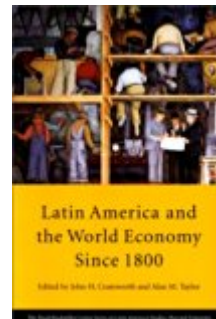


**John Coatsworth, Alan Taylor, eds..** *Latin America and the World Economy since 1800*. Cambridge, Mass.: Harvard University Press, 1999. xv + 484 pp. \$49.95, cloth, ISBN 978-0-674-51280-1.



**eds John H. Coatsworth and Alan M. Taylor.** *Latin America and the World Economy Since 1800*. Cambridge: Harvard University Press, 1999. xv + 484 pp , , .

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## Data to the Rescue

The evaluation of Latin America's economic performance remains a complex historical matter, particularly the issue of the region's *atraso*, its material backwardness in relationship to the powerful capitalist industrial societies of the North Atlantic and now East Asia. As John Coatsworth notes in his lead essay in *Latin America and the World Economy Since 1800*, "The economic history of modern Latin America addresses two fundamental questions: First, why did the region fail to achieve sustained economic growth before the last quarter of the nineteenth century? Second, why has the region failed to grow fast enough to catch up since then" (p. 23)? History has not yet supplied reliable answers to these questions, in part because of, as this volume makes clear, the "underdeveloped" state of source materials and basic research in Latin American economic history.

The explanations for Latin American underdevelopment offered by polemicists and politicians are not likely to satisfy modern economic historians, falling as they do into simplifying polar oppositions--casting the blame on external imperialists and their domestic allies as in the case of Eduardo Galeano or decrying the supposedly poor values of Latin Americans as in the views of Mario Vargas Llosa, Lawrence Harrison, or Michael Novak (or the recent comments on Argentineans by U.S. Treasury Secretary Paul H. O'Neill: "They've been off and on in trouble for 70 years or more. They don't have any export industry to speak of at all. And they like it that way. Nobody forced them to be what they are.")<sup>[1]</sup>

The dimensions and causes of Latin American material backwardness constitute the central concern of co-editors Coatsworth and Alan Taylor. They note that all the big questions in the region's economic history are comparative: "Why was Latin America underdeveloped (relative to

where)? Why did Latin America grow slowly (compared to where)? Why did it go protectionist (more than where)? Which institutions were peculiar (which not uncommon)" (p. 12)? Like the participants in another recently edited collection entitled *How Latin America Fell Behind*, the authors of the fifteen essays in *Latin America and the World Economy Since 1800* explore the historical characteristics of Latin American underdevelopment through the approaches of the "new economic history," defined by one of its principal protagonists as "the study of the technological and institutional sources of growth." [2] In the view of its practitioners, the new economic history distinguishes itself by its interdisciplinary outlook, its concern with the rigorous application and testing of economic theory, and its determination to base all interpretation upon empirical findings.

Coatsworth and Taylor argue that the essays in their volume demonstrate how much the new economic history has come into its own in Latin America after earlier gaining ascendancy in U.S. and European economic history. While they do not dismiss the work of earlier writers on Latin American economic history, the co-editors hope that "this book can serve to mark the moment in time when this field achieved some kind of critical mass" (p. 1). They argue that a new generation of scholars is now firmly poised "at this exciting moment in the study of the economic aspects of Latin American history" (p. 1) to "establish the methods of quantitative economic history as the main lens through which many of the key analytical issues in the development of Latin America should be viewed" (p. 3).

The work of these scholars is, in their view, now "rapidly transforming the field of Latin American economic history with research of a new character" (p. 3), research rooted in an extensive accumulation of primary data. The co-editors consider the information-gathering tasks of the new scholarship vital to the goal of making the field of Latin American economic history as ac-

complished as U.S. or European economic history. "The enormous scope for work here cannot be exaggerated," they assert. "Latin American economic history is now, at its core, a mass of new and old theories and hypotheses drawn from economics and history in need of validation or rejection, that is, in search of data" (p. 4). True to this mandate, the essays from *Latin America and the World Economy Since 1800* distinguish themselves by their use of new primary material, some of it archival in origin, on capital stocks, prices, wages, exchange rates, financial movements, returns on investment, and other basic information relevant to understanding Latin American economic performance in the nineteenth and twentieth centuries.

As a group, the essays of this volume remain engaged in laying the building blocks for the construction of Latin American economic history. (Offering a metaphorical reflection of this overriding purpose, the cover of the paperback edition features Diego Rivera's 1931 San Francisco mural, "The Making of a Fresco Showing the Building of a City.") As befits a scholarship highly conscious of its limitations, most of the authors act cautiously when it comes to matters of generalization. Only six of the fifteen essays attempt any form of systematic transnational comparison. Were academic works subject to truth in labelling legislation, a more accurate, albeit far less inspiring, title for the book would be *Fundamental Work in Progress on Selected Aspects of Latin American Economic History*. Just three essays--Coatsworth's opening piece on the "Economic and Institutional Trajectories in Nineteenth-Century Latin America," Michael Twomey's "Patterns of Foreign Investment in Latin American in the Twentieth Century," and, to a lesser extent, Andr Hofman and Nanno Mulder's "The Comparative Productivity Performance of Brazil and Mexico, 1950-1994"--concern themselves with Latin America as a whole.

Twelve of the fifteen essays deal with Argentina, Brazil, and Mexico, mostly during the years between the mid-nineteenth century and World War II. Chile, the Andes, and the small countries of Latin America are entirely absent. Only an essay on Cuba--Alan Dye's "Why Did Cuban Cane Growers Lose Autonomy, 1889-1929"--offers any coverage of the Caribbean. Other than in Coatsworth's survey of the colonial economy, such "social history" subjects as racial, ethnic, or gender differences have not yet crept into the economic analysis. Clearly, as the editors recognize, "with just the beginnings of a scholarly assault on the problems in hand, Latin American economic history has a busy future ahead" (p. 12).

Nor do class distinctions--another social history subject--figure prominently, although they do appear here and there in the volume. Dye's findings do illustrate the revisionist possibilities of the new economic history for the study of property relations in historic Latin American export sectors. He concludes that more restrictive contracts between the sugar mills and the sugar growers emerged in Cuba not out of coercion, but out of the technological production requirements of the modernizing mills. He examines the *colono* system as "an organization response to technical change in sugar manufacturing that altered the benefits and costs of integrated versus specialized production of the raw material, sugar cane" (pp. 324-5). After a close examination of *colono* contracts, he argues that while growers lost autonomy, they gained guarantees against opportunism by sugar mill management, and they benefited from productivity gains in the industry.

What broad summary statements can be made about the contents of this volume? The essays in *Latin America and the World Economy Since 1800* are so rich in detail--Hofman and Mulder even refer to their chapter as a "growth accounting exercise" (p. 106)--that they do not readily admit to synopsis. Nevertheless, through an admitted oversimplification, we can make five gen-

eralizations about the material in the fifteen essays.

1. Latin American underdevelopment rests heavily upon the historical legacy of the eighteenth and nineteenth centuries, a long period during which Latin America lost ground to the rapidly growing economies of the North Atlantic. Most of Latin America lacked the high per-capita access to international trade that was vital to growth. Carlos Newland's essay, "Economic Development and Population Change: Argentina, 1810-1870," shows how the pastoral economy of the Argentine littoral could export and grow even without railroad transport, a type of exception that reinforces Coatsworth's assertion that "Latin America stagnated for most of two crucial centuries because economic institutions distorted incentives and high transport costs left most of the region's abundant natural resources beyond the frontier of profitable exploitation" (pp. 23-4).

Latin American growth rates in the twentieth century once again gained a level of respectability that kept the relative gap with the United States roughly steady. (Naturally the positions of countries within Latin America shifted over time. Argentina acted as a growth leader in the nineteenth century, Brazil in the twentieth. Mexico and Brazil both gained ground on U.S. productivity levels in the generation after World War II, but this trajectory of catching-up collapsed after 1982.)

2. Much of the scholarship in *Latin America and the World Economy Since 1800* emphasizes the importance for Latin American long-run growth of the technological modernization and institution building that took place between the middle of the nineteenth century and the Great Depression. Echoing some of the conclusions of earlier work on Mexico by Coatsworth, Sandra Kuntz Ficker, and others, William Summerhill, "Railroads in Imperial Brazil, 1854-1889," finds appreciable levels of economic gain deriving from rail operations, leading him to depart from the conclusions of earlier writers like E. Bradford

Burns and Fernando Henrique Cardoso that railroads had distorted Brazil's economy, squandered financial resources, and benefited only a narrow planter class.[3] "Conservative estimates of the railroad's social savings on freight in 1887 run in excess of 10% of gross domestic product (GDP). In an economy undergoing relatively little per capita income growth, the railroad substantially boosted the level of economic activity... [and] the costs of using foreign capital and inputs in constructing and operating railroads were a good deal less than the benefits" (p. 384).

Essays by Stephen Haber, Anne Hanley, and Gail Triner on Brazilian financial market regulation and industrial productivity growth, the Sao Paulo stock market, and banking and money markets in Brazil respectively all find an institutional strengthening that reinforced gains that could be had from transport improvement. Haber sees modern state legislative and regulatory measures after 1890 as vital to the underwriting of stability in capital markets, making investment funds available that contributed to increased productivity in textile manufacture. Hanley argues that while the Sao Paulo stock market would remain relatively small over the course of the twentieth century, its emergence in the generation before World War I enabled a "financial big bang" (p. 131) for domestic industrial capital formation that was crucial to some of Brazil's largest and oldest firms. Triner traces the role of the Banco do Brasil in helping to integrate the country's regional economies and financial markets during the First Republic, a centralizing trend that echoes Haber's and Hanley's assertions about the longer-term significance of the private and public policies undertaken during this time period in Brazil.

3. Two other essays--Hofman and Mulder's look at productivity in Brazil and Mexico and Twomey's survey of foreign investment in twentieth-century Latin America--reinforce the attention given by Haber, Hanley, and Triner to capital formation. While suffering from an excessive re-

luctance to draw interpretive generalizations amid its welter of data, the former concludes that "increments in the capital stock were the major force behind economic growth in Brazil and Mexico" (p. 106) in the generation after 1950. In the latter, Twomey opens up many avenues for further exploration by painstakingly constructing ratios of different forms of foreign investment--portfolio, direct, and non-railroad direct--to population and GDP. His data show the prevalence of a U-shaped pattern of foreign investment--a peak in the late nineteenth-early twentieth century, a trough thereafter, and a subsequent rise again after World War II. He argues that this trajectory derives from the drop in foreign rail investment in the early twentieth century and the rise in loans after 1973. Even as Latin American politics debated the presence of widespread foreign investment, Twomey finds that the ratio of direct foreign investment to GDP actually fell after 1950 while its per-capita measurement stayed flat. He contends that changes in sectoral patterns of investment offer better explanations for these trends than import substitution policies. Over the course of the twentieth century, "the general trend of direct foreign investment has been downward relative to income and, probably, total capital stock. The contemporary policy implication would be that factors *reducing* direct foreign investment... are outweighing factors *increasing* foreign direct investment..." (pp. 192, 194).

4. Four essays--Gerardo della Paolera and Alan Taylor on Argentine finance in the interwar period; Daniel Diaz Fuentes' comparative study of the gold standard in Argentina, Brazil, and Mexico between the world wars; Graciela Marquez's look at tariff protection in Porfirian Mexico; and an analysis of stock returns in Argentina between 1900 and 1930 by Leonard Nakamura and Carlos Zarazaga--illustrate the complexities and the importance of financial markets and currency values. Through an exercise in detailed historical measurement, Marquez finds that tariff protection became significantly more important for do-

mestic industry in Mexico after the monetary reform of 1905 removed the inherent protection offered by the continual depreciation of silver. Diaz Fuentes illustrates the diverse reasons for actions taken by the three Latin American governments with regard to the fledgling international attempt to restore the gold standard. None of the three countries established their policies in response to the advice of the foreign "money doctors" of the period. For all three countries, the abandonment of the gold standard by the United States in 1933 proved beneficial, opening the way to policies that allowed greater currency stability.

The essays of della Paolera and Taylor, on the one hand, and Nakamura and Zarazaga, on the other, offer differing opinions in the existing historical debate over Argentine economic performance during the interwar years. The latter argue that Argentina between the wars was able to enter international capital markets at reasonable rates, a finding that points in the direction of Carlos Diaz Alejandro's view of a relatively strong Argentine economy after World War I. The findings of della Paolera and Taylor, however, tend toward Taylor's earlier views of Argentine economic performance having peaked in 1913. They see Argentina as a savings-scarce country with a high reliance upon foreign capital investment that proved less forthcoming after the start of World War I. Argentine banks after 1914 had to narrow their lending toward safer, short-term patterns that could not fulfill the void left by the lower rates of foreign capital participation.

5. A fifth thread that runs ever so lightly through this volume bears serious implications for the field ambitions of the practitioners of the new Latin American economic history. Coatsworth remarks that the great increase in social inequity in Latin America in the late nineteenth and early twentieth centuries operated in accord with Simon Kuznets' suggestion that inequalities in wealth and income tend to worsen in the early stages of modernization. Newland's

analysis of the widening economic gap between the Argentine littoral and the interior in the nineteenth century and Triner's remarks on how the centralizing actions of the Banco do Brasil geographically and socially concentrated financial power follow this theme. But Coatsworth also notes that "Kuznets would also have predicted a countertendency back toward greater equality long before the region attained its current level of per capita GDP" (p. 43). That certainly has not happened, however much Latin America has grown over the past century through the export era, the period of import-substitution, and now the age of "neoliberalism."

Two essays in *Latin America and the World Economy Since 1800* suggest the severe limitations of the ability of social policy to alter economic inequalities, albeit in somewhat special circumstances. Lee Alston, Gary Libecap, and Bernardo Mueller in "Property Rights and Land Conflict: A Comparison of Settlement of the U.S. Western and the Brazilian Amazon Frontiers" suggest that the lack of firm property rights in Brazil increases violence, discourages investment, and environmental destruction.

Aurora Gomez-Galvarriato's study of "The Evolution of Prices and Real Wages in Mexico from the Porfiriato to the Revolution" effectively demonstrates that worker real incomes fell appreciably after 1907, deteriorated further under the pressures of domestic inflation during the years of revolutionary fighting, temporarily regained their 1907 levels under reform pressures in 1917, and then fell back again.

Some analysts regard Latin American inequality not only as a social and political danger, but one that actually undercuts the current potential economic performance of the region.[4] Clearly the new Latin American economic history will have to engage centrally with the social issues attendant in the region's historical economic performance. The participants in *Latin America and the World Economy Since 1800* operate with method-

ologies that they have thus far employed more extensively with the "business" side of economic history than they have with the "social" side. Yet these same techniques can be used to ferret out data on wages, income distribution, consumption patterns, gender differences in economic outcome, and other matters clearly vital to any appreciation of the historic dimensions and causes of Latin American underdevelopment. The field needs to move beyond passing rhetorical references to human capital investment toward detailed analysis of why Latin American inequalities remain among the worst in the world despite the economic growth patterns of the twentieth century and despite the concerted revolutionary efforts made in some parts of Latin America in favor of more egalitarian social change.

Inevitably, these imperatives will begin to test the boundaries and the methodologies of the new Latin American economic history. In the early 1960s, the Mexican economist Victor Urquidí wrote, "It is not easy to isolate the economic factors. In fact, it would be a mistake to ignore the social and political setting in which the problems of Latin American economy evolve."<sup>[5]</sup> Urquidí's comments remain even more true today and, in fact, require the healing of a major breach that has emerged in Latin American historiography between the practitioners of the "new economic history" and the "new cultural history." The former fault the latter for projecting inscrutable vocabulary, incoherent concepts, and unverifiable conclusions on to historical subject matter.<sup>[6]</sup> In the main, the latter ignore the former almost entirely.

Florencia Mallon, however, has suggested the need, rightly I think, for a "serious dialogue among contradictory methodological and epistemological traditions."<sup>[7]</sup> The historical causes and consequences of Latin American *atraso* would provide an ideal arena for such a dialogue to take place. Both historiographical traditions need each other. How can analysis of the impact of foreign

investment, for example, do without questions of culture? How can cultural studies talk about subalterns and globalization without greater awareness of systematic economic analysis?

In the end, the need for data implies measurement, and measurement implies judgment over standards. Inescapably, the new economic history will encounter its connections to the age-old questions of how to categorize Latin American society that originated in the early colonial era when European conquerors first attempted to describe the "other," and when their immediate descendants sought to define the character of their American homelands. Ever since, affirmations of local identity in Latin America—from the independence wars to the Chiapas rebellion and other present-day manifestations of indigenous self assertion—have inevitably found themselves engaged—and often in conflict—with the material, political, and sociocultural standards emanating from the "developed" world.

Colombian novelist Gabriel Garcia Marquez lamented in his 1982 Nobel prize speech that Europeans still lacked a "valid means to interpret us. It is only natural that they insist on measuring us with the yardstick that they use for themselves, forgetting that the ravages of life are not the same for all, and that the quest of our own identity is just as arduous and bloody for us as it was for them."<sup>[8]</sup> The greatest challenge to the new Latin American economic history will not consist in the collection of data so much as the judgments made with that data. Scholars of Latin America's economic history will have to thread their way rather carefully between a false regional exceptionalism that avoids outside standards of comparison and measurement and an equally false global straightjacket that applies external criteria without regard to Garcia Marquez's lament. A serious dialogue between the new economic and the new cultural histories would considerably help in that task.

Notes

[1]. See, for example, Eduardo Galeano, *The Open Veins of Latin America. Five Centuries of Pillage of a Continent*, trans. Cedric Belfrage (New York: Monthly Review Press, 1973); Mario Vargas Llosa *et al*, *Guide to the Perfect Latin American Idiot*, trans. Michaela Lajda Ames (Lanham, Maryland: Madison Books, 2000); Lawrence E. Harrison, *The Pan-American Dream: Do Latin America's Cultural Values Discourage True Partnership with the United States and Canada* (New York: Basic Books, 1997); Michael Novak, *The Catholic Ethic and the Spirit of Capitalism* (New York: Free Press, 1993); and Larry Rohter, "Argentina and the Aid Next-Door," *New York Times*, 12 August 2001, WK3.

[2]. Stephen Haber, "Introduction: Economic Growth and Latin American Historiography," in *How Latin America Fell Behind. Essays on the Economic Histories of Brazil and Mexico, 1800-1914*, ed. Stephen Haber (Stanford: Stanford University Press, 1997), 5.

[3]. See, for example, John H. Coatsworth, *Growth Against Development. The Economic Impact of Railroads in Porfirian Mexico* (Dekalb: Southern Illinois University Press, 1981) and Sandra Kuntz Ficker and Paolo Riguzzi, coords., *Ferrocarriles y vida economica en Mexico (1850-1950). Del surgimiento tardio al decaimiento precoz* (Zinacatepec, Estado de Mexico: El Colegio Mexiquense, Universidad Metropolitana Xochimilco, and Ferrocarriles Nacionales de Mexico, 1996).

[4]. See, for example, Inter-American Development Bank, *Facing Up to Inequality in Latin America. Report on Economic and Social Progress in Latin America, 1998-1999* (Washington: IADB, 1998).

[5]. Victor L. Urquidi, *The Challenge of Development in Latin America*, trans. Marjory M. Urquidi (New York: Praeger, 1964), ix.

[6]. See Stephen H. Haber, "The Worst of Both Worlds: The New Cultural History of Mexico," *Mexican Studies/Estudios Mexicanos* 13.2 (Sum-

mer 1997): 363-383; Stephen H. Haber, "Anything Goes: Mexico's 'New' Cultural History," *Hispanic American Historical Review* 79.2 (May 1999): 309-330; and Susan Migden Socolow, "Putting the 'Cult' in Culture," *Hispanic American Historical Review* 79.2 (May 1999): 355-365.

[7]. Florencia E. Mallon, "Time on the Wheel: Cycles of Revisionism and the 'New Cultural History,'" *Hispanic American Historical Review* 79.2 (May 1999): 351.

[8]. Gabriel Garcia Marquez, "The Solitude of Latin America," Nobel lecture, 8 December, 1982, <<http://www.nobel.se/literature/laureates/1982/marquez-lecture.html>> (20 August 2001).

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