DEPENDENCY IN NINETEENTH-CENTURY LATIN AMERICA: An Historian Objects

D. C. M. Platt
St. Antony's College, Oxford

The dependency theory, under assault from Right and Left, is scarcely sustainable. Impatience with Prebisch's panacea, import-substitution industrialization, gave birth to dependency. A new bogeyman, the multinational corporation, now preoccupies the scholar and polemicist. Paradigms of Corporatism and Structuration supply the ongoing situation for further refinements in Confusionism. But this is the language of economics and political science. Students of chrono-politics (history) may still wish to inquire whether the historical evidence on which the dependency theory was based is more enduring than its currency in modern social science. The issues are very much alive. It was scarcely reassuring to be told, quite recently, that "radical writers on dependency are engaged in much productive and *inventive* research."[1]

It may be convenient, for the purpose of this argument, to begin with what has become the classic definition of dependency, Theotonio Dos Santos' familiar proposition that "by dependence we mean a situation in which the economy of certain countries is conditioned by the development and expansion of another economy to which the former is subjected." Dos Santos continues: "The relation of interdependence between two or more economies, and between these and world trade, assumes the form of dependence when some countries (the dominant ones) can expand and can be self-sustaining, while other countries (the dependent ones) can do this only as a reflection of that expansion, which can have either a positive or a negative effect on their immediate development."[2]

The absence of autonomy is critical. "The theories of dependency," Philip O'Brien explains, "are trying to show that the internal dynamics of Latin American society and its underdevelopment were and are primarily conditioned by Latin America's position in the international economy, and the resultant ties between the internal and external structures."[3] We can take it that these statements are definitive.

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A central pivot for dependency is the importance of the international economy.[4] Even David Ray, in an otherwise perceptive and damaging attack on the dependency "model," records as one of its achievements the demonstration of "the bankruptcy of any research on Latin America which ignores the international context."[5] André Gunder Frank's researches into Chilean history suggest (to him) that, from the Conquest, Chile was fully incorporated "into the expansion and development of the world mercantile and later industrial capitalist system."[6] Osvaldo Sunkel feels that the countries of Latin America are "enmeshed in the system of international relations of the capitalist world . . . entirely dependent on their foreign economic relations."[7] Stanley and Barbara Stein identify, after the expulsion of Spain, a "colonial heritage of externally oriented economies linked closely to essential sources of demand and supply outside the new national economies."[8]

The suggestion is that in this, as in other respects, a smooth transition took place between the colonial and national periods. The argument of the Steins' *Colonial Heritage of Latin America* is that there was a continuity in the dependent relationship of Latin America to Europe, and that Britain took over what Spain had lost. No sooner had Chile ceased to be a colony of Spain, said Hernan Ramírez, than she became a dependency exploited by British capitalism.[9] British hegemony was inherited by the United States, and to Fernando Henrique Cardoso and Enzo Faletto "el predominio de la vinculación con los metrópolis peninsulares—España y Portugal—durante el período colonial, la dependencia de Inglaterra más tarde y de los Estados Unidos por último, no puede carecer de trascendencia."[10] For other *dependentistas* the transition was not necessarily as smooth, but all are agreed upon the international nature of Latin American economies after Independence. Dos Santos' "colonial dependence," which incorporated not only colonial Latin America but also the first decades of political independence, was "trade export in nature."[11] Bergquist speaks confidently of independent Colombia as "a nation being wrenched more tightly into the orbit of the industrial capitalist system."[12]

The conventional wisdom is that a marked economic interrelationship existed between postcolonial Latin America and the outside world. Latin America, colonial and national, was from the first drawn into the international economy as an exporter of foodstuffs, raw materials, and precious metals, and as an importer of capital and manufactured goods. "In general terms," says O'Brien, "both social infrastructure and direct production investment decisions depended on the metropolitan countries. Thus the determinant of the growth and structure of the Latin American socioeconomic formations remained largely exogenous to

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Latin America. By concentrating on primary product exports, Latin America was unable to develop an autonomous capacity for growth and change."[13]

Thus the opportunity in nineteenth-century Latin America for autonomous, self-sustaining growth was destroyed. "The development of industrial capitalism," says Gunder Frank, "increasingly opened Latin America to free trade, and transformed the economic, political, and social structure of the continent to suit the new metropolitan needs and local bourgeois convenience."[14]

All this is tediously familiar, and it dovetails only too neatly into a dependency theory so closely tied to the economic hegemony of foreigners in Latin America. Evidence, to be sure, is fragmentary and evasive, but continuity has always proved attractive to historians, and there is a magnificent simplicity in that notion of "colonial heritage" argued so fluently by Stanley and Barbara Stein.

Yet even the most coherent argument can be misleading. It cannot be accurate to describe the economy of colonial Spanish America as directed towards exports. Precious metals were central to conquest. Once the mines were established, their product was exported. But silver and gold, for all their glamor, were only an element in larger, inward-looking economies that sustained themselves almost entirely on domestic demand and production. It is fanciful to suppose that "the most significant heritage of Iberian colonialism was the tradition of the large estate, producing foodstuffs and raw materials for local consumption or for export to Western Europe."[15] The equal emphasis on export to Western Europe is anachronistic. Frank Safford explains for Colombia that "only a small part of the colonial population was engaged in the export economy, either directly in the production of precious metals or indirectly in the production of textiles or foods consumed in the mining regions."[16] He was not speaking for New Granada alone when he described a great part of its regional economy as engaged primarily in local subsistence.

Independence from Spain did not, in practice, transform Latin America into a major exporter of foodstuffs and raw materials to the outside world. Nor did it bring Latin America into the market as a large importer of manufactured goods. The reason was simple. Western Europe, within itself, its colonies, Southern and Eastern Europe, and the United States, was fully supplied both with its foodstuffs and with its industrial raw materials. Latin America could sell nothing to Europe, so that it could buy nothing in return. After that first, furious activity that accompanied the reopening of blockaded markets, Spanish America re-

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tired over the edge of the periphery. It remained outside world markets, to any significant degree, for the first half century of political independence.

In an area so large as Latin America there are bound to be exceptions. The Steins were obviously unhappy in applying their notion of a "colonial heritage" to Mexico and to Argentina, and they turned with relief to Brazil which, they said, provided a classic example for the nineteenth century "of how a colonial heritage of export-oriented agriculture [sugar and cotton] based on slave manpower shaped the patterns of economic and social change in the postcolonial period and formed a neocolonial structure."[17] The example finds an echo in Cuba, as it does in Peru after the opening of the guano trade. But it would be difficult to identify another Latin American economy, in the first decades of political independence, for which exports were significant and which, correspondingly, had acquired the resources to import on a substantial scale. This is illustrated by British statistics. Britain was by far the largest exporter to Latin America in the first half of the nineteenth century. Her exports (declared values) to the principal markets of Spanish America (Argentina, Chile, Colombia, Ecuador, Mexico, Peru, Uruguay, and Venezuela) averaged a total of a bare 2.49 million pounds sterling per annum for the decade 1831–40, £3.31 million in 1841–50, and £5.45 million in 1851–60.[18] Exports to Spanish America formed an unremarkable element in total British exports for the same period which amounted to £43.53 million (annual average) for 1831–40, £41.74 million for 1841–50, and £99.27 million for 1851–60.[19] Exports to Spanish America were obviously unimportant for Britain. But were they equally unimportant for the Republics? Population estimates for Latin America as a whole are wildly at variance, but even at their most pessimistic the distribution of £2.5 million of British manufactures among the Spanish Republics of South America, Central America, and Mexico can hardly have scratched the surface of demand. It is evidently untrue to say that "Great Britain, technologically and industrially advanced, became as important to the Latin American economy as to the cotton-exporting southern United States."[20] The annual average for British imports (computed real values) from the whole of Latin America (*including* Brazil) for 1856–60 was £14.86 million. For the same period, the average annual imports from the United States were £36.59 million.[21]

Foreign trade was undoubtedly a high priority for contemporary politicians and officials. It supplied, through the Custom House, the only dependable source of government revenue. For this reason it may have come to loom larger in the consciousness of historians than we should legitimately expect. But Safford is right in doubting the implica-

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tions of economic dependency in New Granada after the breakaway from Spain. The period of economic depression up to the middle of the century cannot necessarily be explained by relations with the outside world: "The economy was drained and the government was strapped in part because the country was such a weak exporter, something more usefully explicable in terms of specific economic and geographic causes (topographic structure, population distribution, transportation costs, availability of markets, etc.) than in terms of the easy abstraction of dependency."[22] In the unpromising circumstances of Spanish American trade after the London financial crash of 1825–26, the characteristic response of British merchants was to withdraw from Latin America, to close their businesses, and to remove what was left of their capital to Britain, to the colonies, or to the United States.[23] Stagnant trade, bankruptcies, and withdrawals—the reality—are in depressing contrast to the great harvest that was gathered, it seems, by British merchants and manufacturers, bankers and shippers during the first half of the nineteenth century, the period when they were supposed to have "enjoyed a dominant position in the trade of the area":

> Their textiles and hardware undersold those of their competitors; their capital resources facilitated long-term operations including the payment of high import duties; they extended credits to Latin American merchants at half the interest rates of their competitors; their shipping supplied more than 50 percent of the volume of imports; London was the financial center which handled international payments to the exporters of France, Germany, and the United States, who, in turn, sold to Latin America.[24]

It is a glittering picture. But how, precisely, was Latin America expected to pay for it?

Political independence brought *some* redirection of trade. The focus of foreign trade, such as it was, shifted from the Iberian Peninsula to Northern Europe and the United States. Independent societies created pressure to import in order to meet demand for newly discovered "necessities" and the latest fashions. Larger markets opened, in turn, for what was still a relatively small export trade. Yet with these exceptions, Latin America's external trade, imports and exports, remained fundamentally unchanged from the colonial into the national periods. It could not be otherwise so long as an external demand for Latin American products failed to take shape. Foreign trade was unimportant and stagnant. While international markets remained closed to the produce of Latin America, while European appetites were fully satisfied from elsewhere, "dependent" Latin America was at one or more removes from the world economy—"independent" and self-sufficient against its will.

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Was foreign finance any more influential? Gunder Frank is not alone in the belief that foreign investment and finance had for centuries been "an integral part of world capitalist development."[25] Yet the impact of foreign finance on the new Republics is clearly exaggerated. Finance could not succeed where trade failed. It is true that such mercantile houses as survived the long depression took a significant part in the financing of trade. Advances on commodities, discounting and acceptance of bills, remission of specie, dealings in exchange—these were the familiar accompaniments of mercantile business in a period which anticipated, in Latin America, the arrival of the commercial bank.[26] It was not a sinister activity, unless commercial banking itself is sinister, nor was it necessarily the monopoly of foreigners. Francis Falconnet was asked by a London house, in 1849, to report on the standing of the main commercial houses in the city of Mexico. His lower estimate of total wealth was 23.45 million silver dollars, of which Spanish and Mexican houses accounted for $18.4 million, German for $2.35 million, French for $1.5 million, and British for $1.2 million.[27]

The distribution of resources in Mexico, at the middle of the last century, illustrates a point that is not, perhaps, sufficiently appreciated. Before the age of railway construction, which required huge quantities of capital, domestic finance was sufficient to meet the needs of individuals and states. Railways barely existed in Latin America before the 1860s; even in continental Europe the systems were unimportant before the 1850s. Governments, the other borrowers on a grand scale, had no outlet for large quantities of capital, foreign or domestic. State expenditure was modest, and budgets small. The revenue of the Province of Buenos Aires in 1843 was some £400,000, rather less than it had been in 1822.[28] The income of the Federal Government of Mexico in 1836 was estimated at $13 million (£2.6 million), of which only $3 million was shared between Justice and Administration while the rest, less $1 million for the Navy, went to the Army.[29] Governments were always short of money, but they wanted two to three hundred thousand pounds at a time, at once and in cash. In Latin America these needs were best satisfied at home. The rate of interest was 15 percent or more, but there was no time or opportunity for reference to London where such loans, in any case, were too small and ill-secured to be quoted on the Stock Exchange.

Perhaps it is unreasonable to expect too much concern with competitive interest rates on short-term borrowing from the will-o'-the-wisp financiers of the early years of the Republics. The Mexican finance ministry was directed by no less than 112 persons successively between 1830 and 1863.[30] But even if governments might have found some purpose for large international loans, they could not have raised them. For a brief

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period in the early 1820s, when money was abundant, British and Dutch capital was attracted by the interest rates offered on the new generation of Latin American government loans. The rates, while certainly competitive, were not unreasonably high. Fledgling, unrecognized governments could not (and did not) expect to enjoy the credit of the well-established. In the early 1820s the British government was able to borrow at 3½ percent; France, Austria, and Russia paid 5–6 percent; and the 7–9 percent offered on Latin American loans was in line with the credit of other borrowers on a competitive market.[31] London's financial collapse put an end to any hope of further loans from December 1825. Subsequent default, on every Latin American government loan other than Brazil's, closed foreign markets to Spanish American government issues until the end of the 1850s.

The conclusion is obvious. Spanish America, during the first half century of political independence, stood outside the currents of world trade and finance. Europe traded within itself, with its existing colonies, with its traditional suppliers, and with the United States. European capital was fully engaged in British and continental finance, principally railways; when it crossed the Atlantic, it found a home in the United States. It is hard to understand what the Steins could have meant when they referred to the continued strength in Latin America, after Independence, of "externally oriented economies linked closely to essential sources of demand and supply outside the new national economies."[32]

The dependentista view of the international economy of the new Republics is clearly a misunderstanding; it is derived from what is thought to have happened much later in the nineteenth century when "English economic influence mushroomed in Latin America."[33] The international economy assumed *some* importance, from the middle of the century, for *some* nations at *some* times; it had been far less influential in previous decades.

What was it, then, that finally brought Latin America into contact with the world economy? The Steins believe that British merchants in Latin America recognized, by the 1840s, that the limits of Latin American demand for British manufactures had been reached, and that "the problem was to increase sales by the development of unused or poorly used resources in the interior through railway construction."[34] The sequence is wrong. A few resident British merchants, by now chronically impoverished, could not create a demand in Europe for unwanted Latin American products simply because they wished to increase their commissions on imports of manufactured goods. The most they could do was to finance a few, very short railways. The real initiative, under-

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standably, came from Europe itself. Europe was outgrowing its traditional sources of supply for sugar, coffee, fertilizers, grain, and later for metals, meat, and rubber. It was the overflow of European demand, the pressure of overcrowded Europe for emigration, the exhaustion of attractive outlets for European investment, which finally awoke metropolitan interest in the neglected periphery.

The causes and effects of this movement can be described in many different ways. Dos Santos' first historical form of dependence was "colonial dependence," the relationship of Latin America to the outside world until the last years of the nineteenth century. His second form was "financial-industrial dependence," a product of the end of the century. Financial-industrial dependence was "characterized by the domination of big capital in the hegemonic centers, and its expansion abroad through investment in the production of raw materials and agricultural products for consumption in the hegemonic centers"; the dependent countries thus developed a productive structure devoted to the export of these raw materials and agricultural goods.[35]

Argentina certainly devoted itself to the supply of wool, grain, mutton, and beef to the "hegemonic centers," and grew rich on the proceeds. Could it have been otherwise? H. S. Ferns suggests an answer. Argentine industrialization was delayed in favor of extreme specialization in agriculture and ranching simply because "in 1896 the terms of trade began to alter in a way favourable to producers of food products, and these terms of trade became progressively, and even fantastically favourable to Argentina until 1929, except for a period after World War I in 1920–24." Capital flowed into agriculture, livestock, and the commerce and industry with which they were associated. Ferns adds that: "It was so patently economically advantageous to do what Argentina in fact did that it seems a waste of time and a profitless exercise to look for any other explanation of what happened. Argentina became a highly specialized producer because it was profitable to do so, and those who profited most had no motive to seek alternative policies."[36]

The Steins supply a ready conclusion: "The British had been the major factor in the destruction of Iberian imperialism; on its ruins they erected the informal imperialism of free trade and investment."[37] This is unhistorical. Could Britain really have molded the economies of Latin America to suit her own needs? Was there some machinery in existence at the time by which such a major undertaking could be planned and put into effect? Or did those economies shape themselves along lines determined domestically, in the tradition of the self-sufficiency enforced by isolation from world markets during the first half of the nineteenth century?

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Dependency theory has always emphasized the dominant influence of the international economy, so that the significance of the domestic market is often overlooked. Cities like Rio de Janeiro and Buenos Aires were already considerable by the mid-century. Buenos Aires in 1855 had a population of 91,000. By 1869 the population had risen to 178,000, to 438,000 in 1887, 678,000 in 1895, and 1,576,000 in 1914.[38]

The timing is important. The literature on dependency assumes that, from the beginning, foreign-owned railways in Latin America were mere feeders to external markets, and that the shape of Argentine railway development—a fan of railways from Buenos Aires—was intended to speed Argentine development as an exporter. On the contrary; a major part of the interest was domestic. Buenos Aires was a large city, the *only* large city in Argentina, ill-served by transport into the interior. The Argentine government, like all governments similarly placed in Europe and elsewhere, was prepared to guarantee an interest (in this case of 7 percent) on the capital of its railways, it being understood that they would serve commercial markets (home and foreign), transport the military, and promote the political objective of national unification.[39] In practice, the prospect of building up Argentine exports of primary produce to metropolitan Britain can have had slight impact on either promoters or investors. Foreign investors, when they bought (in the 1860s) the first issues of the major Argentine lines, the Central and the Great Southern, may well have hoped (or been led to hope by a "puff" in the prospectus) that the future of the railways would include the development of Argentina as an exporter. But their objective was more likely to have been a guaranteed 7 percent return on their capital, by contrast with the 5 percent obtainable on railway securities at home. The promoters of the new lines, and the boards of directors, realized that financial success must depend on the extent to which their railways might serve the needs of the Argentines themselves and of their capital city. It was fifteen years or more before either line made much impression on Argentina's exports to Britain. Argentine exports to Britain, as recorded in British import statistics, were valued (for as late as 1883) at less than £1 million (£945,708).

The argument need not be restricted to railways. Argentina became a major producer of grain to supply its domestic market, and to substitute for imports from Chile and the United States. Argentina was an importer of grain into the 1870s, and only an erratic exporter of a surplus into the 1890s. Argentina improved the quality of its native cattle and bred new stock in order to feed the inhabitants of Buenos Aires. Such improvements could not have been directed simply at the possibility of an export market. The Republic did not export live cattle to

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Europe until the 1890s, while the real boom in beef exports had to await the first shipments of chilled beef in commercial quantities in 1901. It is true that Argentina found itself, eventually, with a surplus of grain and meat to export, but in other products, like wine and sugar from the west and northwest, home consumption always kept level with production and there was no surplus for export.

Dos Santos has developed an imaginative structure of big capital from abroad, from the "hegemonic centers," invested specifically in the production of raw materials and foodstuffs for consumption in the foreign metropolis. What he says may have some relevance to banana plantations in Central America, or to copper mines in Chile and Peru. But it was far more common for the development of Latin American exports to move in natural progression from the gradual replacement of imports to the complete satisfaction of the domestic market, and then, finally, to the disposal of the surplus (if any) by export. It is simple common sense. A development by natural stages must be more plausible than a forced development to suit metropolitan needs, more particularly when the unplanned, highly competitive, almost anarchic operations of nineteenth-century entrepreneurs and investors are sufficiently understood.

There is obviously some confusion in the dependency analysis so far as it refers to the timing of economic development in nineteenth-century Latin America. There is also some unreality in the view, so often repeated in the literature, that an alternative, more attractive route to autonomous economic development, to industrialization and a balanced economy, was blocked by an enforced integration into the world economy as exporters of foodstuffs and raw materials in exchange for manufactured goods. Was there any realistic alternative? Can we join the Steins in deploring "the failure of Latin American movements for independence to create the bases of sustained economic growth through balanced agricultural, ranching and industrial diversification"?[40]

In the case of industrial diversification and growth, it is clear that the impact of imported manufactures on newly independent Latin America is much overdone. The inability of Latin America to pay for imports during the first half century of political autonomy gave domestic handicraft and manufacturing industries a further lease on life. After the 1860s the failure of primitive industries to develop autonomously may be explained otherwise than by the import of large quantities of cheap manufactured goods. Could Latin America, relieved of the hegemony of the metropolis, have developed an independent, balanced economy that included a sufficient element of domestic manufacturing?

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The obstacles to autonomous industrial growth were formidable. Latin America lacked skilled labor; skilled labor could be imported, but only at uncompetitively high rates. Latin America suffered from an endemic shortage of industrial fuels: oil was not extracted until the end of the nineteenth century; wood was in short supply; coal (which was scarce in workable quantities) was imported at prices that, inclusive of transport, rose to as much as four times its cost at the Welsh pithead. Domestic markets were small and scattered, too small for mass production; railways (after the 1860s) gradually opened markets of sufficient size to absorb local production of consumer goods, but demand was never enough to support the manufacture of capital goods. Exploitable raw materials were in short supply, iron in particular. Capital was scarce, if not for small plants at least for large-scale industry. In regions of relatively sparse population, like Argentina and Chile, there were absolute shortages of labor, skilled or unskilled, which permanently restricted opportunities for industrial development. With handicaps such as these, domestic manufacturing was slow to develop in Latin America with or without the machinations of the metropolis.

It may be helpful to compare Latin America with countries which have achieved rapid and easy industrialization. Britain at the end of the eighteenth century and Japan after the 1860s shared certain characteristics. Neither was a large primary producer; Britain exported raw wool and Japan silk, but there was nothing as competitive as the huge grain and meat production of Argentina to divert attention from "balanced autonomous growth." Britain and Japan were thrown in upon themselves; if they wanted to develop, there was no alternative to manufacturing. Furthermore, they both had access to commercial and agricultural capital with which to embark on manufacturing. They both had large urban communities to serve as markets for their manufactures. They both had a type of banking system by which commercial and industrial capital was kept mobile and fully employed. They both had adequate water communications and later, elaborate railway systems with which to transfer industrial raw materials, fuel, and finished products from mine to mill and from mill to market. They both had coal and iron.

If comparable conditions had been experienced in nineteenth-century Latin America, balanced autonomous growth might well have been achieved. They did not, and the path to industrialization in Latin America was necessarily through the creation of agricultural, pastoral, or mineral wealth, and the provision of the type of plant required for processing for markets both at home and abroad—grain elevators, flour mills, meat packing and preparing plants, wineries, sugar mills, smelters, cotton factories, leather curing plants, and shoe factories. This, or

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something like it, was the natural path to development for such economies.

It seems likely, then, that Latin American economies in the nineteenth century were shaped by domestic circumstances rather than by the planned requirements of a distant metropolis. We know that Argentina in time developed into a great primary producer for world markets; the temptation is to conclude that Argentine development was deliberately planned by a generation of foreign capitalists at work in River Plate House (in the City of London). But it might be argued, with more reason, that in normal circumstances production for export was a secondary development of production primarily intended for Latin America's domestic market. The main incentive for the initial development of countries like Argentina or, even more so, Mexico as grain and beef producers was the supply of the home market, and it was on this home market that the whole structure of railways, of public utilities, and of city modernization was built.

Domestic development was similarly responsible for the first stages in the introduction of foreign capital, not only British, but also French, Belgian, Dutch, German, and even Italian. Capital flowed towards Latin America in and after the 1860s, the years of "informal imperialism of trade and investment."[41] Dependentistas are convinced that the capital was intended to build up the countries of Latin America as export economies, satellites, suppliers of foodstuffs and raw materials, and consumers of foreign manufactures. But this again is anachronistic. Foreign capital reached Latin America decades in advance of development as a serious exporter. It was attracted to Latin America at a time when the supply of capital in Europe was plentiful and outlets in traditional sectors were scarcer than before. It found a home in Latin American railways because railways in countries with rising populations, expanding cities, and enlarged domestic markets were well known and liked by the investor. By now the railway systems of Britain and France were virtually complete; new opportunities were open for railway construction in Austria, Russia, Italy, Spain, Portugal, the United States, Canada, and India, and they were opening equally in Latin America.

Railway investors and promoters were not, of course, thinking primarily of constructing an export economy. Domestic demand had yet to be satisfied. The 5 or 6 percent on capital invested, which had come to be regarded as a reasonable return, was no longer obtainable for railway investment in Northern and Central Europe, and investors hoped to secure this rate or more by putting their money into one of the best-

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understood of investments, the construction of railways in areas where cities were still served by oxcart and mule. The economics of railway construction, of government guarantees, were the same in Latin America as they were in Europe, with the added incentive of generous European migration, in Latin America as in the United States, to give promise of a population that would settle the empty lands and build up local traffic on the railway systems. As a matter simply of chronology it is evident that the intention of the first, large railway systems in Latin America was to serve (and profit by) domestic needs.

The sequence of foreign borrowing in Argentina illustrates the pattern for other large borrowers on international markets. No government borrowing was possible on the London Stock Exchange from the first default on the small Buenos Ayres Loan of 1824 (in January 1828) until the final compromise and settlement of arrears in October 1857. Like the rest of Spanish America, Argentina was effectively removed from the world's capital markets until the end of the 1850s. Argentina was now in credit again, and if it had not been for the outbreak of the War of the Triple Alliance in April 1865, the Republic would have had no current need for further government borrowing abroad; in the years 1864–66 the ordinary revenue and expenditure of the Confederation left a healthy favorable balance of £569,931.[42] In the meantime Argentina could afford to spare some part of its export earnings to service its foreign debt and to offer a 7 percent guarantee on the capital of the new railway systems. Argentina, in short, could and did borrow money just like Italy, or Austria, or Russia, or the United States.

Something of the same kind may be said of the later periods of Argentine borrowing, of those huge foreign investments in the late 1880s and again between 1904 and 1913 (by which time Argentina had become a major exporter). Much of this investment, in public utilities, in city development and embellishments, in public works of one kind or another, had little or nothing to do with Argentina's role as an exporter of primary products. New railway investment was for the construction of feeder lines and for the extension of trunk lines, often for reasons of domestic politics and economics, into the remoter provinces of the Republic. Of course, by now the main trunk lines were carrying bulk products for export, principally grain. But the borrowing of money abroad to extend and equip the railways could easily be serviced by earnings on the lines, by further borrowing (after the early 1900s), and by the foreign currency which poured into Argentina to pay for its huge exports: nearly 15 million hundredweight of wheat to Britain in 1913, nearly 40 million cwt. of maize, over 7 million cwt. of chilled and frozen beef, a million cwt. of mutton.[43] So long as Argentina could service its

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foreign debt, so long as it maintained a large and increasingly favorable balance of trade with its main customer (the United Kingdom), so long as it could borrow readily at competitive rates while the interest rate in Buenos Aires was scarcely higher than in Europe, it takes a creative imagination and perhaps even "inventive research" to establish a client relationship between Argentina, rich at home and abroad, and a Britain which, in the decade before the First World War, was selling far less to Argentina than it bought.

The dependency label is ever more widely applied, and there are few countries which cannot, at some stage of their development, be categorized as "dependent." The danger is that "dependency" will lose whatever meaning it once possessed. The experience of Argentina suggests that there are degrees of political and economic autonomy for which the label is in any case inappropriate. Argentina is often chosen as the best example of a neocolonial economy, trapped into a dependent, export-directed development by monopoly capital from hegemonic, metropolitan Britain. A great deal of British capital was invested in Argentina. British public investment reached £269.8 million in 1910, of which £186 million were in railways;[44] the total does not include private investment (unknown to the stock market), mainly in land, commerce, and industrialization which, although comparatively small in volume, was large in influence and effect. But this entire investment, normally productive investment that paid for itself in the development of Argentina's domestic and foreign economy, gave little sensation of "dependency" to contemporary Argentines, or of "hegemony" to Britons. At a time when debts were serviced and repaid, it was easy enough to borrow abroad in international markets that were always competitive and normally overcrowded. The credit of Argentina stood so high in the first decade of the twentieth century that it could at any moment have raised the money abroad (probably in London itself) to buy up the entire British railway system, the tramways, the gas works, or whatever else it chose. Is dependency, then, a useful description of a relationship such as Argentina's with world trade and finance? If so, who has ever been "independent"?

Theories of dependency may still have some point as an approach to the problems of some of the smaller Republics in the nineteenth century, even if Argentina, Chile, and Mexico fail to fit any identifiable pattern. Quite apart from the "banana Republics," there were times, for others, when dependency is sufficiently descriptive—the quinine boom in Colombia, Bolivian tin, Amazonian rubber. But in general, dependency theories confuse rather more than they clarify. The economies of

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the smaller Republics, for want of exports, were largely independent of world trade. They could attract foreign capital only so long as they could earn some foreign exchange by whatever crop they could sell abroad—perhaps a little coffee, sugar, tobacco, cocoa, rubber.

A reappraisal of Latin American economies for the last decades of the nineteenth century would show a few strong economies, much reinforced (in the competitive markets of the day) by their ability to export a surplus of production over consumption. These were accompanied by a much larger group of weak economies, which usually possessed the one or two export commodities required to finance a modest level of imports and foreign borrowing, but which, in other respects, remained in a condition not so dissimilar to that of colonial Spanish America—standing, that is, outside the general pattern of world trade and finance for at least the first two-thirds of the nineteenth century. The difference in the relative weighting of the Republics, and in their impact on world trade, is reflected in the statistics for British imports from Latin America during the peak period of activity, between 1880 and 1913. British imports from the whole of Latin America rose from £17.62 million in 1880 to £61.08 million (retained) in 1913. The difference is to be accounted for very largely by Argentina. Total imports into the United Kingdom from Argentina in 1880 were valued at only £890,000; in 1913 retained imports had reached £40.73 million. The increase was far less dramatic elsewhere. British imports from Latin America (less Argentina and Brazil), which came in total to £10.87 million in 1880, were still only £15.76 million (retained) in 1913. By contrast, British imports from all parts of the world rose from £411.23 million in 1880 to £659.16 million (retained) in 1913.[45]

In conclusion, it is evident that the break with Spain, far from confirming the integration of Latin America as a dependent partner in the world economy, reintroduced an unwelcome half century of "independence" from foreign trade and finance. Subsequent development (which left many countries still untouched) owed something to the interest of Europe in new sources of foodstuffs and raw materials, and new outlets for surplus capital. Yet apart from plantation economies and mining "enclaves," the pattern of economic development was initiated and determined, even for a country as closely linked to the international economy as Argentina, by domestic needs and priorities. The overlap of domestic and foreign pressures on growth is obvious, especially for Argentina. But it cannot be said that the countries of nineteenth-century Latin America could expand and be self-sufficient only as a reflection of the expansion of the dominant countries (Dos Santos), or that "the internal dynamics of Latin American society and its underdevelopment

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were primarily conditioned by Latin America's position in the international economy" (O'Brien). These are the definitions with which we started, and we have come full circle.

An "historical perspective" is important to dependency theory. Gunder Frank is deeply concerned with "scientific" investigation and "historical depth." Philip O'Brien explains that much of the writing on dependency makes use of history to explain how changes in capitalism led to changes within Latin America: "It is in this historical analysis, and the present day analysis of the problems of Latin America, that the interest in a theory of dependency lies."[46] Present day analysis may possibly have more to offer, but when Professor Frank and Mr. O'Brien refer to *historical* analysis, what precisely do they have in mind?

NOTES

1. My italics: C. Richard Bath and Dilmus D. James, "Dependency Analysis of Latin America," LARR 11, no. 3 (1976):33.
2. This definition is repeated in several of his works. The version quoted is from his conference paper "The Structure of Dependence," *American Economic Review* (Papers and Proceedings) 60:2 (1970):231.
3. Philip O'Brien, "A Critique of Latin American Theories of Dependency," in Ivar Oxaal, Tony Barnett, and David Booth (eds.), *Beyond the Sociology of Development: Economy and Society in Latin America and Africa* (London, 1975), p. 13.
4. O'Brien says as much in his conclusion, "A Critique," p. 25.
5. David Ray, "The Dependency Model of Latin American Underdevelopment: Three Basic Fallacies," *Journal of Inter-American Studies* 15:1 (1973):6.
6. James D. Cockcroft, André Gunder Frank, and Dale L. Johnson, *Dependence and Underdevelopment: Latin American Political Economy* (New York, 1972), p. 7.
7. Osvaldo Sunkel, "National Development Policy and External Dependency in Latin America," *Journal of Development Studies* 6:1 (1969):23, 30.
8. Stanley and Barbara Stein, *The Colonial Heritage of Latin America: Essays on Economic Dependence in Perspective* (New York, 1970), p. 135.
9. Hernan Ramírez Necochea's *Historia del imperialismo en Chile* (Santiago, 1960), as quoted by André Gunder Frank, *Capitalism and Underdevelopment in Latin America* (London edn., 1971), p. 97.
10. Fernando H. Cardoso and Enzo Faletto, "Dependencia y desarrollo en América Latina," in José Matos Mar (comp.), *La Dominación de América Latina* (Buenos Aires, 1968), p. 163.
11. Dos Santos, "The Structure of Dependence," p. 232.
12. Charles W. Bergquist, "On Paradigms and the Pursuit of the Practical," LARR 13, no. 2 (1978):247–48.
13. O'Brien, "A Critique," p. 16.
14. Cockcroft, Frank, and Johnson, *Dependence and Underdevelopment*, p. 34.
15. Stein, *Colonial Heritage*, p. 137.
16. Frank Safford, "On Paradigms and the Pursuit of the Practical: A Response," LARR 13, no. 2 (1978):255.
17. Stein, *Colonial Heritage*, p. 147. It may be that Stanley Stein's considerable knowledge of Brazil has tended to color his views for *The Colonial Heritage* of Latin America as a whole, perhaps to an unwarrantable extent.
18. *Porter's Tables* and *General Statistical Abstract* (United Kingdom); at this time the exchange was £1 sterling to $5 U.S.

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19. Ibid.
20. Stein, *Colonial Heritage*, p. 135.
21. *Trade and Navigation Accounts* (United Kingdom).
22. Safford, "On Paradigms," p. 256. Safford's material is derived from his recent book *The Ideal of the Practical: Colombia's Struggle to Form a Technical Elite* (Austin, 1976).
23. I have described this trend in some detail in my book *Latin America and British Trade, 1806–1914* (London, 1972), pp. 47–61.
24. Stein, *Colonial Heritage*, p. 154.
25. Frank, *Capitalism and Underdevelopment*, p. 309.
26. The development of British commercial banking in Latin America, and its relationship with local business and national economies, is described by Charles Jones, "Commercial Banks and Mortgage Companies" in D. C. M. Platt (ed.), *Business Imperialism, 1840–1930: An Inquiry Based on British Experience in Latin America* (Oxford, 1977), pp. 17–52.
27. Report dated New Orleans, 26 July 1849, in the Guildhall Library, London (Baring archives, H.C. 4.5.25). Falconnet had just been in Mexico. The exchange stood at just under five silver dollars (Mexican) to £1 sterling.
28. Guildhall Library, London (Baring archives, letter of 24 December 1843. H.C. 4.1.14).
29. *The Times*, 8 September 1836.
30. This was actually true, but I realize that we are not supposed to mention such things! To cover myself against the charge of Euro-centered jingoism, I should add that there were seventy-four Ministers of Finance in Spain during the minority and reign of Isabel II (1834–68), and fourteen more in the few years before the Restoration. The effect on short-term borrowing was much the same.
31. The rates of issue (and hence interest) were published. Some confusion may have arisen from the practice of issuing loans at nominal rates of interest well below the actual market rate. If a government preferred, for example, to issue 3 percent stock while its credit was no better than 6 percent, the load had to be sold to the public at half its nominal value. The first Mexican loan, the Goldschmidt loan of 1824, was expensive; the new Government sold the loan of £3.2 million nominal in 5 percents at 58. The second was issued by Barclay, Herring, Richardson & Co. in 1825, also for £3.2 million nominal. This time the loan was in 6 percents sold at 85.75; it was relatively cheap. Both were within the market rates current at the time. One of the few historians to make sense of the early borrowing practices of Latin America is Jan Bazant, *Historia de la Deuda Exterior de México, 1823–1946* (México, 1968), pp. 32–37.
32. Stein, *Colonial Heritage*, p. 135.
33. Ibid., p. 154.
34. Ibid., p. 155.
35. Dos Santos, "The Structure of Dependence," p. 232.
36. H. S. Ferns, *Argentina* (London, 1967), p. 125.
37. Stein, *Colonial Heritage*, p. 155. The Steins are drawing, somewhat uncritically, on the classic article by J. Gallagher and R. Robinson, "The Imperialism of Free Trade," *Economic History Review*, 2nd ser., 6:1 (1953):1–15. It is not unchallenged. I myself have tried to show some of the difficulties in two articles: "The Imperialism of Free Trade: Some Reservations," *Economic History Review*, 2nd ser., 21:2 (1968):296–306, and "Further Objections to an 'Imperialism of Free Trade,' 1830–60," *Economic History Review*, 2nd ser., 26:1 (1973): 77–91. W. M. Mathew has reviewed the Peruvian case in his valuable article "The Imperialism of Free Trade: Peru, 1820–70," *Economic History Review*, 2nd ser., 21:4 (1968):562–79.
38. The later figures are for the city itself, not for Greater Buenos Aires. They are reproduced by Nathan Lake, "Argentina," in Richard Morse (ed.), *The Urban Development of Latin America, 1750–1920* (Stanford, 1971), p. 23.
39. The variety of motives for the creation of the Central Argentine Railway has recently been described by Paul B. Goodwin, Jr., in his article "The Central Argentine Railway and the Economic Development of Argentina, 1854–1881," *Hispanic American Historical Review* 57:4 (Nov. 1977):613–32. The argument is further extended in Sylvester

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Damus' critique of Goodwin's article in the *Hispanic American Historical Review* 58:3 (Aug. 1978):468–73, and in Goodwin's reply, ibid., 474–76.

40. Stein, *Colonial Heritage*, p. 135.
41. The phrase is from Stein, *Colonial Heritage*, p. 155.
42. *Fenn on the Funds* (London, 1876 edn.), p. 242.
43. *Trade and Navigation Accounts* (United Kingdom).
44. George Paish, "Great Britain's Capital Investments in Individual Colonial and Foreign Countries," *Journal of the Royal Statistical Society* 74 (1911): 182. Paish's conclusions are supported by the more recent research of J. F. Rippy and Irving Stone. But it should be said that the totals are unreliable not only because they omit investment outside the Stock Exchange (which is understandable, since the figures are inaccessible), but because neither Paish nor his successors take account of the fact that London (at that time) was a truly international market—much of the capital quoted on the London Stock Exchange was actually held abroad. Thomas Skinner, in his preface to the first volume of *The Stock Exchange Yearbook* (1875), calculated that nearly half of the securities known on the Stock Exchange (foreign *and* native) were owned by foreigners.
45. *Trade and Navigation Accounts* (United Kingdom). These are the comparable figures for exports: British exports (declared values) to the whole of Latin America rose from £17.23 million in 1880 to £52.99 million in 1913. British exports to the whole of Latin America less Argentina and Brazil, which were £8.10 million in 1880, were £17.88 million in 1913. British exports to all parts of the world were £223.06 million in 1880; they were £525.25 million in 1913. The export figures for 1880 and 1913 are not strictly comparable since, amongst other changes, the 1913 figures included a relatively small element of "foreign and colonial" re-exports.
46. O'Brien, "A Critique," p. 13.

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