Bogotá 1984) and (ed.) *Historia económica de Colombia* (Bogota 1987); for Mexico, Fernando Rosenzweig Hernández 'El desarrollo económico de México de 1877 a 1911' *El trimestre económico* XXXII (1965), pp.405-54; for Peru Shane J. Hunt *Growth and Guano in Nineteenth-Century Peru* (Princeton 1972) and, in a much more qualified form, Rosemary Thorp and Geoffrey Bertram *Peru, 1890-1977: growth and policy in an open economy* (London 1978). Nevertheless, the seminal text remains Warren Dean *The Industrialization of São Paulo, 1880-1945* (Austin 1969). These texts emphasise the dynamic impact of the export-led growth experience before the 1920s, which through imports of capital and labour, and integration into the world economy fostered institutional innovation and overcame domestic factor and market-size constraints to growth. If international insertion constituted imperialism, then imperialism was good for growth and development. The existence of this body of work cautions against glib assumptions of the 'hegemony of the structuralist/dependency paradigm' between the 1950s and the 1980s. Indeed, an interesting paradox of the 1960s is that just as the key dependency texts by Frank and Cardoso and Faletto were published, echoing the structuralist assertion that Latin American development (that is industrialisation) dates from the 1930s, when the continent was 'de-linked' from the international economy, Dean was demonstrating convincingly that the pace of pre-Second World War industrialisation was more rapid during periods of export-led growth which, rather than inhibiting the development of manufacturing, forged the market and institutional framework within which manufacturing flourished. Growth, initially based on factor endowment, specialisation and the exploitation of a comparative advantage to produce for the international market, led to deepening internal linkages that triggered sectoral diversification. Given the din of the dialogue of the deaf, characteristic of exchanges in the 1960s and 1970s, and the sheer volume of output associated with the 'dependency schools', insufficient notice was taken of the pioneering study of early industrialisation by Dean.

To conclude, major changes in the analysis of Latin American economic and social history for the post-1810s period have been shaped by a number of events and forces. First, debates about the consequences of the effective incorporation of the Latin American countries into the international economy around the 1870s. Secondly, events like world war and inter-war depression which had a profound impact - on economy, society and polity, and on the writing of history. Structuralism and dependency emerged in the 1950s and 1960s, respectively, to provide distinct interpretations of the consequences of the inter-war depression and to re-evaluate pre-1914 patterns of growth. (There is once again discussion as

to whether the First World War or the inter-war depression had the more profound impact.) These revisionist interpretations of the economic and social history of the continent underpinned analyses of the contemporary predicament and policy prescriptions devised to promote development. Thirdly, macroeconomic instability in the 1980s, coupled with the maturation of Latin American studies programmes in the USA and substantial investment in higher education in countries like Brazil and Mexico in the 1970s, produced both a questioning of previous economic strategies and associated 'historical' schools, as well as providing an institutional base for revisionism. It is instructive that most authors contributing to the 'growth-economics' edited volumes listed above were trained in the USA during the 1990s. The connexion between the 'economy of the moment' and historical interpretation of the past continues as neo-clometricians and new institutionalists regard the classic period of export-led growth as a laboratory in which to assess strategies of the present.

### Interpreting the Argentinian Predicament

Arguably, writing on the Argentine had been even more influenced by the 'history-as laboratory' and 'blame-game' cultures than the larger body of work on the continent as a whole. In part this is explained by the post-Second World War history of the republic - political instability and macroeconomic volatility. The debate about decline is partly indebted to anti-industrialisation and imperialist assumptions that permeate much structuralist and dependency writing, and on earlier conservative anti-imperialist and nationalist left critiques of export-led growth. The debate about the 'imperialism of free trade' entered the Argentinian historiography earlier, and with greater force, than writing on many other parts of the continent. Some contributors date British financial and commercial imperialism in the Argentine from the Baring Loan of 1825, a design that culminated in 1933 unequal trade pact (Halperín 1970: 75-6, 84-92; Alhadeff 2015: 367-8). The emphasis on economic imperialism is reinforced by the bizarre episode of unsuccessful British military adventurism in the River Plate in 1806 and 1807: two invasions were repulsed by largely national forces. The defeat and expulsion of British troops in the 1800s, and robust responses to subsequent Anglo-French naval blockages, put pay to any formal imperial designs on the Argentine - if such there were, but did not inhibit the growth of increasingly close trading and investment relations between the Argentine and the United Kingdom.

This section examines the established literature on economic expansion and decline through the optic of recent institutionalist and neo-political economy writing, paying particular attention to debates about the long-run growth trajectory of the Argentine, informal empire, and assessments of the *criollo-británico* financial and commercial connexion. Reflecting on the Ferns hypothesis that it is quite possible to make a case for as much benefit to have accrued to the Argentine as to the United Kingdom in the nineteenth century, Thompson constructs a useful template for 'measuring' British informal imperialism in the Argentine: (a) did Britain exerted indirect power over foreign policy, internal politics and domestic economy; (b) did Britain obtained rents from an asymmetrical relationship; (c) was the landed elite an independent actor, or did it serve as an intermediary of imperialism - in short, was it a collaborating elite? (Thompson 1992: 421-2).<sup>3</sup>

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<sup>3</sup> Amongst British beneficiaries of the relationship, Ferns identifies the creole-British business community, shareholders of some banks, railway companies, meat-processing plant and mercantile enterprises, and consumers, especially the 'wage working class' whose standard of living was considerably enhanced by cheap River Plate commodities. In the Argentine, Ferns specifies

The debate about a failure to sustain growth and the process of relative (or absolute) decline is of more than academic interest. For much of the period addressed by this paper, Argentinians have been aware of the international economic ‘ranking’ of their country. Around 1800, income levels in the Argentine were substantially greater than in neighbouring areas, and similar to those in Western Europe and the USA) Coatsworth 1998: 24-7; della Paolera & Taylor 2003: 2-3(. Drawing positive comparisons between national and US growth trajectories around the end of the nineteenth century, contemporary commentators argued that the future was bright. Immigrants from Italy and Spain, who arrived in large numbers in the 1880s and the 1900s, appeared to confirm that material conditions were then massively better in the republic than in parts of Europe. By the 1920s *per capita* incomes were high by European and Latin American standards and gaining relative to salaries and wages in other areas of recent settlement like Australia. During the inter-war decades, the Argentine was easily the most prosperous economy in South America - accounting for around half continental output and overseas trade - and by far the most industrialised. This position was maintained for much of the second quarter of the twentieth century. Later, by the 1960s, negative contrasts were being made with the course and pace of development in neighbouring republics and elsewhere. Argentinians were even less confident about their prosperity and international position by the 1980s - before the ‘miracle’ of the Convertibility Plan, which collapsed at the end of 2001 (Della Paolera & Taylor 2003: 2-5). What construction can be placed on the growth record, and did ‘informal imperialism’ contribute to economic involution?

#### i) The Growth Record

Expansion was substantial and seemingly sustained before the First World War, notwithstanding the increasing instability of the foreign trade sector, which accounted for around 25 percent of GDP by that stage. Argentinian rates of aggregate and per capita growth during this period established an international record and set a domestic benchmark that would not be observed again until the 1990s. This feat is all the more remarkable given that population also expanded rapidly. Population doubled between the first national census, taken in 1869, and the second in 1895, doubling again by the third, held in 1914. Between 1869 and 1914, annual rates of population growth averaged 3.4 percent, and annual rates of economic growth *per capita* 3.9 percent (Díaz Alejandro 1970: 3; Rapoport 2000: 101)<sup>4</sup>. Few economies have sustained such a high average rate of growth *per capita* for almost two generations. Population doubled again between the third and fourth national census, taken in 1947, an annual growth rate of approximately 3.0 percent, while annual *per capita* growth averaged around 0.74 per cent (Taylor 1994: 5-7; Maddison 2001: 196). Rates of population expansion fell away dramatically after the early 1950s, undoubtedly contributing to high rates of economic growth *per capita*, which averaged 2.06 between 1950 and 1973 (Maddison 2001: 196). Had population continued to expand at pre-1947 rates after 1950, levels of economic performance *per capita* would probably have been considerably lower than those registered for the inter-war decades. In effect, demographic ‘decline’ masked the emerging

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landowners (including immigrants), workers (whose wages and employment prospects widened considerably), and the Argentinian state - thought Ferns does not use this term (Ferns 1960: 487-91).

<sup>4</sup> Estimates of growth *per capita* vary considerably. Calculations by Cortés Conde for 1875-1912 cited above by Rapoport, namely 3.9 percent, are substantially above estimates provided by others. For example, 2.5 percent (Maddison 2001: 196).

structural crisis. From the 1940s to the 1980s, there was structural change, but little aggregate growth.

Overall economic performance in the twentieth century was marred by sluggish or negative growth in two distinct periods: (i) the First World War and immediate post-war years and (ii) the late 1970s and 1980s. During these two periods, the Argentine also exhibited most slippage relative to other economies (Díaz Alejandro 1986: 233; Maddison 1989: 15, 35; Vitelli 1999: 16-28; della Paolera & Taylor 2003: 2-5). This highlights the issue of divergence. Some decline in rates of economic growth was inevitable after the late nineteenth century spurt. The critical question is why a country that grew particularly rapidly c.1900 failed to sustain rates of growth that approached the international mean thereafter.

Recent research also supports two additional constructions. First, trends in GDP *per capita* point to four distinct phases in modern Argentinian economic history, with 'breaks' in 1912/3, c.1938, and 1973-5 (Cortés Conde 1997: 17-20; Vitelli 1999: 34-9; Gerchunoff & Llach 2003: 459-85). From the mid-1870s until 1912 there was a strong growth trend, despite a downturn in the early 1890s, and volatility around 1900. During the inter-war decades there was a plateau. Two sharp cycles occurred between the wars, but there was little overall trend: pre-First World War level of output *per capita* were not recaptured until the late 1930s. From c.1938, there was another strong up-swing, lasting until the mid-1970s, though also punctuated by cyclical downturns. Secondly, the data shows that after each major downturn, recovery took longer. Following the first Baring Crisis of 1889, GDP *per capita* registered a strong recovery in 1892. With the shock of the First World War, the downturn which started in 1913 bottomed out in 1916. Following the pre-depression peak of 1928, the low point was reached in 1932. The decline that started in 1947 ended in 1952. The recession that gathered momentum at the end of the 1970s did not fully bottom out until the mid-1980s. Following the 1997/8 downturn, recovery did begin until 2003, and there is still debate about whether or not aggregate output in 2005 has touched the 1997 peak.

The tendency for recessions/depressions to lengthen points to another feature masked by average growth data presented in the above paragraphs, namely, increasing volatility during the second half of the twentieth century, particularly in the early 1960s, the latter part of the 1970s and in the 1980s. Annualized indices register only one year of negative growth between 1900 and 1913. In the turbulent period from 1914 to 1946, inclusive, the economy failed to grow on only eight occasions. In the 1950s and 1960s there were two years of negative growth each decade: in the 1970s three and in the 1980s five, including 1988/9 when, according to some initial estimates, the level of economic activity contracted by about a quarter. Around the middle of the twentieth century, economic cycles shortened: three-to-five year cycles displaced the previous pattern of approximately eight year swings (Lewis 1993: 17-42; Vitelli 1999: 35-9; Gerchunoff 2003: 474-85, 487-90) Among others, Di Tella and Dornbusch, and Rapoport chart the increasing volatility of the economy and accompanying political decomposition in terms of regime change. From the inauguration of the first Juan D. Perón administration, in 1946, to the beginning of the presidency of Raúl Alfonsín in 1983, there were 19 presidents (the constitutional term was six years) and 38 Ministers of the Economy (Di Tella & Dornbusch 1989: xiii-xvi; Rapoport 2000: 1042-4). Between 1946 and 1983 only one president served a full term and there were 13 military *golpes*.

The collapse of democratic institutions is variously dated as occurring in 1930 when, with widespread civilian support, the Army overthrew democratically elected President Hipólito Yrigoyen (1928-30), in 1943 when the armed forces again intervened with substantial civilian support to overturn the particularly corrupt administration of Vice-President Ramón Castillo (who had taken over from a terminally ill Roberto M. Ortiz [1938-1942]), and in 1955 when the second Juan D. Perón administration was turned out, the *coup* enjoying widespread middle class support. However, if military action in 1930, 1943 and 1955 attracted substantial or even massive civilian approval, thereafter interventions by the armed forces tended to be determined by an agenda framed almost exclusively in military and, to a much lesser degree, business circles. After 1955 the only *golpe* to attract broad civilian support (or relief) was the overthrow of María Estela 'Isabelita' Perón in 1976. The abrupt ending of the Alfonsín and De la Rúa presidencies in 1989 and 2001 respectively did not originate in - nor provoke - military coups.

## ii) Schooling the Literature

Why did the early promise of rapid economic growth in the nineteenth century not translate into sustained development in the twentieth? Several bodies of literature address the Argentinian conundrum, many connecting with approaches in the broader Latin Americanist literature. The first, clearly defined school was the New Historical School (*Nueva Escuela Histórica*), an approach that had emerged in the 1910s. Subsequent schools arose either as a reaction to the ideology and content of New School writing, or in response to particular political and economic conjunctures. Some approaches were triggered by perceptions of a loss of economic dynamism, for example, in the inter-war decades and in the 1950s. Others were shaped by particular political processes, namely the weakening of democratic institutions in the 1930s, and cycles of military interventions in politics thereafter.

The New School was responsible for professionalising and institutionalising the study of history - and for defining the methodology of historical research. establishing , and the conduct of historical research. Particular attention was given to the May Revolution (Independence) and to struggles to form the state and forge the nation. Most writers contributing to the New School rarely addressed economic questions directly, tending to present history largely as narrative of events leading to the creation of the nation - a liberal project founded on export expansion that fostered growth, political modernisation, and social mobility. Although dominant for several decades, there were dissident voices challenging the whiggish optimism of the New School. A marginal intellectual force at the time, conservative political economists principally connected with the *Revista de economía argentina* were, unsurprisingly, more explicitly economic in the issues they addressed. The journal first appeared in 1918. Its pages soon featured items debating the sustainability (and desirability) of a pattern of economic activity based largely on the production of rural commodities for export. Considerable attention was given to what would later be described as structural problems, including the condition of manufacturing, and financial and fiscal affairs. The *Revista* also devoted much space to demographic and labour issues, for example, the size and distribution of the population, the cost of living, and the 'social problem'. This work emerged alongside a revisionist historiography, dating from the 1930s, that focussed largely on the political. Revisionist texts questioned both social and political transformations vaunted by the New Historical School, and the latter's excoriation of the pre-1850s political

order. A substantial proportion of this re-interpretation of the process of nation-building, ranging from the right to the left, addressed the pernicious consequences of the British-Argentinian connexion and, by association, export-led growth.<sup>5</sup> Revisionist texts, especially those produced in the 1930s focussing on the British connexion, constituted some of the first contributions to the economic history literature about the Argentine, as well as to the historiography on economic imperialism.

Collectively, the *Revista* and revisionist literature influence later schools: structuralism, popularised after the late 1940s, and dependency prevalent in the late 1960s and the 1970s. As already suggested, both were critical of the post-1880s export-led growth 'model'. Dependency also questioned structuralist-cum-developmental solutions to the loss of economic dynamism that was particularly pronounced in the Argentine in the 1950s and 1960s. Yet another approach also emerged around this time, an historicist-structuralist revisionist questioning of the outcomes of pre-1930 growth. Authors contributing to the school were disinclined to challenge the 'export-led model' *per se*, which they regarded as broadly positive. Rather they took a less sanguine view of what the model delivered. Finally, since the 1980s radical neo-liberal re-assessments of the recent and not-so-recent growth experience have become vogue, firmly linked to the new institutional economics approach observable elsewhere in the economic historiography of Latin America. Proponents of this approach point to the high cost of economic isolation, even during the problematic 1930s, and mistaken assumptions (and policy recommendations) associated with structuralism and dependency.

The above list is not comprehensive. Nor, as should be clear, are the schools mutually exclusive. Several attach differing degrees of importance to the same issue or series of events. An interesting feature of the literature is the extent to which Argentinian authors contributing to the academic debate since the 1930s held political office or served in senior administrative capacities.<sup>6</sup>

### iii Events and Processes: schools and speculations

Largely supportive of *Nueva Escuela* thinking about the process of nation-formation, though critical of many assumptions underlying a whiggish interpretation of Argentinian history, Halperín has stressed the relative shortness of the period of really rapid growth, thereby hinting at a lack of solidity of institutional arrangements put in place between c.1870 and 1912 - or 1930 (Halperín 1986). Halperín uses data that shows aggregate growth averaging 3.7 percent *per*

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<sup>5</sup> While revisionist writing of the 1930s to the 1960s ranged from the anti-imperialist right to the nationalist left, there were several tensions. Almost all contributors agreed on the negative influence of Britain on the Argentine - from Independence until the Second World War and extolled the Rosas regime as a defender of national interests. Beyond these themes, there was less common ground. Some applauded the catholic, conservative values of segments of the traditional landed class - who offered an authentic national project that had been undermined by a liberal internationalist commercial oligarchy. Others saw *latifundistas* as a check on development (Halperín 1970: 9-24, 36-54). Key contributors of the 1930s include the brothers Irazusta, protagonists of an alternative to the liberal, internationalist project, and Scalabrini Ortiz, who took a negative view of the commercial and financial relations with the UK.

<sup>6</sup> For example, Raúl Prebisch, Roberto Alemann, Aldo Ferrer, Guido Di Tella and Domingo Cavallo.

*annum* between 1875 and 1896, but falling by more than a third to 2.3 percent from 1896 to 1912.

A general slowdown in the rate of growth of exports was observed by contemporaries after the turn of the century. They were particularly concerned about the impact of commodity price volatility on domestic incomes, and about the overall efficiency of the export sector. While some were critical of specific aspects of the export economy - structure of land ownership, oligopolistic commercialisation of commodities and the configuration of the rail network, others were more confrontational, questioning the capacity of the system to deliver what would later be described as structural change. Arguably, the most coherent and consistent criticisms were articulated by conservative nationalists associated with the *Revista de economía argentina*, cited above (Falcoff 1982: 57-75). The most prolific member of the 'school' was Alejandro E. Bunge who moved from questioning the efficacy of the export-led model to refuting its utility as a vehicle for 'national' development. While others pressed for greater competition among (largely) foreign-owned utility companies, the investigation of commodity buying cartels, and a state-sponsored programme of infrastructural modernisation to make Argentinian commodities more price competitive in world markets, Bunge argued for tariff reform to foster 'natural' industrialisation and the export of products with higher valued-added. Bunge and the nationalists also advocated state action to develop physical resources for internal use. In addition, proponents of the *Revista* school envisaged pro-active social policies. Principally focussing on health and housing, there was also some discussion about modest extensions to the system of social insurance. Linked to a natalist stance by the state, these strategies would promote natural population growth, reduce dependence on immigration, now identified as a source of 'agitation', and ensure labour market 'flexibility' with discipline. There was a distinct Listian and Bismarckian tone to this literature. Items on the Bunge agenda would later appear in the 1940 project for economic recovery, a package of measures that in turn influenced post-1946 Peronist strategies (Llach 1984: 1-60; Korol & Sabato 1990: 9; Rapoport 2000: 256-61, 383-8; Gerchunoff & Llach 2003: 151-3, 161-5).

Taken together, these views represent a comprehensive re-appraisal of the mechanisms and consequences of national development before 1930. Many elements of the contemporary debate were absorbed by subsequent scholarship. This is unsurprising. Bunge became an influential figure in the 1930s. His views resonated among members of the Pinedo 'brains-trust', which included Prebisch, who would later become secretary-general of ECLA and was then beginning his career as a civil servant and academic. Prebisch edited the research journal of the Banco de la Nación Argentina before serving in more senior capacities at the bank. Subsequently, he became a member of the exchange control commission and head of the Central Bank. The contemporary Argentinian academic debate about economic policy options was remarkable for depth and breadth. By the 1910s, individual critics of what would later be called 'export-led growth' were to be encountered in a number of Latin American countries. The Argentine was exceptional in that 'schools' of thought were emerging (de Imaz 1974: 546-67; Falcoff 1982: 57-75; Llach 1985: 14-19; Rapoport 2000: 164-6, 245-61; Gerchunoff & Llach 2003: 102-6), 146-51). Ideas advanced by these schools were sustained over time and offered an alternative view of economy and society, in addition to questioning strategies in vogue during the *Belle Époque*.

Other scholars also point to the socially fragmented and politically limited nature of late-nineteenth century modernisation, the perpetuation of sharp regional dichotomies and negative aspects of foreign direct investment. A few illustrations will suffice. Exponents of the liberal development model emphasised the utility of immigration from Europe in terms of human capital up-grading (reflected in a growth of literacy) and the consolidation of a mobile workforce versed in the ways of the market. Yet, for illiterate *campesinos* the flood of foreign immigrants and foreign capital represented a threat rather than a force for liberation. The response was often violent protest (Solberg 1974:121-38; Gallo 1986: 370-1). *Gauchos* and the descendants of ex-slaves, subjected to oppressive vagrancy laws, came to constitute a rural and urban underclass. On the fringe of the export economy, these groups were socially and politically marginalised until the 1940s (Shipley 1977; Slatta 1983: 2-6; Salvatore 1986). For other sectors, foreign investment and the growing presence of overseas corporations in the domestic marketplace was viewed as negative not positive. Crowding out and limited access to credit confronted would-be domestic entrepreneurs, particularly owners of small firms that proliferated in the depression and war years (Teichman 1981). This was a criticism of export-led growth that would feature prominently in nationalist, anti-imperialist, and structuralist writing of the 1930s and 1940s. However, well before the end of the nineteenth century, up-country provincial oligarchies were well aware of the problem. Factions of the old federalist opposition to centralism and dominance by a 'liberal' Buenos Aires elite were far less convinced about the gains of export-led growth than their pampean counterparts. Insertion in the world system was viewed by some interior oligarchs as a *porteño* project that afforded only transient benefits and threatened to disturb fragile local power relations (McLynn 1977 and 1980: 263-4; Rock 1993: pp.51-2).

Around the turn of the century, landowners in the *pampa húmeda* were able to move into high-grade cattle production for the lucrative overseas meat trades. Shifting from sheep to cattle and from live to frozen and, finally, to chilled meat exports, *estancieros bonaerenses* embarked upon a programme of estate modernisation and commodity specialisation that fostered production for export and the consolidation of large units of production, thereby curtailing the shift towards medium-scale enterprises, a feature of the mid-nineteenth century pampean wool cycle and later cereal cultivation in the agricultural colonies of Santa Fé, Entre Ríos and Córdoba. Did the refocus on cattle-raising in the pampas prevent the emergence of homesteading - a pattern of land occupancy that was more economically efficient and socially democratic (Scobie 1967; Solberg 1987)? Technocratic nationalists, structuralists and *dependistas* certainly held that a rent-seeking rural oligarchy frustrated the development of a dynamic pattern of medium-scale mixed farming. And, was the consolidation of large-scale ranches more a function of politics than market forces, the deployment of influence by pampean pastoralists to rig the rules of the game in favour of cattle production? Jorge Sabato does not deny the entrepreneurial, risk-taking mentality of *latifundistas bonaerenses*. But he, and others, also observe a willingness - and capacity - to distort market mechanisms in their favour. State power was deployed by the landed oligarchy to restrict access to land, to subsidised labour, and to secure price support when conditions in the world market lowered returns to export production (Sabato 1979: 135-63; Pucciarelli 1986: 55-68; Solberg 1987: 146-55; Rock 1986: 139-42). Alternately, it may be argued that the switch to prime cattle production reflected the business talent and price-responsiveness of the pampean oligarchy, and its enduring commitment to scientific farming in a changing global environment. Substantial investment in land improvement testified to the capitalist rationality of Argentinian *latifundismo*, and to the stability

of the post-1880 political order (Adelman 1994:73-4, 76-7, 78-80, 96; Amaral 1998: 1-4, 13-17; Hora 2001: 46-56). Like the English tripartite system of large-scale landownership, tenancy and rural proletariat, the new order permitted flexible, efficient responses to market signals. Hence the shifting profile of commodities produced on the pampas. Consequently, institutionalists would present the post-1880s order as a structure that facilitated initiative, rather than an arrangement that limited opportunity.

Nevertheless, irrespective of the constructions placed upon the cause or course of economic expansion between c.1870 and 1930, it is clear that several groups were excluded from the benefits of, or considered themselves to be marginalised by, the process of export-led growth, and that the buoyancy of the sector was beginning to falter in the early decades of the twentieth century. Marginalised sectors such as rural workers, up-country elites and those antagonised by economic and social challenges provoked by export-led growth provided a constituency that opponents of the 'liberal project' and economic internationalism would subsequently find it easy to mobilise (Rock 1975: 183-4 & 1986: pp.234-4; Waisman 1987; Waldmann 1981: 22-3; Luna 1984:41-140, 214-48). As will be argued below, these groups formed the support bases for nationalist or interventionist economic policies subsequently held responsible by neo-liberals for undermining Argentinian international competitiveness. This chimes with neo-political economy emphases on the crucial importance of transparency, property rights, and institutional resilience for sustained growth. If 'closed' policies of the third quarter of the twentieth century account for economic stagnation, institutional inefficiency - political 'exclusion' - c.1900 contributed to the formation of the alliances that advanced those policies. It is equally clear that institutional flexibility was vital for continuing economic expansion, and that societal factors around c.1930 tended to reduce rather than enhance institutional flexibility. This leads to a further rehearsal of the question about the timing and duration of growth: was political exclusion c.1900 a function of the relatively short duration of the period of very rapid growth?

According to Brown, patterns of land tenure both reflected a pre-modern social order and perpetuated a system of social discrimination that frustrated societal modernisation along class lines. Archaic institutions checked economic transformation and proved to be remarkably resilient - or resistant - in the face of capitalist modernisation. Hence the authoritarian liberalism of the oligarchic republic resulted from an incomplete social transformation that in turn underwrote populist experiments of the middle third of the twentieth century (Brown 1986: 3-32). Pre-capitalist institutional arrangements were sustained, rather than undermined, by rapid economic growth which fostered the politics of co-option and containment. Subordinate groups, 'class fragments', sectional interests and rival factions were manipulated - and played off one against another - by dominant sectors. Behind the facade of organisational reform, high politics was dominated by a relatively small group of elite families that absorbed aspiring immigrant talent. The system was designed to preserve order rather than accommodate competition. Personalism and authoritarianism were features common to the regime of Rosas (1828-52), the apparently 'meritocratic' politics of the *pax rocista* (c.1880-1916), periods of party competition in the twentieth century (1916-30) and the *peronato* (1946-55) (Adelman 1999: 291-3; Richmond 1989; Waldmann 1981:38-9, 41; Botana 1979:50-60, 71-9, 152-202; Rock 1975: 265-7).

Contemporary re-assessments of the dynamics of export-led growth, and the policy recommendations that flowed from them, shaped structuralism-cum-dependency and neo-classical re-appraisals of growth during the *Belle Époque*. As indicated above, where Argentinian commentators of the 1910s and 1920s were exercised by macroeconomic instability triggered by commodity price volatility, *cepalistas* would see an inexorable decline in the terms of trade of primary commodity exporting economies of the world periphery and structural constraints on industrialisation, and *dependentistas* unequal exchange and hence the need to sever links with capitalist metropolii in order to secure development. Some scholars influenced by the liberal tradition and modernisation theory would also reflect upon the ‘delivery’ of export-led growth. As indicated, Halperín questioned the duration of the period of really rapid growth: how long did the *Belle Époque* really last (Halperín 1986)? Drawing on Rostovian modernisation theory, Di Tella and Zymelman make a related point. They argue that the transition from growth to development (or from extensive to intensive growth) was far from automatic. To Rostow’s five stages, they add a sixth, the ‘great delay’ (*la gran demora*) when the country failed to accomplish the predicted progression from ‘preconditions’ to ‘take-off’ (Tella & Zymelman 1967: 22-32, 71-103). According to Di Tella and Zymelman, the preconditions for take-off had been completed by 1914, but take-off did not occur until after 1933. The period of ‘delay’ witnessed a decline in rates of capital formation, and a pause in the structural transformation of the economy from agriculture to manufacturing. Extensive, export-led growth had created the basic conditions for industrialisation, but the specificities of Argentinian export production resulted in reduced demand for capital goods and skilled labour, thereby limiting the necessary deepening of the market and drive to industrialisation. By now, it will be obvious that these arguments echoed those of the *Revista* school and drew on structuralist-dependency strictures - inflexible factor markets and an anti-industrial (aka pro-imperialist) socio-political configuration deriving from (and sustaining) the inequitable distribution of assets.

The *gran demora* hypothesis is hotly contested (Korol & Sabato 1990: 17, 22; Rapaport 2000: 166-71; Lenz 2004: 278-89). Yet, the fundamental question remains to be addressed. If exceptionally high rates of economic growth are observable only for the period c.1876-1890, and if the construction of a modern industrial society proved problematic during the ‘Indian Summer’ of the liberal export order in the 1920s (when fundamental preconditions already existed): How long does it take to diffuse and cement commitment to a competitive, market economy, and to construct a political architecture that can accommodate countervailing forces? (Adelman 1999: 291). Economic historians and others drawing on the new institutional economics framework must consider the implications of declining rates of growth during the much vaunted *Belle Époque*, and stasis during the *gran demora*, for the process of embedding a new organisational framework conducive to sustaining growth.

Amongst structuralists, Ferrer takes a fairly conventional, pessimistic view of the fruits of export-led growth, while offering a particularly jaundiced slant on the legacy of the British connexion. Writing at a time when deficiencies in *cepalista* policies intended to promote industrialisation and growth were becoming obvious, Ferrer looked back at formative ‘stages’ in the evolution of the Argentinian economy. He explored these phases in terms of the ECLA paradigm - aggregate demand, income distribution, savings and investment, terms of trade, and the sectoral configuration of GDP. With regard to the export-led growth stage, Ferrer noted that there had been industrial expansion, but stressed the restricted, skewed nature of manufacturing

output - essentially little more than the production of basic wage goods. This was due to conflict between agrarian interests, landowners and those closely linked to foreign groups - specifically the British, and sectors who favoured national industry. While others writing at around the same time were less convinced of an intrinsic clash between the agro-export sector and the manufacturing lobby, Ferrer was adamant about the significance of the conflict, and its legacy. His language neatly paraphrases that of 'informal empire': their '... ongoing influence on economic thought and political action ... constituted one of the basic obstacles to national development ...' in the post-1930 stage (Ferrer 1963: 115). This approach, more subtle than cruder exposition about the (British) imperialist project, identifies the proximity of interest that under-pins the Gallagher and Robinson thesis, and rehearses discussions elsewhere in the literature about the appropriateness (rather, the inappropriateness) of imported models and policies of the 1880-1914/1930 period. Were business practices and priorities developed in Britain in the latter part of the nineteenth century suited to the very different circumstances prevailing in the Argentine? (Jones 1985: 184)

The adverse consequences of the ideology and influence of the *porteño* collaborative oligarchy was intensified by structural and conjunctural factors during the inter-war decades. With the closing of the frontier in the 1920s, the prevailing extensive system of production was doomed: the supply of super-fertile, unexploited land had dried up. Similarly, flows of imported capital and labour - the other ingredients of the extensive model - were becoming weaker and more volatile. The global environment was changing. Access to world markets was becoming more restricted, and the UK was no longer the dynamic partner that it had once been - as already recognised by the Pinedo 'Economic Reactivation' Plan of 1940 which sought to construct a closer relationship with the USA in place of the previous commercial and financial association with Britain (Llach 1979: 404; Rapoport 2000: 259-61; Gerchunoff & Llach 2003: 151-53). Although the pre-1930 model was no longer sustainable, and an alternative strategy was urgently required, 'over-commitment' to the old order (and to Britain) frustrated adjustment. Delayed adjustment to new international conditions resulted in ill-considered strategies of 'hot-house' industrialisation during the 1940s. Forced industrialisation created a 'disarticulated' national economy. Linkages between manufacturing and other domestic sectors were weak. Indeed, penetrated by foreign corporations, industry was externally integrated, rather than an engine for national growth. Given an inexorable deterioration in the terms of trade, the Argentine was subject to successive balance of payments crises and bouts of inflation. Hence multi-layered distributional conflicts - between the rural and urban sectors, between business and labour, between consumption and accumulation, between production for the domestic market and for export - that domestic institutions proved incapable of resolving (Ferrer 1963: 1-14, and 1989). The solution lay in comprehensive, state-direct industrial expansion and greater export efficiency.

The above stylised summary of the developing Ferrer critique of the pre-1930 order, and problematic of post 1940s hot-house industrialisation, points to the emergence of a neo-structuralist view which is insufficiently acknowledged in much of the new institutionalist literature. Neo-structuralism is novel and provocative because it recognises the importance of international competitiveness, and the high (unsupportable) costs of the closed-economy model characterised (or caricaturised) by the *peronato*, while continuing to advocate the importance of state action for effective industrial development. The Argentinian case offers telling insights

because neo-structuralist writing connects with ideas of market failure, implicit in concepts such as the *gran demora* and in some *Revista* writing, and with observations about persistent 'irrational' state behaviour manifest in policies of the 1950s and 1960s. Some neo-structuralist scholarship also absorbs dependency challenges to naive assumptions of state autonomy that underlay early *cepalista* analysis and policy prescriptions. The neo-structuralist assessment also derives from events of the 1990s which demonstrated that 'shock liberalism' did not necessarily result in a flexible, competitive manufacturing sector (Azpiazu 1998; Kosacoff 2000). Abrupt opening of the economic induced a degree of macroeconomic efficiency, reflected in a surge in commodity exports - traditional and new. But, cocooned by a raft of protectionist measure for several decades, the experience of industrial businesses was checkered: some adapted rapidly, making windfall gains, others found high adjustment costs extremely high. Privatisation of state enterprises and the closure or sale of private firms, once again inflamed nationalists, provoking renewed arguments about liberalism, economic internationalism and foreign penetration (Azpiazu 1998: 47-68; Schvarzer 2005:).

As stated, the last decade or so has witnessed a surge in neo-classical approaches to the study of Argentinian economic history, in part driven by a concern about the contemporary predicament. A questioning of *cepalista* strategies designed to promote development in the post-Second World War period, and the diagnoses of the pre-1930 growth model on which they were based encouraged another wave of revision in the historiography, as much in policy practice. The neo-liberal critique draws two distinct parallels. First that the performance of the economy since the Second World War compared unfavourably with the pre-First World War historic record. Secondly, that the position of the republic had slipped against conventional comparators such as the 'Latin' economies of southern Europe, or fellow 'settler' societies - Australia and Canada. For some, the *Belle Époque* is a laboratory to test and to validate contemporary neo-liberal solutions to decline. Others, neo-diffusionists in particular, focussed more precisely on costs associated with the corruption of market signals during the phase of inward-looking growth from the 1940s to the 1970s, taking as a reference point the post-1930s performance of other areas of recent settlement. Neo-liberal theorists and social science historians admit that the international system became increasingly unstable during the second quarter of the twentieth century and that this posed particular problems for the republic. Nevertheless, using the actual growth trajectory of Canada and Australia as a proxy, one analysis concludes that the Argentinian economy would have been at least 50 percent 'larger' (and possibly more than twice as large) in the early 1980s had less isolationist and less interventionist policies been applied since the 1920s (Mundlak, Cavallo & Domenech 1989: 116-7, 119).

Though many neo-liberals account for poor post-Second World War performance in terms of misconceived strategies and policy errors, some historians caution against glib comparisons with other areas of recent settlement. Taylor, for example, acknowledges that protectionism increased the cost of capital imports, thereby reducing the efficiency of savings, and that prioritising consumption over investment during the early Perón years further reduced the stock of investment resources. Yet, echoing Halperín, Taylor also maintains that decline predated the application of overtly statist policies (Taylor 1994: 649-83). Relative to the main industrialised economies and other areas of recent settlement, Argentinian rates of growth began to falter in the 1920s. Post-war policy 'mistakes' simply widened the gap. For Taylor, high rates

of pre-First World War immigration explain lower *per capita* levels of output compared with other areas of recent settlement before that point and higher rates of demographic dependence thereafter. The demographic burden constrained savings, inhibited capital market deepening and generally frustrated domestic capital formation at a critical moment of limited international liquidity in the middle decades of the twentieth century (Taylor 1992: 916-7, 920-2). In contrast, Canada and Australia enjoyed more favourable man/land ratios and smaller populations (and much lower rates of immigration) than the Argentine. These features made for substantially higher levels of GDP per capita at the beginning of the century in Canada and Australia. The income and savings gap between the Argentine, on the one hand, and Canada and Australia, on the other, widened as immigration surged and Argentinian rates of demographic dependence rose (due to natural increase and net immigration). Extending Taylor, similar arguments can be made about demographic determinism and welfare policies later in the twentieth century. Massive welfare expenditure reduced the 'efficiency' of investment when capital was scarce and/or induced further rigidity at a time when labour markets were already tightening. Debates about the rate and efficiency of domestic savings, and imperfections in the labour market, apply as much in the 1980s and the 1990s as in earlier periods (Lewis 1993a: 116-7 and 1993b: 178-9, 194-5). It will be clear that Taylor has little truck with the imperialism of foreign investment thesis. On the contrary, even as late as the 1920s, capital inflows from overseas helped compensate for the shortfall in domestic savings. Before 1914, the contribution was even greater. Foreign investment was not costless, but without capital inflows, incomes would have been considerably lower (Taylor 1992: 907-36 and 2003: 15-7).

Taking issue with structuralist analyses, though acknowledging problems intrinsic to commodity production that had taxed the *Revista* group, Schedvin also draws unfavourable parallels between the Argentine and other areas of recent settlement during the *Belle Époque*. He maintains that location and the nature of export staples (commodity mix and production characteristics) only partly account for economic decline after the 1920s. Domestic institutions explain why the Argentine was less successful than Australia and New Zealand in escaping from the 'staple trap'. As producers of staples were exposed to diminishing returns, flexibility of resource allocation was essential to ensure structural diversification around the original commodity base in order to cater for changing patterns of domestic and global demand (Schedvin 1990: 534, 535). Once more, this shifts the explanation for decline from the economics (or the imperialism) of the export-led model *per se* to domestic institutions. Imperfectly defined property rights, especially rural property rights, and uncertainty about interaction between the public and the private domains, limited the social diffusion effects of export production. These features were compounded by increasing political instability that resulted in frequent changes in the 'rules of the game' which further fostering rent-seeking (Adelman 1994: 67-8; 1993 159-75). Economic analyses by the likes of Schedvin and Taylor, that acknowledge the importance of political economy and institutions, echo Brown. Taken together, this work supports socio-political interpretations based on one or other of the following premises: capitalist growth failed to change the basic organisational principles of Argentinian society; the period of 'rapid modernisation' was too short-lived to embed structures capable of ordering and resolving conflict within the institutions of the state - which was itself weak or diffuse. Rather than proximate and integrated, economic and political power structures in the Argentine were but loosely connected and often in conflict. If imperialism is the handmaiden of capitalism, the Argentinian case reveals that there was insufficient of either!

This view is obliquely acknowledged in new contributions to the political history literature. Unsurprisingly, the modern political science and political sociology literatures on the Argentine are littered with terms such as ‘populism’, ‘co-optation’, ‘distributionism’ and ‘authoritarianism’. Scholars have long recognised that ideology and structure were conspicuous by their absence in Argentinian electoral politics of the twentieth century which was dominated by ‘leaders’ and ‘movements’, rather than structured organisations, and that this has implications for the solidity of ‘stateness’. In this climate, the politics of co-optation and exclusion flourished. The success - and survival - of the system depended on growth. The limits of the arrangement were revealed in the middle decades of the twentieth century. New groups (first the urban middle classes and later urban labour) clamoured for access to the system at precisely the moment when rates of growth began to falter. Economics and politics became a zero-sum game, perpetuating conflict in place of compromise (Merks 1969: 89-116 and 1973); Canitrot 1975; Smith 1974); Mallon & Sourroville 1975; 1978; Lewis 1990; Peralta Ramos 1992). Historians such as Sabato, Alonso and Hora have recently made signal contributions to this discussion, pushing back the debate about institutional fragility into the nineteenth century. This work reveals flaws in conventional assessments of the process and politics of nation building in the nineteenth century, and structuralist and dependency constructions on the composition - and capacity - of the state.

In rather different ways, Sabato and Hora emphasise the separation of economic and political power. Like Alonso, they allude to mechanism by which the political class constructed organisations that paralleled and over-lapped the state. Sabato points to the emergence of a political class in the middle of the nineteenth century, which controlled the institutions of the state, yet was separate from the economic substructure. Intellectuals-cum-politicians were a professional ‘class’ only loosely connected with economically dominant agricultural and mercantile interests (Sabato & Palti 1990). Hora shows how, although the dominant socio-economic interest in the Argentine by 1900, *estancieros* were politically weak *vis a vis* the political class whose influence derived from their control of the state, and outmanoeuvred by them (Hora 2001: 3). The period when *estancieros* apparently wielded considerable political power was the time when their economic influence was waning. That is, during the so-called ‘administration of the cows’ (*el gobierno de las vacas*), 1933-1943, ushered in by the 1930 revolution (Drosdoff 1972). Arguably, if the landed oligarchy was in office at this point, it was not necessarily in power. Although regimes of the period granted transitional assistance to the pastoral sector, substantial aid was made available to arable interests (including small and medium scale producers and tenant farmers), and the outcome of official policy increasingly benefited industrial interests (Gravil & Rooth 1978; Alhadeff 1985: 368-76). The *gran demora* came to an end, and manufacturing ‘took-off! Nevertheless, in the historiography and in popular perception, the 1930s came to epitomise the strength of British influence in the Argentine - manifest in a crude exercise of imperial power to secure an unequal trade pact, the venality and anti-developmentalism of the landed oligarchy intent on defending its own interests at the expense of society at large, and the decadence of the *criollo-británico* connexion. It was at this point that, while negotiating the Roca Runciman trade pact, Argentinian officials argued that the republic should be treated as the ‘sixth’ dominion of the British Empire, admitted to the Ottawa system of imperial preference on a par with settler colonies and India. Reaction to various aspects of the pact - on the streets, in sections of the press, and in intellectual circles - fuelled conservative anti-imperial and left-wing nationalist writing in the 1930s and for another

generation. The infamous decade (*decada infame*), 1930-43, was not a decade, but economic crises and political shocks (a military *putsch* followed 'patriotic' electoral fraud) under-mined confidence in the institutions of the state. The 'decade' serves as a laboratory for exponents of theories of imperialism and offers ammunition to those seeking evidence of collusion between a domestic oligarchy and foreign commercial and financial interests.<sup>7</sup>

This raises the issue of why the Argentinian state lacked solidity - a capacity to integrate competition, and resolve conflict, within the institutions of the state itself. In addition to explanations offered above, Jones provides a neat, 'imperialist' perspective that points to a truncated process of national, capitalist formation that contributed to a weakening of state competence. First, in critical policy areas, for example banking and money, British organisations inculcated ideologies or systems of rules that constrained state action (Jones 1980: 441-2). To paraphrase Taylor, emerging market economies are particularly exposed to the classic macroeconomic 'trilemma': no economy can simultaneously have both a fixed exchange rate, free capital mobility, and an activist monetary policy. Only two of the three are feasible: pressure for the third compromises the others (Taylor 2003: 23-4). A new institutional economist, Taylor advocates the virtues of an open capital account and a fixed exchange rate anchor - to ensure discipline, in countries such as the Argentine. For Jones, free capital movement and an activist monetary policy were better suited to the growth requirements of the Argentine in the nineteenth century - allowing the exchange rate to take the 'strain'. Secondly, Jones sees that 'Londonising' of the entrepreneurial-capitalist class as another factor frustrating the consolidation of a 'national bourgeoisie' and corrosive of indigenous political structures (Jones 1980: 442-3 and 1987: 153-5, 169-73). Until the 1880s, a 'cosmopolitan' British-creole business class was both embedded in the River Plate and integrated into international capital markets. Cycles of rapid growth and crises provoked closer supervision of key sectors of the Argentinian economy from London (rather than administration by *criollo-británico* interests), and the fragmentation of an incipient capitalist class. Imported policy models, and external business pressures compromised the authority - possibly the autonomy - of the Argentinian state, transforming it from liberal to neo-mercantilist.

Behind the carapace of the state, real power was wielded through informal organisations which competed for control the formal institutions. In effect the political class - itself a confederation of regional groupings - used the state as mechanism to arbitrate among social interests, and as an inter-face between the political class itself and society. This, coupled with the separation of political influence and economic power, gave the appearance of institutional stability and flexibility but, in reality, made for the discretionary use of power and a system of rules that was extremely fungible. To borrow a phrase from Ford and della Paolera and Taylor, the rules of the game operated as a 'one-way street'. During good time - economic boom - rules were applied. In difficult times, they were abandoned - or subverted by those who had the power to do so. The discretionary application of rules and/or their 'suspension' weakened the authority of the state and 'institutionalised' rent-seeking. Liberal economic internationalism only partially resolved one of the basic conundrums of state formation in the Argentine in the nineteenth

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<sup>7</sup> Although the phrase 'collaborating elite' does not appear in the contemporary Argentinian literature, the term *los vendepatrias* (those who sold their country - or sold out to the British) has a similar resonance.

century: how to finance the state. Export-led growth facilitated a shift away from inflation, a destabilising and socially divisive mechanism of state funding (Amaral 1988: 379-418; Cortés Conde 1989: 23-41; Irigoin 2000: 333-59, and 2003:65-7, 84-8). Despite problems intrinsic to fiscal dependence on trade and foreign money markets, an exponential growth in government financial resources during the last quarter of the nineteenth century was a major factor contributing to state consolidation (Oszlak 1982: 98-152; Cortés Conde 1989: 23-41, 111-20, 175-89). Nevertheless, windfall fiscal trade gains postponed, rather than resolved the problem. Devising a model of state financing that was relatively socially equitable, and contributed to macroeconomic stability, remained problematic, as attempts at reform in the 1920s and the 1990s illustrate: the ‘... use of monetization to finance persistent fiscal deficits was one of the main problems of the Argentine economy in the second half of the twentieth century.’ (della Paolera, Irigoin & Bózzoli 2003: 73).

#### iv Summary

The literature continues to offer a greater consensus about the origins of growth in the nineteenth century than the causes of stagnation and emerging crisis in the twentieth. Nevertheless, the current attention devoted to political economy points to the centrality of institutional failure as an explanation for decline. Imperfect institutional modernisation may be explained by the mechanics of incorporation in the international economy and the functioning of the global order, and the apparent flexibility of existing domestic political arrangements which accommodated challenge without fundamental change. The external environment undoubtedly had an impact on the performance of the Argentinian economy, irrespective of how that environment is presented - as inherently imperialistic or offering opportunities for growth and/or development. In addition, the relationship between the Argentine and most North Atlantic trading partners was asymmetric. Nevertheless, as the global environment was not so dissimilar for other countries which managed to sustain growth and effect a shift from growth to development, the key explanation must lie with domestic institutions.

An inter-play of factors and processes explain weak institutional capacity. By the second quarter of the twentieth century, frontier exhaustion and increasing volatility in overseas markets signalled the end of the extensive growth project. A new model of accumulation was required in order to enhance domestic savings capacity and sustain the transition to a more capital-intensive pattern of development. At precisely this point consumption demands mushroomed as the political system was confronted by new groups striving for access. Unfortunately, the incomplete transformation of Argentinian society during the late nineteenth and early twentieth limited capacity for an efficient resolution of distributional conflict. The extent to which incomplete capitalist modernisation was due to ‘imperialism’ remains a matter of debate. Less in doubt is the loss of state legitimacy, and an environment in which game rules were either imperfectly applied or repeatedly revised. The result was rent-seeking and, ultimately, a zero-sum game in which powerful sections (business, labour, and the state itself) were unable to impose their own project but sufficiently powerful to subvert counter proposals. Institutional fragility (or rigidity) limited state capacity to respond efficiently to a shifting global and internal environment. Arguably, the combination of pressures - external vulnerability, challenges to an established domestic order and transitional costs associated with adjusting from one pattern of accumulation

to another - would have taxed the most robust system. In the Argentinian case, the combination proved to be lethal.

### Railways: an epilogue

Why railways? Because railways feature prominently in the agenda/analyses of all the schools cited above and because they came to epitomise the British-Argentinian connexion. A précis of late nineteenth century opinion encapsulates the idea of railways as public goods. This was reflected in a possibly unique constitutional reference: Chapter II of the 1853 Constitution obliged the state to foster railways as a means of promoting national and provincial development. In addition to forging the nation, the rapid growth of the rail network between c. 1870 and 1914 determined the economic geography of the country (Oszlak 1982: 144-52; Roccatagliata 1987: 50). By 1913/15, the Argentinian railway network ranked tenth in the world: it was the most extensive in Latin American, the third largest in the Americas (Bunge 1918: 145-7; Tornquist 1919: 122). Beyond these facts, there is little agreement. Although writing over a generation ago, the words of Zalduendo still ring true: the controversy about British investment in railways in the Argentine has stimulated the production of a body of critical work which is far from finished - debate continues about the feasibility of domestic funding, the regional configuration of the network, and much more (Zalduendo 1975: 44).

Díaz Alejandro presents a succinct statement of the modernisationist take on railways and growth which, unapologetically, devotes little attention to questions of funding and ownership, features prominent in other discourses. As social overhead capital formation, railways were critical. The surge in railway investment signalled the potential of the pampas, as well as facilitating a rapid outward movement in the frontier of production (Díaz Alejandro 1970: 3-5). Echoing Díaz Alejandro, other authors have written that: 'In the Argentinian case, it is beyond doubt that the railway was an indispensable component for growth...', there was no other alternative (Gerchunoff & Llach 2003:28-9; see also, Rapoport 1988: 179-82). Under-pinning this approach is the sense that a rapid, sustained extension of the rail network was either beyond local savings capacity, or that the opportunity cost of tying up scarce local capital in overhead projects would have been extremely high - and was unnecessary given, prevailing international levels of liquidity.

Scholars of the *Revista* group took a somewhat less sanguine view. There was concern about the general efficiency of the transport infrastructure. This was expressed mainly in technical terms: coverage and density of the network - the distributions of lines and ratio of branch to trunk lines; adequacy of locomotive and rolling stock parks; tariff structure; the pace of new building. Foreign ownership was a tangential issue, though over-capitalisation and 'watering' was recognised as adding to operating costs. Observed structural problems were resolvable by adjustment to railway policy (Bunge 1918). An imperialist 'spin' was added by conservative and left-wing nationalists who observed that London... companies constituted a 'British monopoly' of transport facilities in the core pampean region, that foreign ownerships had been responsible for 'capricious breaks of gauge' which limited competition, the system of profit guarantees and 'multiple forms of state support' for foreign companies had proved costly and crowded local firms, and the structure of the networked had 'locked' the country into pattern of agro-export production (Ortiz1958: 19-36; Scalabrini Ortiz 1958: 17-23). The principal thrust

of these approaches was that the country could - and should - have financed railway construction from domestic sources and that national (state or private) ownership would have delivered a more efficient system, and one geared to local needs. These writers offered a counterfactual of railways as a mechanism of domestic development, rather than an agent for external penetration.

Geographers and historians have re-visited debates about the determinants and consequences of network configuration. Factors shaping the location and growth of the early lines, and the emergent structure of the rail system have received considerable attention. Pioneering work by Goodwin provides convincing evidence that network configuration was largely shaped by late-eighteenth patterns of economic activity, rather than by an imperial design emanating from London (Goodwin 1977: 613-32; see also Brown: 1994: 251-55). Railways were a substitute for pre-modern forms of communication, rather than a mechanism promoting new activities - or a marked re-ordering of factor allocation and distribution. Admittedly, the survival (or revival) of key sectors of the 'colonial' economy in the early nineteenth century was influenced by the legacy of Spanish mercantilism and a surge in world demand for River Plate commodities at the time of Independence - a period when the region was probably the most open, competitive economy in the international system (Halperín 1989: 117-29; Amaral 1998: 13-7). Others have argued that the initial layout of the system was shaped by domestic political considerations, as much as by economic forces emanating from the export sector (Oszlak 1982: 146-50; Lewis 1985: 201-5).

External interests were present, and may have constrained state action in some areas, but imperatives driving the pace and direction of the rail construction were largely national (Oszlak 1982: 148). Two examples illustrate the nature of contending pressures shaping network growth. In the 1860s, the London registered Buenos Ayres Great Southern Railway wished to construct in mature areas of agricultural production in the province of Buenos Aires, and not close to the frontier. Local interests pressured the company to build on the frontier to valorise estates. The provincial government with-held franchises until the company agreed to fund branch lines in both regions (Lewis 2015: 34-36). A similar dispute between *estancieros* and the provincial administration, on the one hand, and British railways, on the other, occurred again in the 1900s. Local interest complained about the quality of services and lack of urgency in constructing branch lines. When the Great Southern and the Buenos Ayres Western Railway were slow to respond to local concerns, the province went to Paris, borrowed, and built - and awarded concessions to competitive French lines (Regalsky 1989: 417, 428-30, and 2002: 327-31). At national level, the result of these strategies was to reduce relative British participation in the railway industry by sector by 13 percent between 1900 and 1913 (Regalsky 2002: 326). While the success of these measures were contingent on international liquidity, evidence of the willingness and capacity of local interests to act cautions against glib assertions of British hegemony. Domestic political forces played a significant role in shaping the pace and direction of the growth of the rail system.

Other have questioned, or qualified, the export bias and structural 'deformities' of network configuration - deficiencies that feature prominently in the revisionist literature of the 1930s. Adopting a confrontational style, Roccatagliata is adamant and confrontational in style: the network was not narrowly configured on the city and port of Buenos Aires - a radial configuration designed to conditioning production to the requirements of the export sector, and

to consolidate the political hegemony of a mercantile oligarchy committed to liberal internationalism. While some companies were floated to serve the export sector, other lines were constructed to meet regional needs in the interior. As the system expanded and became more integrated, lateral routes developed and various nodal centres emerged: some were ports, implying a dilution of export concentration on Buenos Aires, others were centres of production for the regional and national market (Rocctagliata 1987: 74-81). Pointing to the contribution of railways to industrial growth, Cortés Conde offers an interesting statistic about rail freight in 1914: exports, imports and domestic-use items each accounted for approximated one-third of total tonnage (Cortés Conde 1979: 5-; see also Vázquez-Presdeo 1980: 407-8). If data on passenger traffic is added, the 'endogenous' factor would be considerably larger. (The contribution of passenger receipts to total revenue was almost twice as great in the Argentine as other, comparable Latin American countries.) Modernisation, and neo-modernisation, texts stress the importance of railways to specific import-substituting 'national industries' from c.1880: wine and sugar are examples invariably cited (Cortés Conde & Gallo 1967;; Díaz Alejandro 1970: 17-19, 211-7; Vázquez-Presdeo 1980: 416; Sánchez Román 2005: ).

New work on the broader issue of railways and market integration is equally robust, supporting the modernisationist thesis first formally articulated in various publications by Díaz Alejandro in the 1960s, and by Cortés Conde & Gallo (1967), and subsequently re-visited by Cortés Conde (1979 and 2005 [forthcoming]). Given the slow growth of heavy industry, inevitably the discussion emphasises forward linkages. Recognising that, in the pre-1914 period, Argentinian industrial growth responded to three forces - domestic consumption, external demand and import substitutions, Rocchi adopts a 'cultural' approach to explain the industrial spurt of the 1890s. Nevertheless, he recognises the importance of conjunctural and structural factors that set the context in which that spurt occurred (Rocchi 2000: 45-56). The depression of the early 1890s produced a crisis and opportunity for domestic manufacturers. Demand fell during the crisis, but imports fell even faster due to exchange depreciation. Seizing the moment, industrial entrepreneurs determined to convert the internal market into a 'national market', that is supplied by domestic firms. There was a campaign to expand sales beyond the city of Buenos Aires and its immediate hinterland, up to that point the principal market for industrial firms which were overwhelmingly clustered in the federal capital. In the interior, advertising was employed to 'manufacture' demand and defend the quality of local products. The sales drive was successful precisely because rail construction in the west and north-west in the 1880s had connected regional markets that had previously been only loosely integrated. As some neo-political economists remark: 'Intuitively, transportation ... must have been important ... (Salvatore & Newland 2003: 40-41).

The Jones thesis of a dilution of *criollo-británico* capital (and possibly control) applies as much to railways as to other activities. Indeed, 'denationalisation' in the 1890s may have been even more pronounced and sudden in the rail sector, as was noted in the revisionist literature (Lewis 1983: 125-27, 239). National (largely state) participation in the railway industry fell from around a quarter to less than a tenth. After the Baring Crisis, several provincial and national lines were privatised as bankrupt administrations liquidated realisable assets. Provinces cancelled debt by transferring to foreign bondholders railways (and colonisation ventures) that had been financed with funds borrowed overseas. The Crisis intensified a process of 'Londonisation' that was already underway. The consequent precipitate rolling back of the

economic frontiers of the state did not, however, mean the withdrawal of government. Regulation was one consequence of the contraction in state participation. Efforts to promote competition among groups of foreign investors was another (Lewis 1983: 192-5; Regalsky 2002: 348-58). New research by Regalsky again cautions against depictions of the Argentinian state as supine, and the landed oligarchy as unwilling to confront foreign - mainly British - partners. In the railway sector, the relationship between segments of the so-called 'collaborative alliance' was sometimes cordial, other times combative. Domestic interests were able to mobilise the state (or the political class) in defence of sectional or 'national' interests.

Where does the balance of the railway literature lie? To quote Thompson: '... British railway companies were allowed to dominate Argentina's railway network, but the government showed itself both able and willing to intervene when this so-called 'trust' overstepped the limits of government tolerance.' (Thompson 1992: 433). The position obtained by British enterprises in the railway industry were due to the acquiescence of the landed sector and the political class, rather than due to their manipulation by external forces. The 'collaborative elite' collaborated when it was in its interests to do so - and did not when circumstances dictated otherwise. This does not mean that London companies did not become the butt of local political groups. They did. However, charges of 'monopoly' and 'imperialism', current in the inter-war period, reflect more on the changing nature of Argentinian politics than the performance of British companies. To use the language of the new institutionalism, intuitively, there was a balance of mutual (not necessarily equal) benefit in the relationship. Broadly, foreign firms delivered what was expected of them in terms of frontier expansion, market-integration and nation-building, and the valorisation of local assets. As Argentinian society and economy became more complex, so 'delivery' was required to meet the expectations of more regions and groups. Before c.1914, disputes about detail - tariffs, network configuration, the quality of transport services - confirm rather than refute assumptions of mutual benefit. The framework of the 'contract' was rarely challenged, though some of the small print was re-examined from time to time. It is difficult to fit this relationship into the hegemonic/satellite Gallagher and Robinson or dependency mould.

#### General Conclusion: the future is not what it used to be

One result of the current methodological and ideological 'conflict' in approaches to the economic, social and business histories of Latin America has been a revival of the empirical tradition. 'Mega' theory - and, occasionally, meta narrative - has not deflected attention from the value of primary data gathering. Quite the contrary. Scholars consciously writing from a new institutionalist perspective, or borrowing from cultural history constructs, stress the importance of combining theory and with primary research.

As should be clear from comments above about *cepalismo* and dependency, about state-formation, and about growth/industrialisation, an interesting feature of the history of Latin America during the nineteenth and twentieth centuries is the extent to which the state had been observed in the shaping of markets - both factor markets and the market place, irrespective of how the state is conceived. Analyses of the position of the state, and 'economic ideology' are now considerably more sophisticated than initial explorations about the existence or behaviour of a 'collaborating elite', and the capacity of states in the 'informal empire'. Obviously, scholars

differ in their assessments of the efficacy and outcomes of state involvement. State action - whether by weak or effective state - raises issues of 'crowding out/in', corruption, cronyism and competence, and the 'lateness' or 'distinctness' of capitalism in Latin America. Perhaps this explains why much new writing is anxious to deliver a more informed understanding of the 'rules of the game'. Yet those who do not necessarily accept the primacy attached by neo-political economists to formal and informal institutions (that is, incentive structures) also press for further research on the origin, composition, structure and attitudes of families, groups, communities and other expressions of collective action - and their interaction with market and state. It is instructive that, while some new institutionalists are identifying barriers to the growth of - and inter-play with - the market in the early national period, cultural historians and consumptionists are pointing to engagement with it. This suggests some sort of agreement about areas of future research, if not methods of conducting that research.

New institutionalists and consumptionist both clamour for more research about the endogenous/internal, correcting a bias towards the 'external' observed in much early structuralist and dependency scholarship. There is still a residual concern about the international economic order (or imperial nexus), but much more attention is now being devoted to analysis how local interests 'engaged' with - and possibly re-shaped - the external. It is difficult to disagree with North and Weingast that the neo-political economy perspective is gaining ground (North & Weingast 2000: 273). The impact is observable in the mainstream writing - and reflects larger developments in the social science literature on the engagement of law and economics. Growth economists focus on the legal/regulatory framework as a key institution governing the behaviour of organisations like business and other social groups, and as a determinant factor in economic performance. Cultural historians (and historians of consumption) are concerned with the allure of the market, and the means of participating in it. This indicates some agreement about the need to explore further market dynamics in the nineteenth and early twentieth centuries. If the market is important, the degree to which 'imperialism' is deemed to be good (or bad) for growth will be determined by assumptions about the extent to which the external connexion fostered or inhibited market consolidation. At the moment, new institutional economists and historians of culture quoted above appear to agree that the Belle Époque was positive for market integration.

## Bibliography