

POLI 332. Politics and Governments of Latin America

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Session 3. Economy and Society in Post-Independence Latin America

Plan of the lecture

1. The Struggle for independence
2. The 19th Century in Latin America
 - Politics: Implosion of sovereignty and centrifugal forces
 - Society: Conservatives vs. Liberals
 - Economics: Free trade, export-led growth, credit crunch and public debt, state capture of commodities
3. Oligarchical Republics:
 - Brazil
 - Argentina
 - Mexico
 - Central America

Wars of Independence:

- **KEY: French Revolution and Napoleonic Wars**
- In most cases, no popular mobilization, mostly a struggle between creole elites seeking political autonomy and Spanish representatives defending an Absolutist Monarchy.
- **Mexico and Central America:** massive popular mobilization in 1810-11, scattered into guerrilla war after that; independence is finally negotiated in 1821.
- **Spanish South America:** creole urban elites form juntas in Río de la Plata and Venezuela and send expeditionary forces to liberate other territories (1807-1811); Viceroyalty of Peru remains strong and fights back; José de San Martín and Bernardo O'Higgins attack Peru by sea from Chile, Simón Bolívar attacks from the North. Royalist armies are completely defeated by 1826.
- **Brazil:** French invasion forces the Portuguese court to move to Río de Janeiro (1807). In 1820 a liberal revolution started in Portugal, the King returns leaving his son in charge of Brazil. Facing the threats of a republican revolution, Dom Pedro declared the independence in 1822.

The 19th Century in Latin America: Politics

- Collapse of Sovereignty and massive destruction
- Centrifugal forces: strengthening of local elites
- Usually the Catholic Church is the only institution with presence in the entire territory
- Military conflicts:
 - Centralists versus federalists
 - Conservatives versus liberals

The 19th Century in Latin America: Society

Two models of society in conflict:

Conservatives	Liberals
Monarchists	Republicans
Catholic	Secular
Corporate privileges and racial divisions	Liberal Rights
Community and hierarchy	Free markets
Ecclesiastical and communal property	Private property

The 19th Century in Latin America: Economics

- 1810-1820s – Disarray, new business opportunities, free trade, Britain becomes a major trading partner
- 1820s-1850s: Economic stagnation (except Cuba – plantation-based economy under the rule of the Spanish Crown):
 - Unfavourable terms of trade: Import of luxury goods, not enough exports
 - Credit crunch and debt – Currency debasement, inflationary tax and money printing; loans from other governments (Britain, France) or from private domestic and foreign banks
 - Demographic decline and economic reversals
- 1850s-1870s – Transitional period: Beginning of the Second Industrial Revolution and a global liberal economy
- 1870s-1930s – Export led growth: riding the wave of commodity booms (hemp, copper, cattle, guano, nitrates, oil), with small requirements of investment and forward and backward linkages.

By the turn of the 20th Century: Oligarchical Republics

- Export-led growth based on the production of primary goods:
 - Argentina: cattle
 - Brazil & Colombia: coffee
 - Peru: guano
 - Chile: nitrates, copper
 - Central America: bananas (United Fruit Company)
 - Cuba: sugar
- Exclusionary politics, usually dominated by economic elites who control the production of profitable commodities and the access to international markets.
- Little investment in state institutions, since the state is mostly used to capture rents.

Brazil: First Republic (1889-1930)

- A federal republic in the image of the US
- Rule by *coronelismo* at the local level
- Growth led by exports: rubber until 1900, then coffee
- A very rich South and an impoverished North
- Taxes to inter-federal trade

Breakdown of the republican regime
(October, 1930)

Argentina: rule by *acuerdo* (agreement)

- “Generation of 1880”
- Commodity-based, export-led development; not much industry; not much domestic capital
- Reliance on commodity exports (meat) gets hurt by interwar depression in European (especially British) markets
- The Radicals appear as a new political force in the 1900s (excluded landowners and middle class)

Mexico: Porfiriato

- General Porfirio Díaz pacts with local elites that they will have full authority in their regions as long as they remain loyal to his regime.
- Investment in productive infrastructure: railroads, ports.
- Economic growth through exports to international (especially European) markets
- Rapid increase in land-holding inequality
- Ends with the Mexican Revolution of 1910-1917

Central America: “Republican Dictatorships”

- Independence: **United Provinces of Central America**
- **Liberal-Conservative Conflict** (1820s-1860s): fragmentation of the Confederation in 1838; tensions btw Nicaragua (US) and Costa Rica (Britain) about the construction of a canal.
- **“Republican Dictatorships”** (1860s onwards): Liberals back in power, attempts of state-building (military), and alliances with foreign powers.
 - Economy based initially on coffee exports (competing with Brazil and Colombia)
 - In 1899, creation of the **United Fruit Company (UFCO)**
- Effects:
 - Concentration of land and capital in foreign ownership
 - Intervention of economic interests on politics
 - Enclave economy
 - Over-reliance on foreign commodity markets

Session 3. War and Debt in Post-Independence Latin America

Centeno, Miguel Angel. 1997. "Blood and Debt: War and Taxation in Nineteenth-Century Latin America", in *American Journal of Sociology*, Vol. 102, No. 6 (May 1997), pp. 1565-1605.

Plan of the lecture

Centeno's article:

1. Why does state capacity matter?
2. Measurement Strategies of Political Development (state capacity)
3. Bellicist Theories of State Formation: Wars make States
4. Centeno's puzzle and argument
5. Conclusions

Why does state capacity matter?

- A different explanation of variation in economic development and democratic governance:
 - It's *politics*, stupid!
- Strong (or, shall we say, efficient) states are necessary for several reasons:
 - Provide security, not just of people but of property.
 - Provide public goods that markets themselves might not be very good at supplying: education, public services, infrastructure.
 - Redistribute wealth: not just a good in itself, but also instrumental in regulating conflict.

Two Examples:

- Autodefensas Unidas de Colombia (1990s)
- Autodefensas (defensas comunitarias) in Mexico (today):

Tabla 1

TAXATION

	Impuestos/PIB	Corrupción	Imperio de la ley	Regulatorio	Informal	Higiene	H ₂ O	Inmunizados	Nacimientos	Alfabetización	Matriculación	Eficacia
Argentina	17,2	43,5	39	21,8	29	91	96	99	99	97,2	89,7	51,7
Bolivia	19,2	38,6	17,6	11,7	68	46	85	64	67	86,7	86	19,9
Brasil	25,14	52,2	43,3	53,4	35	75	90	99	97	88,6	87,5	52,6
Chile	20,22	90,3	88,1	91,3	29	91	95	90	100	95,7	82,9	85,8
Colombia	16,02	50,2	35,7	59,2	49	86	93	89	96	92,8	75,1	57,8
Costa Rica	15,25	69,1	61,9	66,5	33	92	97	89	99	94,9	73	67,8
Ecuador	14,85	19,8	14,8	14,6	49	89	94	93	75	91	.. _	12,8
El Salvador	14,99	57	28,6	58,3	_	62	84	99	92	80,6	70,4	48,3
Guatemala	12,45	25,1	11,4	49,5	_	86	95	_	_	69,1	67,3	31,8
Honduras	17,67	28,5	20,5	46,6	52	69	87	92	56	80	71,2	33,2
México	11,68	48,8	34,3	63,6	39	79	97	96	83	91,6	75,6	60,2
Nicaragua	21,86	23,2	22,4	36,9	_	47	79	96	67	76,7	70,6	15,2
Panamá	16,47	49,3	50	63,1	30	73	90	99	93	91,9	79,5	64,5
Paraguay	12,91	14	16,2	28,2	_	80	86	90	77	93,5	69,1	18
Perú	17,24	47,8	26,7	57,8	_	63	83	80	73	87,9	85,8	37,9
Uruguay	24,15	81,2	63,3	57,3	_	100	100	95	100	96,8	88,9	71,6
Venezuela	16,99	10,1	3,3	4,9	44	68	83	76	95	93	75,5	16,6
Promedio	17,3	44,0	33,9	46,2	41,5	76,3	90,2	90,4	85,6	88,7	78,0	43,9

Impuestos/PIB del Gob. Central, según CEPAL; Corrupción, Imperio de la ley, Regulatorio y Eficacia son percentiles del Banco Mundial;

Informal es el porcentaje de la fuerza de trabajo según la OIT; Higiene y H₂O es el porcentaje de la población con mejora según el PNUD;

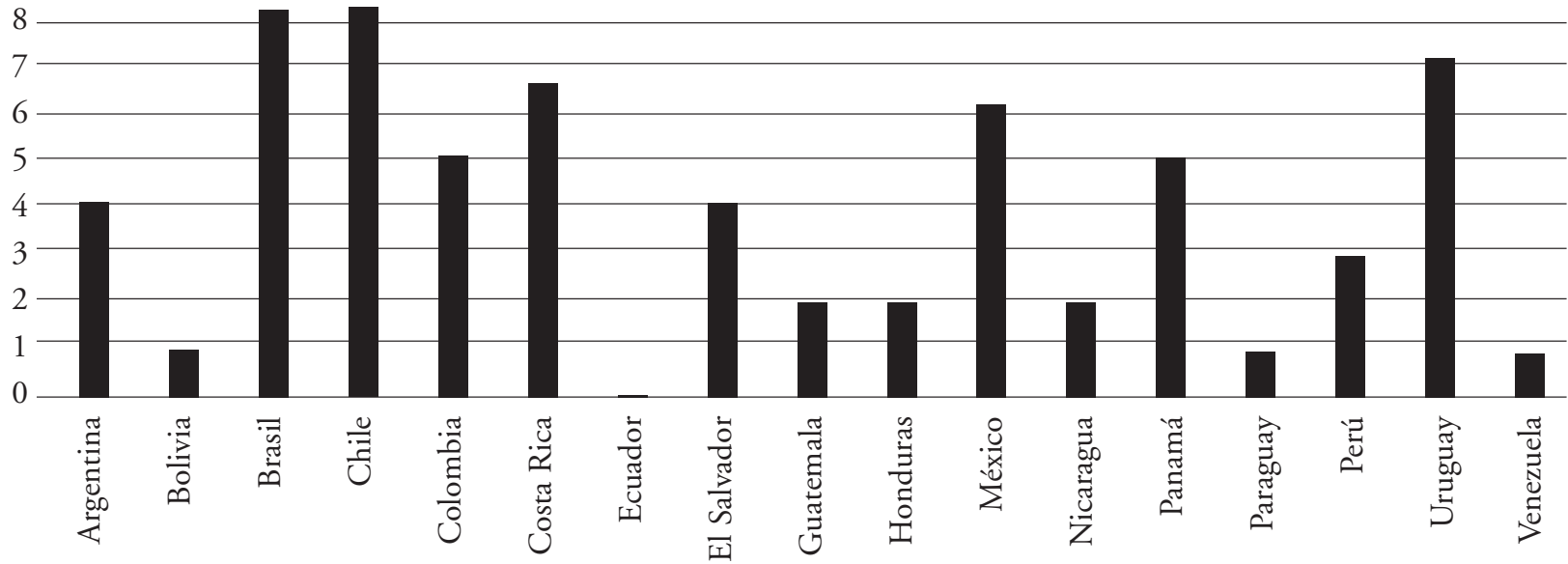
Inmunizados es el porcentaje de niños de 1 año inmunizados; Nacimientos es el porcentaje de partos atendidos por personal cualificado, según PNUD;

Alfabetización es del número de adultos, y matriculación es un dato combinado, ambos según el PNUD.

US: 25%; CANADA: 31%; FRANCE: 41%; DENMARK: 49% (Source: OECD)

Measuring State Capacity

Gráfico 1



Source: Centeno, Miguel Ángel. 2009. "El estado en América Latina", *Revista CIDOB D'Afers Internacionals*, num. 85-86, pp. 11-31

Bellicist Theories of State Formation: Blood and Iron

- “States make war, war makes states” (Charles Tilly).
- Technological military innovations transformed warfare in Europe in the 16th-18th centuries.
- Requirement for standing armies (large infantries)
- Therefore, efficient sources of revenue (taxation)
- Therefore, construction of professional administrations (bureaucracies), and provision of public goods in exchange for revenue.
- Interest in having a more direct involvement in the lives of the population.

In Italy, for thirty years under the Borgias, they had warfare, terror, murder, bloodshed, but they produced Michelangelo, Leonardo da Vinci and the Renaissance. In Switzerland, they had brotherly love; they had 500 years of democracy and peace—and what did they produce? The cuckoo clock.

—Harry Lime, in *The Third Man* (1949)

Centeno's argument in Blood and Debt

WHAT IS CENTENO'S PUZZLE?

“Only some wars built states, only some states were built by wars” (1568). 19TH CENTURY LATIN AMERICA WAS A WAR-TORN REGION, AND YET ONLY WEAK STATES EMERGED. WHY?

- THREE PRE-REQUISITES FOR WAR TO HAVE A POSITIVE EFFECT ON POLITICAL DEVELOPMENT:
 1. States must be forced to turn inward in order to meet the financial challenges of war.
 2. Adequate administrative mechanisms must be in place to manage the explosion in both revenues and expenditures.
 3. The central state must have already established sovereignty over its territory.

Latin American State Formation: Blood and Debt?

1. External sources of finance: debt, currency debasement, revenue from exports (customs)
2. Timing of wars: Latin American states were not “ready” to exploit the opportunities presented by war.
3. No ruling class: control of the state remained in contention.

Conclusions

- A Tautology?
- On the Co-Evolution of States and Markets