

LATIN AMERICAN 19TH CENTURY ECONOMIC DEBATE
AS THE PREDECESSOR OF THE CENTRE-PERIPHERY
AND DEPENDENCY THEORIES: THE CASE OF ARGENTINA

*Debate económico latinoamericano en el siglo XIX como
el predecesor de las teorías del centro-periferia y de la dependencia:
el caso de Argentina*

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RESUMEN: El pensamiento económico de América Latina es muy conocido por su aporte de cepalismo y dependencia. Estas dos tendencias ayudaban a la región alcanzar el desarrollo y la prosperidad de manera independiente por la ruptura de los lazos de dependencia económica. América Latina ha estado luchando contra la dominación de España y de Portugal y, a continuación, después de obtener la independencia, los nuevos imperios coloniales, en particular Gran Bretaña, que buscaba nuevas esferas de influencia. A pesar de que este orden era rentable para muchos de los representantes de las élites latinoamericanas en el siglo XIX. Muchos estaban buscando un camino a la independencia económica, demostrando su visión nacionalista y proteccionista de la economía. Por tanto, el objetivo principal de este trabajo es estudiar la relación entre las tendencias del siglo XIX en las ideas económicas de América Latina y las ideas de los famosos cepalistas y dependentistas del siglo XX, que serán considerados en el contexto más amplio del siglo XIX, entendido como un momento fundamental no solo para el desarrollo capitalista, sino también por su crítica.

PALABRAS CLAVE: dependencia, nacionalismo, capitalismo, comercio libre, crítica.

ABSTRACT: Latin American economic thought is known for its contribution of *cepalismo* and *dependencia*. These trends were supposed to help the region achieve prosperity in an independent way by breaking off the bonds of economic dependency. Latin America had been struggling against the domination of Spain and Portugal and after gaining independence, against new colonial empires, particularly Great Britain, looking for new spheres of influence. Even though this order

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was profitable for many of 19th century Latin American elite's representatives, many were searching a path to economic independence, demonstrating their nationalist and protectionist view on economy. The main objective of this paper is to study the connection between the 19th century trends in Latin American economic ideas and famous ideas of the 20th century *cepalistas* and *dependentistas*, which will be considered in the broader context of 19th century – an axial time not only for capitalist development, but also for its critique.

KEYWORDS: dependency, nationalism, capitalism, free trade, critique.

CREOLE: THE MULTIPLICITY OF DEFINITIONS

Latin American economic thought is well known for its contribution of *cepalismo* and *dependencia* to the 20th century international relations theory. The two trends were supposed to help the region achieve development and prosperity in an independent way by breaking off the bonds of economic dependency. Latin America had been suffering from being dominated, not only economically, for almost five centuries, struggling with domination of Spain and Portugal and then, after gaining independence, of new colonial empires, particularly Great Britain, looking for new spheres of influence. Even though this order was profitable for many of 19th century Latin American elite's representatives, many were searching a path to economic independence, demonstrating their nationalist and protectionist view on economy. The main objective of this paper is therefore to study the connection between the 19th century trends in Latin American economic ideas and famous ideas of the 20th century *cepalistas* and *dependentistas*, which will be considered in the broader context of 19th century, as an axial time not only for capitalist development but also for its critique. To serve well the given goal the following article is divided into four parts: the first, where main assumptions of centre-periphery and dependency theories will be considered, the second, which will allow to place discussed issues in the wider historical context, the third and the fundamental one, where the key concepts of López-Pellegrini school will be introduced, and the fourth where all similar-

ties will be pointed out and considered, also in the context of elementary changes in the international order taking place in 19th century.

THE MAIN ASSUMPTIONS OF CENTRE-PERIPHERY AND *DEPENDENCIA* THEORIES

Both centre-periphery and *dependencia* theories gained much popularity in many countries of global South, especially in the years 1950-1970. Firstly, of course, they were Latin American response to the Great Depression, which affected this region strongly, and a sign of disappointment with neoclassical economic theories which tended to heal the third world economies. Though the latter is commonly treated as an evolution of main statements of the first, there is a significant difference between them, being a result of a modernist approach characterizing the Prebischian theory. Neo-developmental assumptions of the CEPAL (where Prebisch was performing as a director) were about to create industrialized economies nearly identical to these of western countries. There was a strong belief that development is a way through the same, universal stages of development from traditional to modern society. If Latin America was considered as dualistic – in some structures traditional (mostly in agriculture), modern in others (mainly in Latin American infant industry), the only proper action was to strengthen and expand modern, capitalist sector. In the sixties though, modernization theory came into criticism from the intellectuals connected with dependency theory. Mainly, it was a result of import substitution industrialization strategy fiasco, which led to another stage of dependency of Latin American economies. As Ramón Grosfoguel points out, *dependentistas* considered the traditional-modern dichotomy as abstract or ahistorical and stage development process as incorrect. To them the case of Latin American underdevelopment was constituted through a relational process with development and was a specific experience coexisting with development simultaneously in historical time. Dependency was a characteristic of underdeveloped coun-

tries, relation of subordination in the international capitalist system, not a result of existing traditional structures of economy and society².

Even though the division between these two theories is significant, it is still possible to single out their common denominator. The centre-periphery dualism, introduced by Raul Prebisch is crucial for understanding the dependent development theory, and so, various approaches of dependency theory. According to Prebisch, world economy is divided by the principles of international division of labor into industrialized centre, which exports manufacturing goods, and agriculture peripheries, which export primary products. Taking into account Hans Singer's thesis, Prebisch formulated his theory of deteriorating terms of trade between peripheral Latin America and Western countries, where, in the course of time, the first was falling into relation of economic dependence with the latter, having its economy subordinated to the needs and demand of the centre³.

As the main prescription of CEPAL, namely import substitution industrialization, was rejected by *dependentistas*, Prebisch' key concept of centre-periphery remained topical and became basis of their later theories. As Gunder Frank claimed, the state of underdevelopment was a result of economic relations between less developed satellites and developed metropolis in the wider context of capitalist system expansion. Economic, political, social and even cultural institutions of the first one were perceived as the fruit of capitalist influences, even though, commonly underdevelopment was rather interrelated with the lack of capitalist principles. According to Gunder Frank, relations between satellites and metropolises (peripheries and centre) were the instrument of drainage of capital and economic surplus collected by satellites, as its structure is both agricultural and industrial. In the capitalist system though, every satellite's destiny is underdevelopment, and it may develop only when its ties with metropolises remain the weakest. In other cases

² R. Grosfoguel, "Developmentalism, Modernity, and Dependency Theory in Latin America", in: M. Moraña, E. Dussel, C. A. Jáuregui (ed.), *Coloniality at Large. Latin America and the Postcolonial Debate*, Durham/London 2008, pp. 319-320.

³ R. Prebisch, *The Economic Development of Latin America and its Principal Problems*, United Nations Department of Economic Affairs, Lake Success, New York 1950.

its development bears marks of “satellite progress” – it is neither self-generating nor self-perpetuating⁴.

Gunder Frank emphasized also another internal dimension of satellite-metropolis relations. According to him, the same relationship occurs in the structures of peripheral states, where industrial sector becomes a metropolis of hinterland and its society⁵. To remove these unfavorable ties, both on the national and international ground, Frank rejects continuous import of “sterile stereotypes” from the metropolis which do not meet with satellite’s reality and its liberating political goals. Instead, on the basis of his research, he proposes much more radical solution, namely, elimination of surrounding capitalist reality⁶.

Fernando Henrique Cardoso and Enzo Falleto agreed with Frank’s main theses, with one exception – they maintained that the development of underdeveloped countries is possible even within the capitalist system. While rejecting Frank’s solution, they were adducing examples of China, Cuba or Yugoslavia, which broke their ties with international market, but it didn’t bear prospective advantages⁷. Cardoso and Falleto, separated therefore two kinds of cases – of states which do not have any relations with industrial countries, and so they lack development at all, and of countries in the state of underdevelopment. The latter was perceived as a result of capitalist system expansion, which was visible mainly in structural features like strong concentration of income, low diversification of production and most of all the external market advantage over the inner. It was also visible, according to Cardoso and Falleto, in a complex of social features manifested by producers and consumer, which led to decision-making process in the context of economy appropriate to interests of the centre⁸.

Relations of social dependency were standing in the core of Cardoso’s and Falleto’s analysis, because they determined directions of develop-

⁴ A. Gunder-Frank, “Rozwój niedorozwoju”, in: R. Stemplowski (ed.), *Ameryka Łacińska. Dyskusja o rozwoju*, Czytelnik, Warszawa 1987, pp. 88-93.

⁵ Ibidem, p. 91.

⁶ Ibidem, p. 104.

⁷ H. Cardoso, E. Falleto, “Globalna analiza rozwoju”, in: R. Stemplowski (ed.), *Ameryka Łacińska. Dyskusja o rozwoju*, Czytelnik, Warszawa 1987, p. 139.

⁸ Ibidem, p. 137.

ment, understood as a result of interactions between social classes representing different interests and values. If economic concerns of peripheral governing classes were similar to those of foreign groups of interest, it would result in the situation of norms and hierarchies adoption, which led to creating models of consumption favoring import of consumer and capital goods. This type of pressure was perceived as a restraint for economic growth. According to both authors, the key condition of progress was therefore to support every socio-political behavior, which would increase the range of dependent country autonomy⁹. The perfect solution would be therefore progress based on state-developed industrial sector, involving social groups whose interests are meeting goals of progress, but which would be still related to international market. What is also really important, these solutions were supposed to meet historical and structural conditions of Latin American countries. On the ground of dependency theory it is emphasized that every state has its own characteristics, and according to which its exceptional features every political and economic action should be adapted.

As both theories are making deep economic analysis (which will not be quoted here), in the case of discussed issue it is important to emphasize their socio-political points, as well as general conclusions. Both centre-periphery and *dependencia* theories are looking for effective solutions which would put an end to the state of economic, political and social dependence being a result of international division of labor and expansion of capitalist system. They are perceiving peripheries as regions, which are not self-developing but rather are becoming centre's economic expectations, losing in that way their autonomy. It is therefore mostly emphasized to change the unfavorable division of labor order by developing industrial sector and changing consumers' habits so they could and would satisfy their needs on the national market.

⁹ Ibidem, p. 141.

19TH CENTURY LATIN AMERICAN ECONOMIC HISTORY – AN OVERVIEW

It seems to be possible to treat 19th century as a crucial time for Latin American economies to be shaped – it is visible both in continuity of their main features and many analogies between “then” and “now”. There are two key causes of this state of affairs, firstly – independence gained by many republics at the beginnings of 19th century which let these countries to connect with international market, and secondly, the industrialization process taking place in Europe which formed the international division of labor.

The decline of metropolis pushed the Latin American communities towards an unknown ground of direct contact with international market and foreign trade. Throughout the years of Spanish and Portuguese domination, colonies were forbidden to maintain trade relations with external nations, such as Great Britain. This situation caused discontent among both Latin Americans and European nations, where the former could not benefit from free market exchange as well as lacked many manufactured goods, which could be imported from Europe, and the latter were striving for new markets for their products. The dissatisfaction with this situation was fuelled also by liberal ideology spreading all over the continent after the American and French Revolutions. This emphasized not only political values but also economic ones such as free trade, private property and limited state apparatus. However, when the colonial domination was brought down it quickly turned out that emancipation lifted only political subordination, whereas social and economic relations, namely plantation system, characteristic of colonial period remained¹⁰. Liberal ideology fell therefore short of what was expected and desirable, so was the access to the international market and free trade. The economic disadvantages associated with the collapse of colonial rule, such as failure of fiscal system, outflow of capital and the tariff system applied on imports were far more noticeable than anticipated benefits¹¹.

¹⁰ H. Szlajfer, *Droga na skróty. Nacjonalizm gospodarczy w Ameryce Łacińskiej i Europie Środkowo-Wschodniej w epoce pierwszej globalizacji*, Instytut Studiów Politycznych PAN, Warszawa 2005, p. 158.

¹¹ V. Bulmer-Thomas, *The Economic History of Latin America Since Independence*, Cambridge University Press, Cambridge – New York – Melbourne 2003, pp. 28-29.

Albeit the period following independence wars was highly instable politically, many measures towards economic growth (not considered then as such) were taken. The economic debate of early 19th century was much more in favor of free trade than protectionism (these activities were of course present, but they will be discussed later on), however, the former was in fact far from liberal ideal. The main arguments were not about whether to tax trade but about the degree of taxation and the allocation of resultant revenues. Latin American economies lacked the resources to cover all expenditures, therefore tariffs and taxes seemed to be the only source of income. Although liberalism was the prevalent ideology, the balance of the budget was the economic priority to all governments, which is why being rather aware of protective functions of tariffs, the decision-makers all over the region have been taking this measure. Nevertheless, this system of the alleviation of fiscal crisis turned out also to deepen the weaknesses of already fragile local industrial sector and making export crucial to economic growth.

One could say that export-led growth based on the structure of Latin American economies is the relic of colonial period. In fact, it was the 19th century, which drove to the 20th century state. Dominant sectors of colonial economies, such as mining, collapsed together with colonial empires, and all efforts having in view their recovery proved to be insufficient. On that account, many traditional agriculture/mining exports were abandoned and substituted with new ones: coffee in Brazil, Colombia or Costa Rica, cacao in Venezuela and Ecuador, cattle and its by-products in Argentina (which was established shortly before independence) or guano in Peru. New branches of agriculture and mining together with the growing demand on such products in Europe led to the growth of Latin American export and improvement of net barter terms of trade, which enhanced import capacity and so increased revenues from taxes¹².

Advantages from export-led growth based on new products were broadened also as an outside effect of industrialization in European countries after 1850. The stable and rapid rise of their industries demanded a lot of raw materials, essential in the process of production and the increase in their in-

¹² *Ibidem*, p. 38. Compare with Frank (1974) and Stein (1979).

come widened demand for foodstuff, sometimes even as “luxurious” as coffee or cacao. The latter was also a result of shifting resources from agriculture to manufacturing and migration from rural to urban areas, connected with industrialization. With such changes, productive capacity of agriculture sector was decreasing, and so European countries had to respond to growing consumption with Latin American import. To do so many measures taken earlier to protect domestic agronomics were canceled, facilitating conditions of international trade, especially on the side of Latin America¹³. Together these external factors strengthened the significance of export based on agriculture sector to the economic growth of the region.

As one knows, economies based on export are highly vulnerable to fluctuations of supply and demand, which are very often dependent on military and political conditions both inside the country and outside it. So were the Latin American economies, which in many cases were characterized by non-diversified profile of exports, as for example Brazil, where more than 60% of foreign-exchange earnings came from the sale of coffee. As Victor Bulmer-Thomas states:

the evolution of the world economy offered a window of opportunity for primary-product exporters after 1850 that needed to be seized on early stage. The window would not remain open forever; indeed, it was never fully opened again after the First World War¹⁴.

After this special period, difficulties started to increase. Among many, one can mention internal factors such as exhaustion of means of production as in Ecuador or Venezuela, low price elasticity of supply, declining terms of trade, cycle vulnerability, or political factors such as civil wars in Mexico from 1857 till 1867 (with foreign intervention), the Paraguayan War in the years 1864-1870 or the War of the Pacific between Chile and united Bolivia and Peru between 1879 and 1883. In case of external factors, it is worth to mention trade depression, having its beginning in Central Europe and United States, which affected Great Britain through the period of almost fifteen years starting in 1873 and was mirrored in the imports and exports of

¹³ *Ibidem*, pp. 54-55.

¹⁴ *Ibidem*, p. 67.

Austria-Hungary, Belgium, Denmark and Italy. The decline of demand and prices of both primary products and manufactured goods provoked major economic problems in developed as well as underdeveloped countries. These factors, both political and economic, were in fact the strongest impulse during the 19th century to reformulate executed economic policies and let protectionist beliefs to arise.

CASE OF ARGENTINA: NATIONALIST/PROTECTIONIST APPROACH OF LÓPEZ-PELLEGRINI SCHOOL

Despite many difficulties and disadvantages, which were revealed in that time, 19th century seems to condition the economic path taken by Latin American states. However, as it did in 20th century, this mode of economic growth, its consequences and imperfections (especially underdevelopment of industrial sector) aroused many suspicions based on the protectionist and nationalist convictions¹⁵. Nevertheless, before these currents are discussed, it is

¹⁵ In Mexico for example, the tradition of appealing to protectionist means dates from the beginning of 19th century. It was 1830 when the Banco de Avi6 was established by Lucas Alam6n. This institution was supposed to promote industrialization as a creditor (it financed establishing of industries as well as buying necessary machinery), while the state was to execute protectionist policy towards some branches of industry, especially textile industry but also agriculture and breeding. Alam6n strongly supported an active and wide execution of protectionist policy, as being convinced that developing the industrial sector may serve as a guarantor of Mexican independence. His institution was active only for twelve years, struggling through all this time with financial problems, being dependent on tariff incomes. Its situation reflected the complicated position of Mexican state torn between popular protectionist policy and as the need to generate income (O. Guerrero, *El Estado y la administraci6n p6blica en M6xico*, INAP, M6xico D.F. 1989, pp. 435-461). Albeit all difficulties, Banco de Avi6 left the proof of its effectiveness, being responsible for developing mechanized textile industry, which should not be seen only as a temporary success (R. Potash, *Mexican Government and Industrial Development in the Early Republic: The Banco de Avi6*, Amherst 1983, pp. 177-179). In fact, the case of Mexico stands from other Latin American countries, whose industrialization measures were taken mostly to protect traditional economy from decline and instead led to quite significant developments in new industrial sector. Another similar and successful case is that of Paraguay in the middle of 19th century, where financial surplus allowed for such industrial investments as steelworks, arsenal, railway lines as well as diversification of agricultural production. Due to the Paraguayan War there is however, hardly any evidence of executed policy efficiency (H. Szlajfer, *Droga na skr6ty...*, op. cit., p. 205). While provided examples of pro-

worth paying some attention to influential thought of Friedrich List (to whom, some say, Alexander Hamilton was a role model), a pioneer of protectionist approach. Both Hamilton and List were opposing to Smith's idea of universal benefits stemming from free trade. To List it was necessary to focus rather on modes of accumulation of wealth than on wealth itself, which is why he took into consideration many measures contradictory to liberal ideology, only if they suited a superior goal – namely multiplying the wealth and moving through the stages of progress. While the nation developed some basic industrial structures, it was necessary, according to List, to protect it from disproportionate competition of stronger foreign industries. On the contrary, when it has reached the highest stage of progress, the state should move towards free trade. It was supposed to be a sacrifice, due to the gain in productive power in the future. This was perceived as the only mean to even out the chances of nations standing on different stages of progress – if free trade remained the only rule in the international economy, less developed countries would become subordinated to predominant manufacturing, commercial and naval power of those more advanced¹⁶.

There is no doubt that Listian statements had much influence on protectionist/nationalist approaches of such people like Vicente Fidel López, Rufino Varela or Carlos Pellegrini from Argentina. However, their approach, which stands in the core of this article, was also a result of unusual ties of their country with Great Britain. According to Gallagher and Robinson, Argentina was a subject to British “imperialism of free trade”. A rapid process of industrialization taking place in Great Britain at the beginning of 1800s increased demand both for new markets for their products and for raw materials necessary to their production. “Partners”, which perfectly fitted British requests, were found among less developed countries like Argentina. Great Britain could collaborate with its governments, first by supporting their independence and then by providing essential means for free trade, as well as

tectionist convictions were perceived as a response for backwardness and even as a mean of establishing independence, they cannot be compared with *cepalismo* or *dependencia* theories, as they are not backed with any specific view of international order. That is why it is important to focus on López-Pellegrini school.

¹⁶ F. List, *National System of Political Economy*, J. B. Lipincott & Co, Philadelphia 1856.

disseminating the principle itself¹⁷. In case of Argentina, Great Britain recognized its independence by signing a commercial treaty with it (more precisely with Buenos Aires) and was engaged in building infrastructure which led to gearing the country to the world economy as an exporter of primary goods. Additionally, the model of investments supplementing pro-export orientation was developed in the bosom of Latin American countries, which mobilized substantial financial resources, both private and public, to expand exports sector, with its backroom, instead of developing industrial sector¹⁸. In the end, in the years of most rapid growth of British and other European economies, “cooperation” with Great Britain turned out to be a lucrative and tempting business even for Argentinians.

Tightening ties between both countries let know of themselves especially in the age of trade depression, which affected Great Britain’s financial market in 1873. European trade depression led to a significant fall of Argentina’s products prices and a drop in foreign investments. Both import and export from and to Great Britain declined by 37%, which in conjunction with progressive impoverishment provoked many mercantile and banking bankruptcies, the collapse of numerous companies and the reduction in government income. As capital outflow became a fact, government started to withdraw significant sums from national deposit to cover the budget gap and the import costs. The situation was worsening quickly, as solvency began to fade away. Banks were forced to cut short the issue and to reduce credit as gold reserves diminished. Among many bankrupted institutions one can mention Banco de la Provincia, Banco Nacional or Banco Hipotecario de la Provincia de Buenos Aires and private organizations such as Banco de Londres y Río de la Plata, Banco Argentino (which immobilized almost 8 million *pesos fuertes* (convertible currency in circulation from 1821 to 1881), Banco Mercantil, or Banco de Italia y Río de la Plata¹⁹.

¹⁷ J. Gallagher, R. Robinson, *The Imperialism of Free Trade*, *The Economic History Review*, vol. 6, no. 1 1953, pp. 7-10.

¹⁸ H. Szlajfer, *Droga na skróty...*, op. cit., p. 200.

¹⁹ J. C. Chiaramonte, *Nacionalismo y liberalismo económicos en Argentina, 1860-1880*, Solar/Hachette, Buenos Aires 1971, cap. V.

These events involved a nationalist/protectionist approach formulated by Vicente Fidel López and his “economic school” into political discussion. Its engagement was widely visible mainly in the years 1875 and 1876, when the prescription for the crisis was sought and proposed Ley de Aduana has been discussed, and in the years of Pellegrini presidency (1890-1892). As it was emphasized earlier, López’ (and community of Faculty of Political Economy at the University of Buenos Aires) statements were not simply protectionist but also, if not mostly, nationalist. It was nationalism, which stood in the opposition towards executed liberal policy, and to achieve goals outlined by López, it made use of protectionist approach, stressing process of industrialization, as the only mean of breaking the bonds of economic dependency to Great Britain, an effect of free trade. This principle, perceived as the characteristic of international market, has been attacked by protectionists very methodically. Such dubious freedom was described as leading towards ruin and permanent crisis, as suiting well only highly industrialized countries, which by using this principle, could get what they needed – namely raw materials, at the same time preventing the change of economic *status quo*²⁰. To López such order meant only:

Those territories of new countries are dependent from industrialized countries; that countries without industrial sector are sold at the paltry price to countries that have it, and that their societies oscillate between labor and production crises, being unable to stop them or to become independent in this subjection, where they must remain²¹.

Similar statement was presented by Rufino Varela:

It is very beautiful (...) to speak of free trade (...). This word freedom (...) is so beautiful! But we must understand freedom. For the English who favor free trade, freedom is to allow English factories to manufacture the foreign products, to allow the English merchant to sell the foreign product. This type of freedom transforms the rest of the world into tributary countries (...). But I do not understand free trade in this manner. By free trade I understand an exchange of finished goods for finished goods. The day our wool can be exported not in the form of a raw material, but rather as a finished frock coat in exchange for England’s iron needles or clock strings, than I would accept free trade (...). But if free trade consists of sending our

²⁰ Ibidem, cap. IV.

²¹ Speech by Vicente López in 1873, H. J. Cuccorese, *El pensamiento económico industrial proteccionista de Carlos Pellegrini*, Vol. 12, Económica, La Plata 1966, p. 52.

wool (...) so England may wash it (when I speak England I also mean Europe and the rest of the world), manufacture it, and sell it to us through English merchants, brought on English ships and sold by English agents, I do not understand; this is not free trade, this is making a country that do not possess this industry a tributary country²².

The principle of free trade and the fact of its implantation were also accused of degeneration of Argentinian productive efforts and social advancements, depriving the state of raw materials, which could have been germs of incipient industry²³, and of uneven economic and social development of particular regions of the country, which was observable both in the scale of entire territory and regionally. Interior provinces could not develop, even while producing primary goods for export – incurred costs of transportation to the coast were too large, so their products could not compete with goods produced in Buenos Aires or Entre Ríos provinces. However, similar problems were visible also in places as developed as Buenos Aires. The city was built for huge tax incomes, but its infrastructure corresponded only to requirements of export led growth – outside the dockland, city was almost deserted²⁴.

Taking into account all the disadvantages brought with the principle of free trade, López and his followers applied for protectionist measures to achieve their nationalist goals. Vicente López proposed a state promoted industrialization program tailored to historical conditions of Argentina, its needs and characteristics. It assumed mainly protection of those industrial branches of which Argentina was a producer with advantage over all other countries and promotion of industrial labor so the transformation was not superficial²⁵. This strategy was about to convert the country into a political power, based on economic factors. A basis to these measures was López' conviction of the industrial countries superiority over the agriculture ones and of the principles dependence on internal conditions of system into which they are implemented. According to him, every society went its own way,

²² Speech by Rufino Varela in 1876, Grosfoguel, op. cit., p. 312.

²³ O. Popescu, *Studies in the History of Latin American Economic Thought*, Routledge, London – New York 2003, p. 245.

²⁴ H. J. Cuccorese, *El pensamiento económico...*, op. cit., p. 52.

²⁵ O. Popescu, *Studies in the History...*, op. cit., p. 245.

and this taken path determined its social, economic and political reality. All of these factors must have been captured and examined in the end, because every policy or action must take them into account to perform fruitfully²⁶. So was the industrialization strategy developed mainly by López' follower Carlos Pellegrini.

Pellegrini shared most, but not all, of López' economic statements. He believed that promotion of industrialization might be the only effective prescription for Argentina's dependency. Undertaken actions were about to protect local industry, so that private initiatives in this branch became much more frequent and secure, while competing with imported goods. This measure has been seen, however, both by López and Pellegrini, as temporal. They were following the example of United States or Australia, which took protectionist policy as they remained underdeveloped, and adhered to it until they could compete in international market with developed countries on equal terms²⁷.

According to Pellegrini it was the state who was supposed to be responsible for encouraging industrialization, using as a main mean import taxation (Pellegrini declared his support for the bill prepared by Chamber of Deputies, which lodged import tax amounting 20% of import value). While most of industrial products consumed at that time in Argentina were imported from manufacturing countries, the situation of local infant industries was unfavorable, as the costs of their production were too high to let them compete with European products. High import tax would increase the price of imported goods, making local production at the same time much more competitive. To achieve the goal it was also necessary, as it was emphasized earlier, to change national consumption habits, which were based both on affordable prices of foreign goods and on belief that their quality is much better in comparison to local production²⁸. As López stated in 1873, new strategy's attention must have been fundamentally placed on products of poor condition, like sugar, coffee, indigo, or textile industry so they could become

²⁶ J. C. Chiaramonte, *Nacionalismo y liberalismo...*, op. cit., cap. VI.

²⁷ H. J. Cuccorese, *El pensamiento económico...*, op. cit., p. 53.

²⁸ *Ibidem*, p. 56.

much more attractive to local consumers both in price and quality aspects. This mean was also important due to the need of evening out differences between provinces, as it referred mostly to interior regions like La Rioja, Catamarca or Cordoba²⁹.

Albeit Pellegrini has been well aware of the disadvantages of proposed strategy, he convinced that its benefits will exceed losses. It was common knowledge that at the beginning these measures will not act in favor of consumers because infant industries will dictate prices far from fair ones. Until the country will not achieve the highest state of development, this will have to be the cost worth incurring on the path towards massive advantages of maximal production and full employment³⁰. Protectionism was therefore supposed to reduce negative influence of free trade on Argentinian economy, up to the moment of its maturity which would lead to full and liberal connection with international market. As Pellegrini epitomized it:

Free exchange is the ultimate aspiration of industry that can only find in it its full development, as the plant searches for free air to grow and have a leafy crown. But, from the fact that the plant needs fresh air to achieve its greatest growth, do not deduce that we should not shelter it upon birth, because what is an element of life for a growing tree, could be an element of death for a newly-born plant. If free trade develops the industry that has acquired certain vigor, and permits it to achieve all the splendor possible, free trade kills the infant industry³¹.

That is why protectionist measures were perceived only as temporal, and why the proposed policy may not be seen only as protectionist. All actions were subordinated to nationalist goal, which assumed total, political and economic independence of Argentina. There is no doubt that the ideas of List had wide influence on López' economic school statements (López used a book written by Henri Richelot, a translator of List's and Macleod's works and their admirer, as a textbook), but their acquaintance do not make them protectionist. On the contrary, it is crucial to pay attention to the ideological surrounding, which reduced Listian protectionism only to the role of a tool. In case of presented approach, one rather needs to emphasize the concepts of Argentina's dependency, the lack of consent for its role in international divi-

²⁹ O. Popescu, *Studies in the History...*, op. cit., p. 245.

³⁰ H. J. Cuccorese, *El pensamiento económico...*, op. cit., p. 58.

³¹ Speech by Carlos Pellegrini in 1875, O. Popescu, *Studies in the History...*, op. cit., p. 247.

sion of labor, impoverishment due to the worsening terms of trade, from which, among others, all economic convictions stemmed.

CONCLUSIONS

There is hardly any evidence of Prebisch's or his follower's acquaintance of López' and Pellegrini's statements. Oreste Popescu, a Romanian researcher of Latin American economic thought, points out that although Alejandro Bunge or Raul Prebisch did not leave any record of having read López' works, they "clearly confirm the basic postulates of his doctrine"³². To tally with Popescu's statement it is worth to emphasize some distinct similarities between discussed theories. Both approaches were ascribing fault for unfavorable position of Latin American countries to capitalism and its principles like free trade, deriving a state's position in international order from its place in international division of labor, using terms dependent, subordinated, tributary in relation to own situation or giving similar prescriptions for their problems, namely developing industrial sector. They share also a strong belief in historicism accuracy in socio-economic research, and a need of adapting general principles to unique social, political, economic and cultural conditions of a given country. However, one needs to remember that discussed analyses vary in the aspect of profoundness. While both approaches are based on similar assessment of economic Latin American reality, Prebischian statements are a kind of deep analysis considering various financial ratios. On the contrary, López' school provides rather superficial interpretation which serves in his nationalist policy.

Nevertheless, even this basic similarity leads to broader conclusions, confirming (in my opinion) the hypothesis of 19th century as the axial time for making modern international relations. Centre-periphery, dependency theory, as well as López' approach were all consequences and "outside European" responses to a new world capitalist order, international political system and unfavorable position of Latin American countries in it. The external

³² *Ibidem*, p. 249.

conditions of their existence survived almost unchanged from the time of their formulation, in the middle of 19th century, until at least 1950s. Therefore, there were the outside effects of processes taking place in Europe and quality of ties in global economic and political system. The new ideology of profit accompanied with European industrialization process formed patterns of economic international relations as well as internal conditions of Latin American economies to be formed, which were essential for defining the main statements of discussed approaches. These conditions were also standing guard over a new economic order – it was “self-preserving” as long as supporting export-led growth turned out to be so profitable. As we know, despite all critique provided by López or Pellegrini, Argentina continued export of agrarian products and neglected industrial developments.

In this case, however, there is no doubt that critical statements over destructive results of capitalist system expansion and unfavorable position of Latin American countries in international division of labor should be derived from 19th century, even though the first strategies of López and Pellegrini were not reflected in then policy (it is worth to emphasize that Pellegrini served for two years as a President of Argentina, and López was a Minister of Finance). Found similarities may be also a proof that changes taking place in 19th century were crucial for today Latin American position in international order.

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