

Theorizing Underdevelopment: Latin America and Romania, 1860-1950*

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The relationship between shifts in the world market and ideas on economic development in Latin America contrasted sharply with that in Romania before the First World War. In the latter country, market failure, social upheaval, and access to the continuing Russian debate led to new theoretical responses, in both Marxist and non-Marxist discourses; in Latin America, the perceived success of the export-driven economies, combined with institutional factors and the absence or feebleness of certain critical traditions known in Romania, resulted in a prolonged inability to mount a theoretical attack on the "outward-directed development" prescribed by the Ricardian thesis of comparative advantage. Thus in Latin America, with which this essay is principally concerned, both Marxist and non-Marxist challenges to the region's place in the international division of labor were relatively ineffective before the War's end. Industrial development was well underway in some countries before government policy pushed in the same direction, and a theoretical justification of industrialization came last — even if it was the first important Third World contribution to development economics.

The essay first considers the economic experience of four major countries in the region — Argentina, Brazil, Chile, and Mexico — and then turns to the social situation of the Latin American intellectuals and their ideological responses in these and other nations to the shifts wrought within their countries by the international economy. The larger part of the paper deals with intellectuals and their ideas, and includes explicit comparisons with Romania, the eastern European country with some important similarities to, and instructive differences from, Latin America; it was also the one whose intellectual traditions had a direct impact on Latin America, through the works of Mihail Manoilescu.

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I.

In the years from independence down to the Great Depression, Latin America was subject to three Kondratieff waves. The first was unfortunately timed, because the London stock market crash occurred in 1825, just as some Latin American governments were seeking foreign loans to rebuild their shattered mercantilist economies (Hernández y Sánchez-Barba, 1971:225). However others, such as Argentina, had already contracted loans and were now defaulting. In fact, except for the years 1823-24, Spanish and Portuguese America received very modest amounts of European investment during the whole first half of the nineteenth century. The period 1825-50, when such investment might have occurred, roughly corresponds to the "B" (down-swing) phase of the Kondratieff wave. For a variety of reasons, of which the lack of foreign funding was probably second only to political disorder, Latin America experienced export stagnation and, by implication, little economic growth in those years (Halperín-Donghi, 1985:304).

Chile established a stable constitutional regime in 1833, and was widely admired in Spanish America for its stability. Brazil had done so earlier (1824), but only overcame the fissiparous tendencies of its agrarian elites after 1848. Mexico and Argentina would not know stable regimes until the 1860's. Many exports that helped make stable polities possible had their origins in the colonial period, but new ones developed in the middle decades of the nineteenth century in response to Europe's industrial and consumer needs.

Yet it was the last quarter of the century that witnessed a real transformation of the region's export economies. The so-called Second Industrial Revolution, associated with technological change in the production of capital goods and with the application of science to industry, brought unprecedented investment, technological innovations (steamships driven by screw propellers, railroads made of Bessemer steel, refrigeration, barbed-wire fencing), and above all a huge new demand for capital goods inputs (e.g., copper, rubber) and consumer goods (sugar, wheat, beef, coffee).

In terms of sheer growth, the region benefited immensely more from the second Kondratieff cycle, peaking in 1870-73, than from the first; in fact, Latin America continued to receive significant amounts of foreign investment through the long depression of 1873-96. The area received its largest investment by decade in the 1880's, partly as a result of a strong expansion of tropical trade (Mörner, 1977:459-60). Yet the region was geared into the European economy at the price of consolidation of the latifundium and monocultural dependence on the world market (Hernández y Sánchez-Barba 1971: 230-31).¹

The transformation and dynamization of the Latin American economies occurred at different times in the histories of the national states, depending on the export commodities involved and the relative success of state-building. Chile was affected by overseas demands as early as the 1850's (copper exports to Europe, wheat to California),

(1) Nonetheless, these estates were highly differentiated across the region as to the modernity of their technology, business practices, and labor relations.

and Argentina and Brazil followed in the 1860's. But the period 1870-90 provided a much more rapid ascent. These countries, plus Mexico, now felt the full impact of the combined effects of the European economic expansion, which, in the Argentine and Brazilian cases, brought in its train unprecedented levels of European immigration.

Argentina is the best exemplar of these processes; it was created as a nation — in the sense of having had its national territory definitively brought under a single regime — in the third quarter of the nineteenth century. Formal political unity was achieved in 1859-61, with the accession of Buenos Aires Province to the Argentine Federation. But the governance issue was resolved only in the following two decades, with the closing of the Indian frontier in Patagonia; the suppression of the last regional revolt; and the creation of a Federal District, separating the city of Buenos Aires from the province of the same name (1880).

Argentina's economic growth was spectacular. On the average, exports increased 5% a year between 1875 and 1914, both by quantum and by value. From 1.6 million kilos of wool in 1840, Argentina was exporting 211 million kilos per annum by the late 1890's (peak years). Profiting from the invention of refrigerated shipping, Argentina began to export frozen beef in 1885, sending abroad 328,000 tons in 1914, in which year chilled beef (a higher-grade commodity not produced in 1885) accounted for 41,000 tons. Overseas sales of canned meat in the same interval expanded ten times. Meanwhile wheat exports increased twenty-three times in value from 1880-84 to 1890-94. Transatlantic sales of both wheat and maize rose so rapidly that they had replaced beef as the chief exports by value on the eve of the First World War (Glade, 1986: 10-11). In the words of Díaz-Alejandro, "From 1860 to 1930 Argentina grew at a rate that has few parallels in economic history, perhaps comparable only to the performance during the same period of other countries of recent settlement" (1970:2).

Other countries were less completely transformed than was Argentina, with the debatable exception of its small neighbor, Uruguay, but the three others treated here — Brazil, Chile, and Mexico — were all profoundly affected by the forces we associate with the Second Industrial Revolution and the Age of Imperialism. Brazil's gross domestic product, for example, grew at a faster annual rate (2.5%) than did those of developed countries between 1920 and 1929 (Dean, 1986: 685).

Land tenure patterns changed in response to international demand, and it is abundantly clear that estate owners were generally responsive to price signals (see, e.g., Leff, 1982: II, 43-51; Jacobsen, 1984: 488-89). The first victim of estate-owner's land-hunger after 1850 was the Catholic Church, controlling as much as a third of the rural real estate in early nineteenth-century Mexico. One historian has remarked in this regard that the greatest service of the state to the landowning class was the forced sale of Church property — though this was much more important in Mexico than in the other countries considered here (Bauer, 1986: 177). Yet peasants suffered too. Even in remote Andean villages, peasants began to lose their land as high prices for

sheep and alpaca wool brought about a diminution of peasant holdings (referring to southern Peru, Jacobsen, 1984: 489). Estate owners in Chile began to engross peasant lands in the 1850's and 1860's (inferred from Bauer & Johnson, 1977: 88-89). In Argentina, the latifundium arose in the nineteenth century, despite an open frontier stretching southward by the 1880's to Patagonia; likewise, the rise of the large plantation in São Paulo, Brazil was a product of the nineteenth, and even the twentieth, centuries. In Brazil's census of 1920, only 3% of the rural population owned land, and of that group, 10% owned three-fourths of the rural property (Dean, 1986: 702). In Mexico, the hacienda had its origins in the seventeenth century, but the Mexican Revolution of 1910 had as one principal source the vast and unprecedented alienation of community lands by *latifundistas* during the dictatorship of Porfirio Díaz (1876-1911). For Spanish America as a whole, Bauer remarks, the rural population "probably underwent a greater change [in 1870-1930] than at any previous time ... except for the conquest" (1986: 185).

Labor systems associated with the export boom varied widely, but often involved coercive elements. In the case of Brazil (led by the dynamic province of São Paulo), the coffee economy bid away thousands of slaves from other provinces in the 1860's and 1870's; in the 1880's slavery gave way to European immigrant labor based on a unique mix of wages, free housing, and usufruct. Elsewhere in Brazil the condition of rural labor was considerably worse. In Argentina, where the "Mesopotamian" region north of Buenos Aires became one of the world's great wheat granaries, the land was subdivided and leased to Italian tenant farmers. In the Argentine case, and to a lesser extent in southern Brazil, there was a low labor-to-land ratio that resulted in relatively high rural wages.

In Chile, a rising demand for labor in the wheat farming area of the Central Valley coupled with the expansion of large estates led to a; worsening of the peasant's lot in tenancy arrangements (*inquilinaje*) in wheat farming, and to an increasing proletarianization of the *inquilinos* and other peasants (Kay, 1980: 76).² Mexico had perhaps the largest variety of labor systems by the turn of the century, including illegal but *de facto* slavery for the Yaqui and Maya Indians, instances of debt servitude, sharecropping, and in some places rural wage labor and tenancy (Katz, 1974). Vagrancy laws forced the proletarianization of Indians and mestizo peasants in Central America and parts of Mexico. In Argentina such laws were important in remote Tucumán, but also on the pampa, where the vanishing gaucho encountered similar legislation (Glade, 1986: 37; Slatta, 1983: 106-25).

Thus, Latin American rural labor systems became much more highly differentiated as a result of the transformations after 1870. Whereas "parts of Latin America, like eastern Europe, experienced a sort of second enfeudation with the spread of a capital market" (Glade, 1986: 38), the immigrant-populated wheat regions of Argentina and the

(2) In neighboring Peru, as late as 1920, the government introduced corvée labor (*conscripción vital*) for the Indian population (Bauer, 1986: 177).

coffee regions of Brazil had modern labor and tenancy systems. A great contrast existed between the rural labor systems of Chile and Argentina, despite their common export booms in wheat (though the timing and markets were different), and despite Chile's impressive advance in manufacturing (see below). In Chile, the population-land ratio was considerably higher than in Argentina, the latifundist elite probably more unified, and land rents less differentiated. The lastnamed element was related to the striking differences between the relative independence of southern European immigrants (many of whom were literate) in Argentina, and the dependent *inquilinos* in Chile, where deference to the landlords was demanded and rendered. In the view of one student, Chile followed the "Junker route" to agricultural capitalism in the nineteenth century. Chile's rural society, it is argued, was close to *Gutswirtschaft*, while Argentina approximated *Grundherrschaft*, with its widespread rural leasing, despite a relative concentration of rural property ownership (Kay, 1980: 20, 45-46; Laclau, 1969: 300-08).

The nature of the process of production during and after this period is the subject of much controversy today; those who defined a "feudal" interpretation of the production system usually have in mind manorialism, which, as Marc Bloch pointed out, antedated feudalism and survived its demise (1961: I, 279; II, 442). The hacienda of this period is sometimes seen as poised between two worlds — the inner one of dependency and even extra-economic coercion of the labor force, and the outer one recognizably capitalistic in its response to world markets (Pablo Macera, cited in Bartra, 1976: 81).³ A similar pattern has been observed in eastern Europe, as we shall see in the Romanian case.

Yet Latin America before 1930, like some regions of eastern Europe, was not simply an exporter of primary commodities with variegated labor systems. Recent research has established that manufacturing in Chile, Argentina, Mexico, and Brazil was well established before the First World War; thus, contrary to received wisdom, the War did not create Latin American industry *ex nihilo*. Rather, it provided the opportunity for the full use of existing capacity, involving in some plants three shifts a day, as the hulls of North Atlantic suppliers failed to ply Latin American waters over a five-year period. Yet the War may have on balance inhibited industrialization (as opposed to raising industrial output) because of the inability of industrialists to import capital goods during the conflict. Output and capital investment had different rhythms until the late 1930's, when the larger Latin American countries began to produce capital goods in significant quantities for the first time.⁴

Perhaps the most advanced country, in terms of the structural transformation of its economy in the prewar era, was Chile, where, Palma (1979) has shown, industrial development was extensive between 1875 and 1900, although the earlier literature emphasizes

(3) Few now accept the view associated with Sergio Bagú, Caio Prado, Jr., and André Gunder Frank that a sempiternal capitalism characterized Latin America from the Conquest onward; one reason for rejecting this interpretation is that it does not allow for a *transition* to capitalism (see Duncan & Rutledge, 1977: 4-5).

(4) For a summary of the debate on the Brazilian case, on which the literature is largest, see Love (1980b: 53-61).

lost opportunities for modernization under the regime of a traditional landed oligarchy. True enough, these were the halcyon years of "outward directed growth," based on Chile's fabulous nitrate fields, many of them wrested from Bolivia and Peru in the War of the Pacific (1879-83). In the succeeding years the elite introduced a fiscal system that was heavily dependent on export taxes, and government services were tailored to the needs of *latifundistas* and mineral exporters. Nonetheless, Palma found, import-substitution industrialization — prescribed by the U. N. Economic Commission for Latin America after 1949 — was already well underway in Chile by 1914, and was reaching its limits by 1934, much earlier than in other countries. He also found a correlation between export growth and the growth of manufacturing before the First World War, but not later. Palma argues for Chile, as Dean does for Brazil, that export expansion was a precondition of industrialization (Palma, 1979: 102, 328, 345; Dean, 1969: 3-9). Later than Romania by five years, Chile was nonetheless the first Latin American country in which the state extended credits to manufacturers, beginning in 1928. But more meaningful aid only came after 1939 (see below).

The First World War caused serious disruptions in the Latin American export economy, and grave problems followed the War in certain commodity markets, but the export boom continued in phase with the third Kondratieff wave. A major structural shift in the postwar era was the growing displacement of Great Britain by the United States as chief lender and investor. Great Britain exacerbated its problems in the region by overvaluing the pound through deliberate deflation. In any case, U. S. advances resulting from the War were evident everywhere. For instance, the Americans sent 3.5 times as many exports (by value) to Mexico as the British did in 1913, and the ratio was 10 to 1 by 1927. Great Britain led the United States in the other three countries considered here in 1913, but by 1927 the latter had dislodged Great Britain as the leading trading partner in Chile and Brazil. In Argentina, Great Britain clung to its lead by a single percentage point (Thorp, 1986: 66).

Though Great Britain's overall capital investments in the region were still larger in 1929, the U. S. had far outstripped Great Britain in its postwar lending, both direct and indirect. Unfortunately for Latin America, U. S. policies were not as well geared to maintaining the international trading system as Great Britain's had been. The United States remained highly protectionist, while North American banks "pressed loans on unwary governments" in Latin America (Thorp, 1986: 61). The problem was insufficient means for repayment, since the U. S. raised barriers to trade that affected multilateral commerce as well as individual nations' trade. Argentina especially found itself in straits, since it sought both American investment and industrial goods (notably motor vehicles), but could not sell to the U. S., partly because of lack of complementarity between the two countries' rural economies.

If the displacement of Great Britain was one structural change after the War, another was increasing commodity export instability. This problem was no less than a disaster in the case of rubber, which briefly rivaled coffee as Brazil's leading foreign-exchange earner in the prewar

era. Brazil not only lost its place as the world's leading supplier, but ceased even to be a *consequential* supplier between 1912 and 1920, when southeast Asian plantations went into high gear.⁵ Another problem — technological innovation — beset the exporters of Chilean nitrates, as a result of ingenuity in the German chemical industry during the First World War. Violent price fluctuations on world markets also afflicted Argentine wheat and wool.

The diffusion of new agricultural technology in the 1920's — most dramatically the tractor — greatly increased the productive capacity of wheat farms in Argentina and elsewhere in the world, and thus helped bring down prices. Another agricultural problem was self-inflicted: Brazil's coffee stockpiling — the valorization program — was promoting ever-greater production of that commodity, whose prices would collapse in 1929 — a few weeks *before* "Black Thursday" on the New York Stock Exchange.

On top of these problems came deteriorating terms of trade after the War. On the average the terms of trade for all primary products in 1926-29 had significantly dropped below their levels in 1913 (Thorp, 1986: 62).

The impact of the Great Depression was severe. Already in 1929, unsold and unsaleable coffee stocks in São Paulo were valued at 10% of Brazil's gross domestic product, and the situation would worsen over the next four years, as new trees began to produce (Dean, 1986: 721). In Argentina, the dollar value of exports in 1933 was one-third the 1929 figure, and Chile's export performance, if anything, was worse. The depression unseated governments in all three countries. Mexico was spared political upheaval, perhaps because of the growing consolidation of the revolutionary regime after the founding of the official party in 1929.

The 1930's were a period of significant structural change for the larger Latin American economies: Convertibility and the gold standard were abandoned early in the depression in Argentina, Brazil, Chile, and Mexico. In those countries, the rise in prices of importables, because of a fall in terms of trade and exchange devaluation, encouraged the substitution of domestic manufactures for imported goods, as did expansionary fiscal and monetary policies.⁶

Argentina, Brazil, and Chile made rapid advances in industrial production during the early depression years, so that by 1935 a North American economist would hazard that "There is probably no major section of the world in which there is greater industrial activity relative to predepression years than in temperate South America" (i.e., Argentina, southern Brazil, and Chile) (Phelps, 1935: 281). When war came in 1939, manufactures in international trade became scarce again, permitting industrial advances to the extent that capital goods, fuel, and raw materials were available.

(5) In 1911 Brazil exported 38,500 tons of rubber; by 1930, it only exported 6,000 tons (Dean, 1986: 695). As Dean notes, it is remarkable that Brazil, a country of continental proportions, should become dependent on a single crop, coffee, for three-fourths its export earnings in the latter 1920's (1986: 695-96).

(6) There was less import substitution industrialization in other parts of Latin America (Díaz-Alejandro, 1970: 12).

II

The preceding survey of economic transformation, however brief, provides a foundation for understanding the ways in which Latin American social thinkers and statesmen of the era conceptualized their nation's place in the order of things. It will be argued that the perceived success of the "open economy" strategy, beginning in the mid-nineteenth century with rising levels of exports in Chile, Argentina, and Brazil, shaped the terms of ideological discourse even into the 1940's. However, before proceeding to the ideologies that attracted Latin Americans and were in turn adapted by them to local conditions, it is necessary to consider the sociological situation of the intellectuals who were the bearers of such ideas and values.

The intellectual traditions of Latin America revolved around the *pensador* (lit., thinker), a man who prided himself on his broad culture and who eschewed specialization: He often wrote as readily about contemporary sociology and politics as he did about literature, and his studies frequently crossed disciplinary lines. The *pensador's* vehicle was the essay, a literary form that in Latin America retains the prestige it has all but lost in the English-speaking world.⁷ The style perhaps was appropriate to highly stratified, pre-industrial societies; in any case the *pensador* often wrote without reference to monographic studies. His judgments tended to be definitive; his treatment, historical. Before 1900, and even later, few Latin American essayists were academics, and fewer still had studied in Europe. If they had, they almost never took research degrees.

One feature distinguishing Latin American society from that of eastern Europe in this period is a relative lack of an intelligentsia, in the classical sense of an underemployed intellectual community radically at odds with prevailing power structures. This fact owes chiefly to the limited number of university students, compared to employment opportunities in law, journalism, and civil service. Furthermore, intellectuals frequently held important political posts.

Such intelligentsia as existed was composed as often as not of self-educated men like Afonso Henriques Lima Barreto, the Brazilian novelist and radical social critic, and José Carlos Mariátegui, the Peruvian Marxist. But such figures were relatively so few as to lack the group-consciousness one associates with an intelligentsia; they were perhaps closer to a bohemia.⁸ More conventional intellectuals in university posts, for example, were usually less radical, though often

(7) In the postwar era, note, for example, the impact of the essays *The Economic Development of Latin America and its Principal Problems* by Raúl Prebisch (considered below; United Nations, 1950), and *Dependency and Development in Latin America* by Fernando Henrique Cardoso and Enzo Faletto (1979, first published in 1969), the most widely-cited and reprinted statement on dependency.

(8) Something of a proto-intelligentsia can be found in the Latin American student movement, which began with a manifesto at Argentina's University of Córdoba in 1918, and spread within four years as far north as Cuba and Mexico. The Córdoba Manifesto, directed at "the free men of America," called for the democratization of the university system in the following ways: compulsory class attendance was to be abolished; there was to be no limit on the number of times a student could fail a course; tuition fees were to be terminated; the university was to function as a sanctuary for political activists against reactionary governments; and students were to be equally represented with professors and graduates on governing councils of universities.

Though these reforms were intended to bring the sons of workers and peasants the benefits of higher education, in fact they only opened the lecture halls to the middle classes. The bottleneck of secondary education, dominated by private schools, remained the insuperable barrier for the children of the lower classes. Over time, especially in those countries where the universities, like other institutions, were weak (such as Cuba and Peru), the professional student appeared. But prior to 1930, or even 1945, there were relatively so few university graduates that only a small number of educated unemployables existed.

reformist in orientation. In any event, seldom could the *pensador* be Gramsci's "organic intellectual," a spokesman for well-defined class interests, since social classes were still relatively inchoate.

A sociological reason for the persistence of the *pensador* tradition is that academic institutions were seldom oriented toward research. In addition, Latin America suffered from a relative dearth of social research institutions as such. There was nothing comparable to Dimitri Gusti's Romanian Institute of Social Science, founded in 1918. Romania also boasted an Economics Institute (established in 1921), and a Business Cycles Institute, modeled in 1933 on those at Harvard and the University of Berlin. The only analogous institutes anywhere in Latin America in the 1920's and 1930's were the research division of the Argentine Central Bank, which Raúl Prebisch organized in 1928, and an economics research institute founded at the University of Mexico (UNAM) in the same year.

In Hale's survey of Latin American social and political thought over the half century ending in 1930, only one intellectual of some ninety treated, the Mexican Manuel Gamio, held a Ph.D. (1986: 434, n. 138).⁹ Such a fact might imply the weakness of a research tradition, as opposed to the abstract theorizing and indifference to the systematic collection of a data so characteristic of the *pensador* style. There was, for example, nothing to compare with the Romanian community studies of the 1920's and 1930's carried out by Gusti and his students, based on the theories and methods of Le Play and Chayanov. The partial exception was provided by Mexico, where Gamio and other anthropologists had begun to map out local village ethnography.

III

The *pensadores* at issue lived in an age of triumphant liberalism, with manifold sub-themes and arabesques. In Latin America, as elsewhere, liberalism implied the diffusion of materialism, rationalism, and pluralism (the latter used by reformist states against the Church). Liberalism gained strength in the middle decades of the nineteenth century, as economic advances improved the climate for the reception of liberal economic ideas (Safford, 1985: 353-54). Following the European lead, Latin American liberalism changed over the course of the century, and in the early years of independence its paladins focused on opening international trade, secularization, and securing equality before the law in a society still dominated by estates and corporations. Late in the century, when liberal politicians reigned supreme, there was much less concern with individual rights: "English liberties" were frequently seen as less important than economic growth and the orderly development of the social organism. Thus liberalism, in Hale's words, was transformed over the course of the nineteenth century from an "ideology in conflict with the inherited colonial order" into a "unifying [establishment] myth" (1986: 369). It also offered a rationale for social control within the new order.

In general, Latin America statesmen and intellectuals welcomed the economic transformation of their region accompanying the Second

(9) Gamio studied anthropology at Columbia University with Franz Boas. I do not wish to exaggerate the difference between Romania and Latin America in this regard; the two Romanians who receive the most attention below, Constantin Dobrogeanu-Gherea and Mihail Manoilescu, did not hold doctorates. But they debated men who did, which fact surely affected the level of discourse.

Industrial Revolution and the expansion of European trade; thus there was little debate about the desirability of integration into the dynamic North Atlantic center as an agricultural and mineral periphery, in contrast to the eastern European response by the 1880's. Latin Americans embraced the doctrine of comparative advantage, though few were aware of Ricardo's formal demonstration that a comparative (relative) advantage in the production of two goods in two countries implied mutual benefit to both trading partners. The vast majority of Latin American "economists" simply argued from the perception of absolute advantage, i.e., they saw world commerce as a mutually beneficial process among countries with highly differentiated natural and social endowments.

But the penetration of European trade and investment was, for the Latin American statesmen of the latter half of the nineteenth century, far more than an acceleration of economic growth; they viewed it as part of a transformation from "barbarism" to "civilization," as a future president of Argentina, Domingo Faustino Sarmiento, put it in his *Facundo* of 1845 (1961). Here there seems to be a parallel with the Balkan countries of the same era, as the Turkish Empire receded. Indeed, some Spanish American statesmen and intellectuals, especially in the second quarter of the century, regarded the culture of the intransigent and irreconcilable Spanish metropolis, where the Inquisition survived until 1820, as the most important cause of Latin America's backwardness. For Francisco Bilbao, a leading figure in Chile's Generation of 1842, "Spain [was] the Middle Ages."

Consequently, Latin American intellectuals tended to view the myriad changes associated with capitalist relations of production and exchange after 1870 as a benign, progressive, and civilizing process. Liberal intellectuals toward the end of the century were in a celebratory mood, eager to create heroic myths, as did the historian and statesman Bartolomé Mitre (president of Argentina, 1862-68). Surviving "feudal" or archaic elements in local societies were for these men simply the residues of the colonial regime, doomed by the linear march of progress associated with capitalist development. Apart from the pamphlet literature of radical sectors of the labor movement (largely anarchist), there was no "teratological perception" of capitalist transformation such as Constantin Dobrogeanu-Gherea provided in his analysis of Romanian society in 1910 (see below). All the same, compulsory labor systems and the concentration of land ownership in Mexico were underlying causes of the revolution that began in the year Gherea published; to a lesser extent such conditions obtained in some areas of the other three countries under consideration. Where injustice was denounced by bourgeois intellectuals, as in *Los grandes problemas nacionales* (1909) by the Mexican Andrés Molina Enríquez, the fault lay not in the system, but in its local distortions.¹⁰

(10) Molina Enríquez was a reformer facing a revolutionary situation. Written in 1909, one year before the outbreak of the Mexican Revolution, his book was legalistic in approach, and his denunciations of the latifundium included the evils of absenteeism and low productivity decried by the eighteenth-century Spanish *philosophe* Gaspar Jovellanos, whom Molina cites. Molina displays an ambivalence toward foreign capital, and sees it as less sinister than the creole faction (those descended from "pure" Spaniards). While urging land reform, he concurred with the *científico* (establishment positivists) in defending the Díaz dictatorship. Molina did so because he believed the regime was appropriate for Mexico given its state of evolution at the time, despite the fact that much of the concentration of property had occurred through Díaz's efforts to alienate public lands and village commons (1909: 90, 313, 346).

Until the twentieth century, liberalism in Latin America, unlike Romania, was strikingly cosmopolitan, as perhaps befitted the "open" economies of the region.¹¹ Nationalism began to replace cosmopolitanism gradually — in part because of resentment against the flood of immigrants in Argentina, in part because of the disillusion with cosmopolitanism that Latin Americans experienced in August, 1914, and in part because of the disarticulation of the international economy after 1929.

The years of "conflict" for liberalism to which Hale refers began with independence and continued into the 1870's or even to 1890 (1986).¹² Political struggles in the first fifty years of independence, the nonage of liberalism, revolved around human rights (including the emancipation of slaves and Indians); the position of the Church in society, economy, and polity; the place of foreign trade; and the organization of the state (centralism vs. federalism, taxing powers). After long struggles, these issues were generally resolved in favor of an expansion of the number of participating citizens, secularization, an open economy, and a powerful central government, even though three of the four countries considered here finally adopted federal constitutions. The triumph of secularization in some countries had required a powerful state (Hale, 1986: 377-78), and partly for that reason liberals in most countries accepted a degree of interventionism alien to classical liberal precepts.

It is remarkable, perhaps, how poorly articulated at an intellectual level was the opposition to liberalism, until the 1920's and 1930's, when corporatism and Marxism became widely diffused. In the nineteenth century, opposition to liberalism tended to be organized around the privileges of the colonial regime, and prelates articulated the dissatisfaction with republicanism, free-masonry, and other modern heresies, ticking off the list of Pius IX's *Syllabus of Errors* (1864). Of course there was nothing approximating a successful bourgeois revolution, to which conservatives might have reacted more inventively. Almost all the leading intellectuals were liberals: Only three early statesmen — Lucas Alamán in Mexico, Mariano Egaña in Chile, and José Bonifácio Andrada e Silva in Brazil — perhaps bore some resemblance to Edmund Burke, and there were no systematizing reactionaries in the mold of Joseph de Maistre. Nor was there anything akin to Slavophilism's mystical association of anti-rationalism and nationalism, partly because Latin American conservatives were not reacting to Hegelianism the first fifty years after independence. In the early years of nationhood, since conservatism was associated with maintaining or restoring privileges of the old regime, its appeal was limited. For some, however, conservatism was also an outlook attaching fundamental importance to "the existence of a perennial order ... [for which] change always represents an evil: decadence, perversion, chaos," in Romero's words (1970: 28). Not only was conservatism closely associated with the Church, a supranational entity, but in the worst case, Maximilian's Mexico, the Church and the

(11) On the association of liberalism and xenophobia in Romania, see Chirot (1976: 108).

(12) They continued even later in Colombia, where the final Liberal reaction came in the War of a Thousand Days, 1899-1902, in which 100,000 people may have died.

Conservative party sold out to the foreign invader, Napoleon III. In most countries, conservatism in the latter years of the century was to be most effectively defended within the various currents of liberalism, especially after liberals consolidated their control of the state.

Liberalism came to Latin America in a variety of forms, beginning with Benthamism in the 1820's, and continuing through Social Darwinism in the 1890's. A related but distinct ideology was Comtian positivism, influential in all four countries. French philosophy had conquered Latin America with the triumph of eclecticism over a dying scholasticism in the early years of independence, and Comte's all-embracing system attracted intellectuals trained in scholasticism more than did British liberalism. Comte's vision of civilization had the historical process unfolding in three great stages, epistemologically determined: the theological, the metaphysical, and the positive. In the first stage, causation was assigned to supernatural forces; in the second, to abstract forces; and in the third — on the edge of which humanity stood, he believed, in the mid-nineteenth century — to discoverable scientific laws.

Comte called for the tempering of capitalism by social morality, and asserted the need for the state to incorporate the urban proletariat into modern society with social welfare policies. He also supported universal elementary education and the separation of Church and state. Naturally, not all of Comte's specific prescriptions had universal appeal, especially those produced after his authoritarian turn in the wake of 1848. The Religion of Humanity of his final years, a grotesque secularization of Catholicism (*Ave Clotilda*), attracted only a small but vocal sect, especially in Chile and Brazil.

Positivism was attractive to modernizing conservatives, who wanted the benefits of material progress without sacrificing social hierarchy. Comte's philosophy seemed to offer a blueprint for development without social mobilization; the proletariat, as noted, was to be the special concern of a paternalist state. In addition, we may surmise that Comte's emphasis on the *family* as the fundamental unit of social organization — as opposed to the individual, in British liberalism — made his system especially seductive. (Corporatism would make the same assertion in our own century).

In the 1870's Comtian positivism was closely linked to nation-building, and it became the official philosophy of new national normal schools in Chile, Mexico, and Argentina; it played the same role at the national military academy in Brazil. Comte's phrase "Order and Progress" seemed to be in tune with new consolidating regimes, and it became the official motto of the new Brazilian Republic.

Yet Herbert Spencer's Social Darwinism had a wider following by the 1890's; Spencer seemed to represent the interests of a nascent but increasingly self-confident bourgeoisie, at least in Argentina (Zea, 1963: 216-17, 227).¹³ By the last two decades of the century, Spencer

(13) On Spencer's influence in Brazil, see Graham (1968: 232-51). Spencer's long-term influence, however, given his strong emphasis on individualism and hostility to the state, was probably less important than that of Comte, whose values were more in tune with the Latin American ethos. (Personal communication from Charles A. Hale.)

also provided a convenient rationalization for dictatorships, which now had a new staying power, partly because of new revenues resulting from economic growth. Such was the case with the government of Rafael Nuñez, the dictator of Colombia in the 1880's, who used Social Darwinism to justify his "scientific peace." In Mexico, where the writings of Comte after 1848 could already be construed as justifying dictatorship, Social Darwinism was likewise pressed into service for the Porfiriato. For the *científicos*, who made their debut to justify the fourth term of the dictator Díaz in 1892, material progress was a necessary precondition for political liberty. The only liberty for which Mexico was then ready, they averred, was freedom of commerce, which not incidentally legitimated the foreign capital pouring into the country. Díaz's regime was a "social dictatorship," they argued, promoting the interests of the bourgeoisie and those of the nation at large.

Comte and Spencer were simply the most prominent of the French and British thinkers whose ideas were discovered and adapted in Latin America. Of course, as a "fragment" society of Europe (Hartz, 1964: 3-6), Latin America only imported portions of the European intellectual tradition, and it adapted liberal ideologies to meet a variety of desiderata, such as social control, as the *científicos* perhaps illustrated most starkly. By the 1890's liberalism was an "officialist" ideology, probably accepted most widely in those countries where the export economies performed best.

IV

To better understand the peculiar features of Latin American social thought in succeeding decades — necessarily a truncated and adapted version of European models — a brief excursus on contemporaneous eastern Europe may be enlightening, on the premise that movements not present in Latin America may reveal something about the history of those that were. One of the traditions so influential in the former region having no reverberations in Latin America was nineteenth-century populism: to most of us this was "Russian" populism, although the ideology had its roots in reactions to the social processes of the industrial revolution in western and central Europe (for a summary, see Kitching, 1982: ch. 2).

Populism was an ideology starting from a vision of local society as backward, even archaic, relative to the developed West. Industrial capitalism, an irresistible force emanating from abroad, was viewed as transforming local agriculture-based societies in undesirable ways. It ruined, then proletarianized, the peasant and artisan classes, partly through a process of unequal exchange between town and hinterland, and between industrial and agricultural societies at the international level. Moreover, capitalism at the local level was seen as degenerate and essentially destined to fail against the superior competition of the West. In its mature phase, populism was an ideology of non-capitalist modernization, akin to socialism.

The best-known and most important variety was doubtless the Narodnik movement in Russia. Its origin can be traced to the writings and political activity of Alexander Herzen, the exiled aristocrat who

was the first (from 1849) to associate Russia's tradition of communal property, the *obshchina*, and its council, the *mir*, not with a vision of the past, as it was for the Slavophiles, but with a vision of the socialist future. Herzen was thus the first to theorize the possibility of "skipping stages" in moving from "feudalism" to socialism (see Venturi, 1960: ch. 1).

In Russia Herzen could build on, and transform, the conservative school of Slavophilism, a reaction to Hegelianism, which was irrelevant in both Romania and Latin America. By the 1860's, Russian populism, in its violent form, insisted that action was urgent, since the transition to socialism had to be undertaken before capitalism had triumphed in the countryside, immiserizing the peasantry and destroying the *obshchina*, the basis on which a socialist society could be constructed. The People's Will, viewing the state as the driving force behind Russia's efforts to catch up with the West, assassinated Alexander II in 1881, but tsarist reaction easily prevailed.

Clearly, such populist concerns would have seemed alien to Latin American intellectuals of the 1870's, for whom state-building rather than state-destruction was the objective of the era. And many Latin American intellectuals in the liberal era had opportunities to direct the state (witness Sarmiento and Mitre), which Russian intellectuals of integrity simply lacked, even when they spent years in state service, as did Herzen himself (Gerschenkron, 1966: 189; Herzen, 1982: 253-83).

In Russia, populism and Marxism were movements with strong Hegelian foundations, both dating from the middle years of the century. Populists and Marxists both viewed the penetration of capitalism into Russia and its consequences as *the* social problem, and advocates of the two schools engaged in a modes-of-production debate as it applied to Russia. While the populists strove to overcome capitalism, to pass beyond it, Marxists viewed the triumph of capitalism in that country as a grim necessity — or an accomplished fact, by the time of Lenin's *The Development of Capitalism in Russia* (1899).

It seems clear that however backward were Russia's society and state, Russian intellectuals participated in European social movements and social theorizing in ways not possible for Latin Americans. Herzen and Bakunin, for example, were aristocrats with broad European experience, and at ease in German or French as well as in Russian. Bakunin was Marx's antagonist in the First International, and Russian revolutionaries, frequently in exile, were continually in contact with Western radicals.

The diffusion of Hegel's philosophy among Russian intellectuals of a variety of social backgrounds was extensive by the 1840's, and Hegel's dialectic was employed by populists like Alexander Chernyshevsky in the 1860's to further develop Herzen's views on stage-skipping to socialism. The fact that Hegel had little influence in Latin America before the 1870's — or later outside formal philosophy — thus tended to close off the obvious paths to Marxism and populism, both of which ideologies developed in uniquely radical ways in Europe's most reactionary state.

Polarization in Russia was a readily comprehensible process, and hence so were the unique ways in which radical philosophies developed; but it is perhaps more elucidating for the Latin American case to consider social doctrines in Romania. There, as in Latin America, but in contrast to Russia, liberal political institutions prevailed from 1866, when a constitution based on Belgium's was instituted.

Romania, the only country of eastern Europe where a Romance language is spoken, achieved its formal independence from Turkey in stages between 1859 and 1877. Thus, like Latin America, it emerged from a patrimonial (if non-western) empire attempting to institute administrative reform. Romania's parliamentary government was controlled by an oligarchy, but like those of some Latin American states, it underwent a crisis and partial transformation in the early twentieth century (Mouzelis, 1986: 3-4, 72) — in the Romanian case, because of the First World War and subsequent land reform. By the postwar Treaty of Trianon, Romania's leaders managed to double the national territory and population, as a reward for timely declarations of war. Thus, as one of the succession states to the Austrian and Russian Empires, "Greater Romania" was even more obviously the locus for a debate about economic development than had been the "Old Kingdom" without Transylvania and Bessarabia.

Romania's Black Sea ports had been opened to west European trade by the Treaty of Adrianople in 1829, a date often noted as the beginning of the transformation of the country as a grain supplier. Serfdom was formally abolished in 1864, and exports expanded rapidly.

As in Latin America, the West's influence in Romania was seen as transforming and civilizing, dating from the Napoleonic era, when Romanians began to abandon the caftan and adopt the dress and cultural fashions of the West. As the century advanced, the use of French became mandatory for all those laying claim to general education. Liberal economics was associated with economic development and the civilizing (or Europeanizing) process, and its tenets were taught in the new universities of the early 1860's. In the words of one student, "economic liberties were in harmony with the movement of national rebirth, of passing to a European style of life, of breaking the chains of the regime of Turkish capitulations." Liberal economics was not only seen as a necessary guide for development and a counterpart to liberal political institutions, but was insistently pressed on the Romanians by Great Britain and France, which helped guarantee Romanian independence from Turkey (Demetrescu, n.d.: 270, 274).

The classical era of free trade in Romania was brief, however, spanning only the years 1875-86. The international depression of 1873-96 resulted in the closing of foreign markets for Romania's cereal exports, beginning with Germany's new tariff of 1879. After a customs war with Austria, Romania reactively turned to industrial protection in its own tariff of 1886. Relatively inefficient compared to "overseas" grain exporters to Europe, Romania could not compete in the British market with Argentina and the Dominions.

Nevertheless, Romania's economic growth rate was more than respectable for the last three decades before the First World War, as wheat exports revived, and the country began to export petroleum. The value of exports rose from 9 million dollars in 1850 to 136 million in 1915. Between 1880 and 1910, Romania's annual rate of export growth, at 3.3%, was higher than that of the periphery of European states as a whole (2.8%). And per capita income, at 307 dollars in 1910, was higher than that of Portugal and the other Balkan states, excepting Greece. However, there was a price to pay: 80% of all industrial shares were in foreign hands, as was 75% of the capital in banking at the time of the War (Berend & Ránki, 1982: 83, 115, 123, 156). In addition, there is abundant evidence that the income differential between the peasantry and other sectors of society was widening.

The abolition of serfdom had been an instance of "symbolic modernization," in J. K. Galbraith's phrase, and the peasant's living conditions seriously deteriorated from the 1870's through the early years of the new century: Romanian landlords had been able to compete in the international market by reducing costs, i.e., by squeezing more and more labor out of the peasantry (Chirot, 1976: chs. 6-7; Eidelberg, 1974; Dobrogeanu-Gherea, 1977a). The great peasant revolt of 1907, arising from the evils of latifundist (and often absentee) agriculture, resulted in the army's massacring 10,000 peasants, and stimulated the efforts of those who sought to critique the foundations of the "liberal" economy.

In a country cheek-to-jowl with Russia, it is hardly surprising that the ideological conflict between Marxists and Narodniki had powerful repercussions. In Romania, the two leading exponents of both populism and Marxism had spent their formative years in Russia, absorbing the radical ideologies of Russian politics: Constantin Stere, the leading turn-of-the-century populist, was born a scion of boyars in (Russian) Bessarabia, and his Marxist antagonist, Constantin Dobrogeanu-Gherea (*né* Solomon Katz), spent his youth in the Ukraine. Their debates, and those of their ideological allies in Romanian journals from 1890 to 1920, asked basic questions about the path to capitalist development, including the issue of whether the existing economy of Romania could be defined as capitalist, precapitalist, or some fusion of the two. The Gherea-Stere debate among other things treated the matter whether socialism was "an exotic plant" in an agricultural country. It paralleled a less elaborate but contemporary debate between the founder of the Argentine Socialist Party, Juan B. Justo, and Italian sociologist Enrico Ferri over whether socialism had a present, as well as future, in Argentina (Romero, 1983: 80-81).

Stere deemed socialism irrelevant for a society with 88 peasants for every factory worker. Socialism did not address the problems of the overwhelming majority, he believed, and socialists had no chance of taking power to implement their program (Stere, 1907-08: II, 320-21, 323). Industrialization, based on high tariffs in 1886 and 1906, had failed, Stere asserted in 1908. The basic conditions were lacking: To become an industrial state, Romania required heavy industry, and the production of capital goods in turn required large

markets. Romania had no domestic market of consequence, and no realistic chance of competing internationally. Agriculture, Stere contended, citing Karl Kautsky, Germany's leading Marxist theoretician, was not subject to Marx's laws of the concentration and centralization of capital. For Stere, the solution lay in destroying the latifundium and developing agricultural cooperatives and cottage industry (Stere, 1907-08, II, 188-89, 330; III, 60-61, 68).¹⁴ In part because Romania lacked a tradition comparable to the *obshchina*, Stere and his populist allies never advocated "stage-skipping" to socialism.

Stere's ideological opponent, Dobrogeanu-Gherea, assumed the task of demonstrating the relevance of socialism for a backward peasant society. More important, however, was his Marxist critique of the existing social formation. He was among the first theorists to argue (in 1910) that traditional modes of production in backward countries interacted with capitalism to form a unique amalgam — in fact a new mode — and, in the event, a monstrous one. His novel proposition can be contrasted with the fact that eleven years earlier, Lenin had characterized Russia's economy as one in which capitalism, even in agriculture, was inexorably eliminating its "feudal" predecessor (1956: 151, 172-74, 182, 250, 347, 555). For Latin Americanists, it is notable that Gherea's effort to define a mode of production unique to backward countries enveloped by capitalism occurred 60 years before the continentwide debate in which Latin Americans "discovered" modes of production by which capitalism subordinated precapitalist modes in unique patterns.

Reacting to Stere's charges that Romania was overwhelmingly an agrarian nation and that Marxist socialism as a program for the nation was a an absurdity, Gherea held that Romania was already a "semi-capitalist" country, and that the process of capitalist penetration was too far advanced to "skip" capitalism on the route from feudalism to socialism. Though contending that Marxist laws of development were valid for a backward agricultural country like Romania, Gherea conceded that such laws manifested themselves in a much more complex and confused fashion than in the West (1977c: 456, 458-60).

In the same year, 1908, he wrote that Romania had a legal structure appropriate for a capitalist society, but neither a capitalist class nor a proletariat. Backward countries such as Romania were becoming satellites as the capitalist world-economy expanded. Gherea now borrowed and reinterpreted an idea from Romania's Junimea school — *forma fara fond* (form without substance) — whose leaders had been trained in Germany and steeped in Hegelianism: In Gherea's Marxist terms, superstructure had preceded the base, in that Romania had adopted Western institutions without the social and economic

(14) In citing Kautsky, Stere did not mention that the former remained an orthodox Marxist, and showed in *The Agrarian Question* how capitalism had revolutionized agriculture, albeit in more complex ways than industry. This fact owed, in part, to the phenomenon of (non-capitalist) ground rent and the peasant's willingness to engage in superexploitation of his own and his family's labor. Publishing in 1899, the same year as Lenin's *The Development of Capitalism in Russia* appeared, Kautsky believed the vast majority of German peasants were already proletarians or semiproletarians selling labor power.

conditions requisite for their effective functioning (1977b: 478-82).¹⁵ Commenting on the gap between the formal and the real country, Gherea noted that the situation contrasted sharply with that of absolutist Russia, where the "real" state of development was ahead of that of the legal system. Under the circumstances, thought Gherea, Romanian socialists should strive for the development of an authentic capitalism, which would bring in its train an enforceable modern legal system, instead of the sham the country then knew (1977b: 498-99, 503).

In "Socialism in Underdeveloped Countries," an essay written in 1912, Gherea elaborated on the theme of the differences between the evolution of the central capitalist countries and their backward dependencies. In the latter, evolution was much faster, and of a different character, since changes in the form or superstructure preceded those in the base. This situation resulted from the fact that the advanced capitalist countries determined the evolution of the whole system. Gherea proceeded to formulate a "law of backward societies," i.e., those on the periphery of the capitalist center: "In advanced capitalist countries, social forms follow the social [and economic] base; in underdeveloped countries, the social base comes after the social forms" (1945: 8-9).

For Gherea, backward countries in the capitalist orbit suffered both from capitalism (in Romania, boyar exploitation of peasants to maximize profits in the international market) and the insufficient development of capitalism (its incapacity locally to destroy feudal relations of production) (1945: 27).¹⁶ In this regard, Gherea noted, the Romanian bourgeoisie had utterly failed to transform the national economy, as its counterpart and exemplar had done in the advanced capitalist countries. The bourgeoisie of western Europe had betrayed its defense of the Rights of Man after 1789, but the Romanian bourgeoisie had nothing to betray. While the Western bourgeoisie had to fight for the creation of liberal institutions, they were subsequently imported into Romania by a process in which the local bourgeoisie "played the smallest possible role." Rather, it was the boyars who, under Western influence, created the liberal state in Romania. The local bourgeoisie, such as it was, took the place of the boyars as a new "semifeudal class," keeping intact many feudal social relations (Dobrogeanu-Gherea, 1945:34).

Dobrogeanu-Gherea's magnum opus had appeared in 1910, addressing the central problem of Romanian society of the era — peasant unrest. The laconic title of Gherea's study, *Neoiobăgia* (neoserfdom), epitomized the proposition that a new and monstrous

(15) The Junimea was a cultural and political grouping founded at Iasi (Jassy) in 1863 by Titu Maiorescu and others who had studied abroad, principally in Germany. (Maiorescu, who had studied at Berlin, Paris, and Giessen, held a doctorate from the University of Vienna.) The Junimea argued that Romania had not attained a state of development corresponding to its adoption of Western institutions, and that the (failed) revolution of 1848 against the Turkish Empire had not been the result of real aspirations of the country. Maiorescu was deeply influenced by Hegel on the evolution of culture, and, like the German philosopher, believed that institutions such as the state could not change the organic "base," i.e., society; rather, change had to flow from the latter (See "Junimea," 1964:935-36, and Academia de Stiinte Sociale si Politice, *Istoria Filozofia Romănesi*, 1972: I, 353-96.

(16) A similar idea was first expressed by Marx regarding the Germany of the 1860's (1961: I, 9), and echoed by Lenin with respect to the Russia of the 1890's (1956: 659).

mode of production had reared its head in Romania. Put briefly, the mode was a fusion of precapitalist social and economic relations in the countryside and the economic relations and superstructure of an advancing capitalism at the national and international levels.¹⁷ In the traditional form of *iobăgia*, there has been three basic features: The peasant was fixed to the lord's lands; he was forced to provide corvée labor for his master; and he had to pay tribute in kind as well as other forms of feudal dues (1977a: 64).

Neoiobăgia was a hybrid form having the following defining characteristics: 1) Its relations of production were largely feudal; 2) at the ideological and legal level, it was overlaid with a liberal-bourgeois legal system that had the effect of leaving the peasant at the mercy of the landlord;¹⁸ 3) it further included a tutelary legislation that declared the inalienability of peasant land, and regulated relations between the lord and the workers; 4) at the economic level, the system did not provide the small peasant farmer enough land for subsistence, a fact which forced him to become a vassal of the owner of the land he farmed as a laborer or sharecropper (1977a: 281).

Neoiobăgia came into being as boyars saw opportunities to obtain hard currencies, and thereby to secure a flow of Western goods; such wares were especially deemed desirable after the Westernization of the boyar class had begun with the Napoleonic Wars. As a result, wrote Gherea, Romania had entered the "great world division of labor" and now "sends food to the West and receives from it industrial and cultural goods." Concomitant with Romania's growth of trade came a monetized economy, a development that required centuries to consolidate in the West (1977a:34).

Thus for Gherea, as for many others, western markets had partially revolutionized Romania's national economy. With the appearance of a money economy, Gherea held, the exploitation of the peasantry no longer had any legal limits. An extra-economic compulsion of the labor force by the rural police (*dorobanți*) to enforce labor contracts, combined with greatly increased periods of corvée labor, further led Gherea to the judgment that Romania had developed "a double agrarian regime... [one] both capitalist and serf-based...absurd, hateful... a monstrous regime" (1977a: 80).¹⁹ "Neoserfdom," as Gherea styled Romania's system, had the advantage for the former boyars of freeing them of all traditional obligations to the peasantry; they could exploit labor without hindrance from the state, and without having to deal with free workers (who might organize to resist)(1977a: 82).

Gherea, as an orthodox social democrat, if an unorthodox theorist, favored industrialization, and a rising school of corporatists, who initially called themselves "neoliberals," soon took up the same cause.²⁰

(17) Kautsky in 1899 had implicitly touched on, but had not developed, the articulation of capitalist and precapitalist modes of production.

(18) As Cristian Racovski noted in 1909, peasants had to sign formal contracts, a characteristic feature of capitalist labor relations, but such contracts included stipulations for the payment of feudal dues (1909: 10-11).

(19) Cf. Racovski's similar analysis in "Chestia Agrara: Probleme si Soluti" (1907: 40-41).

(20) Notably, Stefan Zeletin and Mihail Manoilescu in the 1920's.

The First World War resulted in a major land reform, resolving one part of the agrarian problem. Now the tempo of the debate on development quickened, as Romanian intellectuals and statesmen were impressed by two phenomena — the failure of Romanian agriculture to regain the position in wheat exports it had held before the War (falling from fifth to tenth place internationally), and, in the latter 1920's, the massive industrialization drive of the U.S.S.R., which had not recognized Romania's incorporation of Bessarabia.

In the interwar era, a number of economists — some holding German doctorates — were influenced by social and economic theories then circulating in Europe, including Soviet Marxism, German and Austrian corporatism, the German "Historical" school of Schmoller, and Chayanov's theories on peasant economics. The influence of Werner Sombart and Rudolf Hilferding was especially notable, and many non-Marxists subscribed to Hilferding's periodization of the history of capitalism into commercial, industrial, and financial phases, to which corresponded the ideologies of mercantilism, liberalism, and imperialism, (e.g. Zeletin, 1925: 18; Manoilescu, 1940: 224; Madgearu, n.d.: 5).

In the ferment of the interwar years, the economist whose work was probably most often discussed abroad was Mihail Manoilescu, who had trained as an engineer before educating himself in economics. He was also "furiously ambitious" as a politician, in the words of a British ambassador,²¹ and knew triumph and subsequent disgrace in the rough-and-tumble of Balkan politics; in 1940 he ceded half of Romania's newly-acquired Transylvania to Hungary under pressure from Ribbentrop and Ciano. Manoilescu was the only Romanian whose theories were known in Latin America, and his reputation as economist in the 1930's was probably given a boost in the region by his work as a theorist of corporatism. Both his economic and political works were translated into Spanish and Portuguese in the 1930's and 1940's.

As an economist, Manoilescu's chief concern was with the relationship between the purchasing power of a unit of labor expended in producing a good traded on the world market in terms of the labor of other workers abroad — a concept now called the "double factorial terms of trade." Manoilescu held that labor productivity in industry (manufacturing and mining) was inherently superior to that in agriculture, by a ratio of four or more to one. This superiority owed to "specific capital," i.e., the much higher value of capital per worker in industry than that in agriculture. The Romanian developed a mathematical formula that would array all industrial and agricultural activities by their productivities (1929: 177).

Manoilescu, like Marx, Ricardo, and other classical economists, believed in the labor theory of value; since labor could create capital as well as commodities, it should be directed, he believed, toward the activities that would maximize labor productivity. The issue for him was not comparative advantage, as for Ricardo, since this theory "prescribed" a division of world labor into industrial and agricultural

(21) Sir Reginald Hoare to Foreign Office, 21 June 1940, FO 371, 24992, Public Record Office, London.

specialists; rather, the issue was whether a given economic endeavor within a country had a labor productivity higher than the national average. If it did, he believed, its development should be encouraged (1929: 183). Specialization in traditional agricultural pursuits required four hours of Romanian labor to purchase the product of a single hour of English labor. Thus international trade was a swindle, and the world market, *un marché de dupes* for raw materials producers. Protection for industry was justifiable, not just in terms of Friedrich List's "infant industry" argument, by which an enterprise would take advantage of economies of scale and external economies over the intermediate run to bring costs down to internationally competitive levels; rather, protection was justified because a sheltered industry that had a labor productivity higher than the national average of economic activities was a boon from its first day of operation. The more productivity of a given good exceeded the average national productivity, the more the domestic price of that good could justifiably exceed the foreign price (1929: 161).

To engage in agricultural exports, Manoilescu argued, the comparative advantage of domestic agriculture over its foreign counterpart must be greater than the intrinsic superiority in labor productivity of industry over agriculture within the country (1986: 234). Such cases were rare, Manoilescu thought, since agriculture in Romania and other underdeveloped countries with dense populations was primitive in technique and was consequently labor-intensive. In sum, by challenging the legitimacy of the international division of labor, he was also attacking international trade theory, and his works quickly drew sharp attacks from leading trade theorists in the United States and Europe.²²

V

This brief view of social and economic ideas in Romania illustrates the kinds of European intellectual currents adapted by social thinkers in that country. Although the Russian influence in Romania was strong, that of Germany was stronger, of which trend Marxism provides a major example. By comparison to Romania, the dearth of German and Austrian social ideas in Latin America — as distinguished from those in formal philosophy — from the 1870's through the First World War is striking.²³ The influence of Russian thought is simply lacking.

In any event, Marxism was anemic in Latin America — as were other traditions of social thought of the German-speaking world, such as the German Historical and the Austrian schools of economics. German social science would begin to transform Latin American social thought after the arrival of Spanish exiles fleeing the Franco regime in the late

(22) Notably, Bertil Ohlin and Jacob Viner. Ohlin criticized Manoilescu's assumptions. Why should the average productivity of all national industries be considered representative of that of the export industries? What justified the assumption that the price level of factors is everywhere equal, when it was known that money wages in the United States were more than ten times higher than in Romania? Why did Manoilescu only consider labor productivity in his calculations, and ignore capital and land? Ohlin's "fundamental criticism" was that, in addition to assuming factors of production can move from activities with low productivities to those with high productivities, Manoilescu also assumed that protection causes the transfer. But why, Ohlin asked, did this transfer not occur *without* protection, since price signals should favor the industries with higher productivities (1931: 34-36)? Viner made similar criticisms in his review of Manoilescu's book (1932: 122, 125).

(23) In philosophy, neo-idealism found an effective proponent in the Argentinian Alejandro Korn.

1930's. Many of these men, of whom Ortega y Gasset was only the most famous, had studied in Germany and promoted the translation of German works into Spanish.²⁴

The Latin Americans' greater familiarity with French, British, and Spanish thought probably tended to limit their knowledge of Marxism, if one can accept Perry Anderson's judgement that there were no significant contributions to Marxist theory in France, Great Britain, or Spain, before the 1930's (1976: 25-37).²⁵ Rudolf Hilferding's *Finance Capital* (1910), which was so influential in Stefan Zeletin's *Burghezia Română* (Romanian Bourgeoisie – 1925) and in Romania in general, was not available in Spanish, English, or French until the 1970's.²⁶

Another reason for a relatively slow rise of Marxism in Latin America may have been Marx's own indifference toward the region, compared to his interest in Sardinia, India, Turkey, China, and Russia. He regarded the Latin American political process as the embodiment of Bonapartism and reaction. Furthermore, Marx had a low opinion of the liberator Simón Bolívar, whom he privately compared to Faustin Soulouque, the Haitian dictator whose bragadoccio Marx used to parody Napoleon III. Marx's lack of concern about Latin America has even provoked a study of the reasons for it by the region's leading student of Marxism, José Aricó. (1982: 40, 107, 116-17).

Marxism was thus poorly understood and poorly diffused before the Third International (1919), though the assertion is somewhat less valid for Argentina than for other countries.²⁷ Latin American radicalism, like its Iberian counterpart, tended to revolve around anarchism more than socialism at least until the 1920's, and in many countries until the 1930's. In addition, most socialist parties were not exclusively or predominantly Marxist-oriented until the Third International forced the issue in the early 1920's. One indication of the thinness of the Marxist tradition is that there were no "legal Marxists" like Peter Struve or Zeletin in Spanish or Portuguese America, i.e., there were no revisionists who argued that capitalism in backward countries would develop through Marxist stages, but that the rise of a local bourgeoisie was both inevitable and beneficial. Ironically, despite earlier twists and turns, the official position of the Communist parties of the region in the 1950's would come very close to "Zeletinism," because support for the national bourgeoisie was identified with anti-imperialism and anti-feudalism.

The man generally conceded to be the most important Marxist thinker

(24) For example, the philosopher José Gaez, the sociologist José Medina Echavarría, and the economist José Urbano Guerrero all resided in Mexico in the late 1930's and early 1940's. To be sure, Latin American readers of Ortega's *Revisión de Occidente* were aware of German thought, and many Spanish intellectuals had visited Latin America before the Civil War. Ortega, a neo-Kantian, had lectured in Buenos Aires in 1916 and 1929 (*Exilio Español en México*, 1982: 814, 868, 975; Romero, 1983: 128, 134).

In our own day some German language classics are available in Spanish, but not English; still others appeared in Spanish before their publication in English. Major studies by Werner Sombart, Henryk Grossman, Karl Kautsky, and Fritz Sternberg have been published in Spanish, but still await their English editions. Both Weber's *Economy and Society* and Hilferding's *Finance Capital* appeared in Spanish first.

(25) Anderson notes a new generation of French intellectuals entering the PCF in 1928, but perceives no "generalization of Marxism as a theoretical currency in France" until the German occupation (1976: 37).

(26) As noted, "peasantists" like Madgearu and corporatists like Manoilescu also drew on Hilferding.

(27) On the relatively early appearance of Marxism in Argentina, see Ratzel (1969).

in Latin America before the Second World War, José Carlos Mariátegui of Peru, was also one of the least orthodox, and was heavily influenced by Sorel. Mariátegui's principal contribution to Marxist theory as such was probably his argument that, in the age of imperialism, capitalism had arrived in Latin America too late for local bourgeoisies to emulate the historic roles of their European forebears (1980: 113; see also Paris, 1981: 145). Mariátegui would have agreed with Romania's Dobrogeanu-Gherea that underdeveloped countries suffer both from (external) capitalism and the insufficient development of capitalism at the local level.

Mariátegui was also heterodox in another regard. Though his position was ambiguous, he hinted that Peru's indigenous *ayllu*, which he viewed as an Incaic form of agrarian communism, could be the foundation for the transformation from a semi-feudal stage of development directly to socialism in the countryside. Thus Mariátegui would seem to be a "stage-skipper," despite his following Lenin in condemning the Narodniki. Nor was Mariátegui alone: The idea that peasant collectivism could be the basis for passing from "feudalism" to socialism was shared by a leading Latin American spokesman at the sixth congress of the Communist International in 1928, Ricardo Paredes of Ecuador; Paredes' views were echoed by a Uruguayan delegate, Sala. (*Internacional Comunista*, 1978: II, 180-81, 367).

In the event, Mariátegui's praise of "Incaic socialism" (a discovery, by the way, of Plekhanov's, a generation earlier), seemed to a Comintern critic in 1941 a reincarnation of the Russian populist tradition (Miroshovski, 1980: 55-70, esp. 68; Paris, 1981: 183). To the degree the charge is justified, Mariátegui appears to have fallen into populist "error," in part, because of the absence of classical populism in Latin America.

The reasons for populism's nonappearance in the region are worth speculating about. In many countries there was no large peasantry, in the sense of freeholders; nor, in most nations, was there a primitive commune in any way comparable to the Russian *obshchina*. Yet neither of these conditions blocked the rise of populism as a major ideological current in Romania. Latin Americans, of course, did not have access to the nineteenth-century Russian debate about capitalism, as did the Romanians, but the late appearance of Hegelianism and then of Marxism in Latin America may also have been causes of the absence of populism. As Walicki and Venturi have demonstrated, the rise of populism in Russia was intimately connected with intellectuals' coming to terms with Marxism (Walicki, 1969: 26, 132; Venturi, 1960: 365, 384, *passim*).²⁸

It is nonetheless important to qualify the absence of populism by distinguishing, as Ionescu does, between "populism" and "peasantism" — the latter being a legal political movement based on the newly-enfranchised peasant masses, occurring largely after the First World War in the cases of Romania and most other countries of eastern Europe (Ionescu, 1969: 98-99). There is an obvious analog to

(28) Gerschenkron argues that populism shaped Russian Marxism, the opposite of Walicki's thesis, but the two writers have different phases in mind for these long and intimately related movements (Gerschenkron, 1966: 190).

peasantism in Latin American *indigenismo*, a multifaceted ideology finding its fullest expression in the Mexican Revolution, and encompassing the glorification, "redemption," and study of Amerindian populations. In the 1920's Mexico's minister of education, José Vasconcelos, in a rare commitment to empiricism, sent students into the countryside to observe local conditions. The Revolution's interest in the "real" Indian — as opposed to the old regime's idealization of Cuauhtémoc, the nephew of Moctezuma who resisted Cortés — was necessarily related to peasant land seizures and the peasantry as the foundation of the revolutionary troops that destroyed the Porfirista army. Thus *indigenismo* was linked to agrarianism, officially part of the revolutionary ideology after the approval of the 1917 constitution, which legalized land reform (Hennessey, 1969: 42).²⁹ In the 1920's *indigenismo* also had an impact among intellectuals in Peru, of whom Mariátegui was only one, and *indigenistas* there were able to obtain the institutionalization of the Indian community as a corporate landholder. Yet only in Mexico were Indian peasants widely mobilized — and manipulated — as part of the political process by the 1920's.

This short survey of ideas indicates that Latin Americans were rarely asking the questions posed by eastern European intellectuals in the years before the First World War, and more frequently after 1917: Does the capitalist mode of production prevail in this country? Is there a "conquering bourgeoisie," or can one be created? Do there exist unique local modes of production that interact with capitalism? Can a reformist state create a capitalist economy? Communist leaders in the 1920's, it is true, began to pose these questions, but the issues would not be addressed with a sense of urgency and investigated with sophistication in Latin America until after the Second World War.³⁰

Granted, not all the social and economic ideas current in eastern Europe before the War were applicable to Latin America. Since many countries in the latter region at the time had relatively little surplus agricultural populations, most of the post-Chayanov theorizing about dualism, disguised unemployment, and peasant economic rationality — so important in Romania — was not seen as directly relevant. In contrast to their reception in eastern Europe, the works of Chayanov played no role in Latin American economic thought in the 1920's and 1930's, and the fact that they were only then available in German and Russian was perhaps less important than the fact that they did not seem pertinent to much of Latin American reality, although in retrospect they seem relevant enough to "peasant" countries like Peru and Mexico. Here the "technical" aspect of Chayanov's formal economics may have constituted a barrier to diffusion in the Latin America of the time.

All the same, the Latin American regimes and the prevailing liberal model that "justified" them were being attacked from a variety of quarters by the 1920's, as for example in demands for state

(29) To me it seems more appropriate to use Ionescu's term, "peasantism" than "populism" to describe peasant political mobilization, as Hennessey does (1969: 40).

(30) Outside the Communist parties of the region, other voices attacked British and American imperialism, notably Víctor Raúl Haya de la Torre in Peru, and radicals of the Mexican Revolution, such as the anarchist Ricardo Flores Magón.

intervention in the social sphere and domestic economy, or in the recognition of corporate property. The foreign trade model based on comparative advantage may have been the most durable aspect of liberalism at the ideological level, and its survival probably lessened the impact of "root and branch" critiques of liberalism in general. As noted, many parts of Latin America were profoundly and positively affected by Ricardian prescriptions of export-driven growth. Argentina by 1929 had a per capita income approaching that of Australia, and the real growth rate of its economy had been almost twice that of Australia for 1900-29 (Díaz-Alejandro, 1970: 55-56).

The leader of the Argentine Socialist Party and the first translator of *Capital* into Spanish, the above-mentioned Juan B. Justo, opposed industrial protectionism as late as the 1920's, because he accepted the role assigned to Argentina in the international division of labor.³¹ Granted, Argentina was the flagship of success before 1930. Those countries where the export model was less successful, such as Peru, may, like Romania, have experienced more intensive efforts to critique the liberal development model before the Great Depression. Radical intellectuals like Peru's Manuel González Prada had denounced "feudal latifundism" in the late nineteenth century. But even in Peru and other countries with corporate peasantries, the liberal model seemed relatively successful to dominant elites; moreover, the anti-liberal discourse was not offered at a theoretical level that found acceptance among Comintern or other European Marxists, or, in the case of those who championed national industry, among neoclassically trained economists.

Well into the twentieth century, non-socialist theorists likewise made little headway against the thesis of comparative advantage. A striking instance concerns a corollary of Ricardo's doctrine, i.e., that there are "natural" and "artificial" economic activities based on a country's factor endowments, and that "artificial" industries should be discouraged because they result in a misallocation of resources. In Brazil, for example, Joaquim Murinho, the Brazilian minister of finance (1898-1902), would do nothing for "artificial" industries in the financial crisis of 1901-02, since equal treatment of all economic activities by the state would amount, in his view, to "socialism" (Murinho, n.d.: xiii). such was the policy that governments of the region generally followed until the latter 1930's or later; it was not a laissez-faire policy, however, since such regimes provided direct and indirect support (e.g., through exchange-rate deterioration) for their export industries and the interests behind them.³²

In Chile, nonetheless, export-led growth, focusing on the nitrate boom before and after the War of the Pacific, laid a foundation for a manufacturing sector, and a Chilean industrialists' association appeared in 1883. This fact was less unusual than that some Chileans favoring industrialization discovered and consistently propagated the

(31) Justo was not even a Marxist. He considered Marx's theory of surplus value "an ingenious allegory" (quoted in Ratzel, 1981: 34).

(32) Paying their costs in local currency and receiving "hard" currencies for their exports, such groups profited by obtaining more local currency as its exchange value fell. An unintended byproduct of this exchange policy was a degree of protection for national manufactures, but this effect was partly offset by higher costs of capital imports.

ideas of Friedrich List. List found his leading Chilean disciple between 1880 and the First World War in the person of Malaquias Concha, who popularized List's infant industry argument (see Concha, 1889: 327-28; 1910).

List was known elsewhere, but seems to have had little influence,³³ and we may say that the central tendency before the Second World War was that Latin American manufacturers and their ideologues were apologetic, timid, and accommodationist — in sharp contrast, for example, to their Romanian counterparts in this period. In the 1920's, Brazilian industrialists advanced "practical" arguments: that industry would provide urban employment; that it would save on foreign exchange (through import substitution); that it would help agriculture by consuming local inputs (such as cotton); and that it would provide government with more reliable sources of revenue (through consumption taxes) than the export sector could (Sáenz Leme, 1978: 161).³⁴ Latin American industrialists and their spokesmen sought a place in the sun *alongside* the traditional export activities. This was true of Alejandro Bunge and Luis Colombo in Argentina; Roberto Simonsen, Alexandre Siciliano, Jr. and Otávio Pupo Nogueira in Brazil; it was much less true of Malaquias Concha, the Listian ideologue in Chile (Bunge, 1928-30; Colombo, 1931: 25, 27; 1933: 37; 1940: 3; Simonsen, n.d.: 6; Pupo Nogueira, 1931: 91-112; Siciliano, 1931: 18).

Almost no one in the 1920's who sought to develop Latin America along capitalist lines viewed export-driven growth as a problem requiring fundamental rethinking, as would the Argentine economist Raúl Prebisch by the early 1940's. One of the few who tried to explain persistently negative balances of payments and deteriorating terms of trade for 1914-21 was Víctor Emilio Estrada, the director of Ecuador's central bank. Estrada anticipated an element in the famous Prebisch thesis of 1949 — namely, that Latin America's terms of trade for its traditional exports would deteriorate indefinitely. (That is, for a given quantity of imports, Latin American countries would have to supply an ever-larger amount of exports.) Specifically, Estrada, like Prebisch in a more systematic way in the 1940's, attributed the price-scissors problem principally to rising labor costs in manufacturing in the United States (his nation's main trading partner). This fact owed to trade-union activity, a pressure that was lacking in the price-formation of Latin American goods, which were chiefly agricultural. But Estrada did not generalize beyond his own country, and was only groping for measures to offset the falling prices of cacao, Ecuador's leading export at the time (Estrada, 1922:77).³⁵ Estrada apparently had no influence on Prebisch or the structuralist school the Argentine economist founded at the U.N. Economic Commission for Latin America (ECLA).

A more likely candidate for such a role as precursor of ECLA was Manoilescu, the Romanian economist, politician, and ideologue of

(33) E.g., List was cited in the Argentine tariff debates of 1875-76, but the episode had no significant effect on Argentina's "open economy" orientation (Chiaramonte, 1971: 136).

(34) More aggressive arguments, e.g. those challenging the artificiality of Brazilian manufacturing, had been advanced by the Centro Industrial do Brasil in 1904-05, but to little effect (see Carone, 1977: 8-9).

(35) I thank Paul W. Drake for bringing this work to my attention.

corporatism, who recommended industrialization *à outrance* for agricultural-exporting countries. In São Paulo, Brazil, officials of the Center of Industries corresponded with Manoilescu, and published *Théorie du protectionnisme* in Portuguese in 1931. In the early 1930's three important industrial spokesmen in São Paulo — Roberto Simonsen, Alexandre Siciliano Jr., and Otávio Pupo Nogueira — took the Romanian's work to be proof of the legitimacy of their interests. Adding a touch of racism, Siciliano neatly adapted Manoilescu's theory, contending in 1931 that Brazil could not continue to rely on traditional exports, because of the lower wages that Africans and Asians would accept in competing agricultural activities, implicitly raising their labor productivities; thus agriculture in Brazil did not possess any intrinsic superiority to industry (cited in Pupo Nogueira, 1931:133; on Manoilescu, 3, 131; Siciliano, 1931:12, 62; Simonsen, n.d.: 58). Like Manoilescu and others in Romania, the three Brazilians also tried to parry the charge of "artificiality" by pointing to the apparent legitimacy of the coffee-roasting industry in the United States and the sugar-refining industry in England, for which domestic raw materials did no exist. (Pupo Nogueira, 1931: 136; Siciliano, 1931:27-28; Simonsen, n.d.:88).

Manoilescu's prestige as an economist was complemented by his reputation as a theorist of corporatism. As in the case of Marxism, the literature on corporatism in French had a much larger impact than that in German. Othmar Spann and the Sombart of *Deutscher Sozialismus* were almost unknown, and the most influential writers were probably François Perroux, who had taught at São Paulo, and Manoilescu.³⁶

Manoilescu's attitudes may have been as influential as his social ideas, at least among the industrialists who first championed him. They welcomed his unabashed elitism, his support of industrialization, his emphasis on the role of the state in the economy, and his insistence on the close link between nationalism and industrial development. The ideologues of Vargas' authoritarian Estado Novo (1937-45) — Azevedo Amaral, Oliveira Vianna, and Francisco Campos — wanted a strong state, "rationalization" of the economy (chiefly cartelization), and economic planning (Diniz & Boschi, 1978:59; Vieira, 1981:27-70).

As in the case of his vogue as social sage, Manoilescu's economic theories as a "scientific" rationale for Brazilian industrialization did not survive the 1930's — chiefly because of the attacks by Jacob Viner and other neoclassical theorists on his work.³⁷ Manoilescu's ideas were slowly abandoned for more practical and circumstantial arguments. Simonsen, who had frequently cited Manoilescu in the early 1930's, had ceased referring to the master by the Second World War. In the debate between Simonsen and Eugênio Gudín on economic planning in 1945, it was Gudín, not Simonsen, who referred to Manoilescu, viewing him as a discredited charlatan (Simonsen & Gudín, 1977:

(36) In addition to Manoilescu and Perroux, Gaetan Pirou and Sergio Pannunzio also influenced Brazil's leading theorist of corporatism, Francisco Oliveira Vianna (Vieira, 1981: 31).

(37) Additional possible causes of Manoilescu's unfashionability were his open adherence to fascism in the latter 1930's and his support for Germany in the Second World War.

108-09). Meanwhile, in 1944, Simonsen presided at an industrialists' congress which called for the "harmonious" development of agriculture and industry, and championed government aid to agriculture (Congresso Brasileiro da Indústria, 1945:I. 225-26).

Despite the general absence of theoretical foundations for industrial development, for those Latin American countries that had made industrial advances in the 1920's, increased self-sufficiency in the 1930's was a "second-best" option, in view of the sustained crisis in export markets.

Over the decade of the 1930's, industrial spokesmen grew bolder, except perhaps those Brazilians who had initially followed Manoilescu. Note, for example, the themes chosen by Luis Colombo, the president of the Unión Industrial Argentina: In 1931, he supports a moderate and "rational" protectionism, and defends the manufacturers against the charge of promoting policies inimical to the interests of Argentine consumers; in 1933, he even-handedly justifies protection for both industry and agriculture; and by 1940 he attacks the industrial countries as having themselves violated the rules of the international division of labor by developing large agricultural establishments, only choosing to buy abroad when convenient (1931; 1933; 1940).

During the 1930's, industrialists pointed to the vulnerability of export economies, which they more frequently dubbed "colonial" in the process. Governments, however, moved hesitantly and inconsistently toward addressing the problems of industry. In 1933 the Argentine Minister of Agriculture, Luis Duhau, proclaimed the necessity of producing industrial goods that could no longer be imported (for lack of foreign exchange), and he pledged his government's support for the process. Yet in the same month the Argentine government supported the U.S. initiative for general tariff reductions at the Pan American Union Conference in Montevideo. Furthermore, as late as 1940, Finance Minister Pinedo's plan for the economic development of Argentina still distinguished between "natural" and "artificial" industries, implying further that industrial development would occur in concert with the needs of the agricultural and pastoral sector (Argentine Industrial Exhibition, 1933; Villanueva, 1975: 78).

In depression-era Brazil, dictator Getúlio Vargas was proindustry... Was he not the friend of all established economic interests? But he opposed "artificial" industries (manufacturing) in his presidential campaign in 1930, and government loans to "artificial" industries were still prohibited in 1937. Osvaldo Aranha, Vargas's Minister of Finance in 1933, even termed industries "fictitious" if they did not use at least 70% domestic raw materials (Vargas, 1938: 26-27).³⁸ The contrast of these official attitudes with those in Romania is striking,

(38) *O Estado de S. Paulo*, 8 March 1933 (Aranha quotation). Interestingly, the artificiality charge came from the left as well. Caio Prado, Jr., Brazil's leading Communist intellectual of his generation, condemned the restrictive practices of Brazilian industrialists in 1935 as an indication of the artificiality of manufacturing, which lacked a mass market. It was necessary to create such a market through the redistribution of wealth before industry could thrive, he believed (1933: 128, 133-35).

since Finance Minister Costinescu defended industries with imported inputs as early as 1902 (Thery, 1904: 67).

Vargas only became committed to rapid industrial expansion during his Estado Novo dictatorship (1937-45). Although he said he could not accept the idea of Brazil's remaining a "semi-colonial" economy in 1939, as late as 1940, when the coffee market was still depressed after a decade of attempts to revive it, Vargas wanted to "balance" industrial and agricultural growth. Only in 1941 did a division for industrial development of the Bank of Brazil begin to make significant loans.

In Mexico, industrialization in the 1930's made modest advances while agrarian reform was at the top of the Cárdenas government's agenda; during the War the pace quickened. Nacional Financiera, a partly government-owned development bank, was established in 1934, but only became seriously committed to manufacturing after its reorganization at the end of 1940, when the new pro-industry administration of Avila Camacho took office. Protectionism in Mexico, according to one authority, "begins in earnest with the Second World War" (Villareal, 1976: 43-45; Blair, 1964: 210, 213; Izquierdo, 1964: 243 [quotation]; Navarrete, 1967: 119).

In Chile, the Popular Front government of Pedro Aguirre Cerda proclaimed the need for state-sponsored support for industry in 1939, and Aguirre established CORFO, the government development corporation. But relief and reconstruction following an earthquake that year was another reason for creating CORFO; in 1940 the sum budgeted for the development of manufacturing was less than each of those for agriculture, mining, energy, and public housing (Presidente de la República, 1940: 21-22, 95).

In Argentina, Raúl Prebisch was one of the government planners of the 1930's who gradually convinced himself of the need to abandon export specialization as the primary engine of economic growth. As director of the Central Bank from its inception in 1935, Prebisch began to formulate his theories of unequal exchange between center and periphery. He assumed a greater rate of technological innovation in industrial countries, and argued that there were different responses to recessions by primary exporters and those exporting manufactures, because of the power of organized labor to maintain high wages, and therefore high export prices, in the latter. These propositions were not fully worked out until the latter 1940's, and were in part based on U.N. terms of trade data available only after the War. The question of how much Prebisch owed to Manoilescu was raised by Jacob Viner, the neoclassical trade theorist, a year after Prebisch's "manifesto" of 1949, *The Economic Development of Latin America and its Principal Problems*. It seems probable, however, that Prebisch's ideas followed a different route to similar conclusions about the international trading system and the urgency of industrialization in underdeveloped countries (Viner, 1952: 61-64; Love, 1980a; 1980-86). Nonetheless, Manoilescu's theses in the 1930's must have created a sympathetic audience for Prebisch's views in the postwar era, and one of Manoilescu's major essays was published in Chile as late in 1947. It appeared in *Economía*, a journal of the University of Chile later edited

by Aníbal Pinto, one of ECLA's outstanding economists (Manoilescu, 1947).

At all events, the fact that Latin American policymakers clung to the ideology of free trade throughout the Great Depression seems to illustrate how slowly received ideas die. The international trading system was in crisis over the whole period 1930-45, but only at the end of the 1940's did ideological shifts flow from the observed fact that, in Argentina and Chile, industry's share of the national product was greater than agriculture's. Mexico and Brazil would soon follow.

Admittedly, Latin American nations seemed to have more to lose than did eastern European countries before the Great Depression. Romania, for instance, reacting to the agricultural protectionism of central and western Europe, had begun efforts to industrialize as early as 1886. Almost simultaneously that country was threatened by more efficient grain producers "overseas," among which was Argentina, as the Romanian publicist Petru Aurelian noted in 1890 (1890: 21).

Another thing the Latin American proponents of industrialization lacked, at least compared to their eastern European contemporaries between the World Wars, was the strategic argument — of great import in Romania, for example, a country that had doubled its territory at the expense of its neighbors at the end of the First World War. In the Western Hemisphere a Pax Americana had succeeded a Pax Britannica during the 1890's; thus Chile, Argentina, and Brazil never became combatants against each other after the downfall of the Argentine dictator Rosas in 1852, when Brazilian troops fought on Argentine soil.

In Latin America, industrialization was fact before it was government policy, and policy before it was theory. Contrary to the views of Dobrogeanu-Gherea, who held that superstructural changes in "local" or peripheral societies precede changes in the material base, here is apparently a classical instance of a material transformation preceding the change in ideological superstructure — although it should be clear, from previous references to the importance of the absence or the phasing of some ideas and institutions on the development of others, that the argument is something other than economic reductionism. And it is true that no matter how committed Latin American governments might have been to the international trading system, government policy was sometimes incoherent or accommodationist for established interests, including industrialists. Still, before the 1940's, industrialization had few intellectual champions, though some other aspects of liberal ideology had been challenged much earlier.

When a theoretical justification of industrialization appeared in 1949, the Argentine economy would scarcely have been recognizable to intellectuals of Sarmiento's generation. They had advanced a liberal project, if not a bourgeois one. Prebisch and ECLA would reverse that emphasis, in effect inveighing against imperialism without abandoning capitalism.

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