

# LATIN AMERICA in the World Economy



Mercantile Colonialism  
to Global Capitalism

**FREDERICK STIRTON WEAVER**

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to Global Capitalism*

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**Westview Press**

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*Latin American Perspectives*

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# Latin America in the World Economy

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## Foreword

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Many years ago, Frederick Weaver wrote a seminal article on capitalist development in Latin America. Initially appearing in the journal *Latin American Perspectives* (Fall 1976, 3: 17–53), his essay provided an interpretive overview of imperialism and underdevelopment in the area. Its scope was broad, its interpretation provocative, and its analysis deep. It was widely read and cited by Latin Americanists everywhere. The present volume is an updated and comprehensive amplification of his earlier effort, detailing how his insights continue to reflect historic and contemporary realities throughout Latin America.

The present volume approaches its subject in many ways:

- It synthesizes historical trends in the era of capitalism and competitive capitalism, early industrialization, and changes in the traditional countryside. It goes on to trace the evolution of finance capitalism and the rise of transnational corporations.
- It places past and present political economic history in perspective through its chronological and thematic treatment. It introduces us at the outset to principles and terminology, definitions, and phases.
- It draws from the early experience of capitalism to analyze the difficulty of development in the region. It delves into the strategy of import substitution and its eventual failure in the face of international financial institutions and international competition. It explores the implications of debt, debt leverage, and structural adjustment.
- It weaves an analysis of class forces in urban areas and the countryside.
- It focuses on imperialism in the context of a changing international political economy in an effort to depict the complexity of roles, institutions, and individual motives and attitudes alongside culture, politics, and economy.
- Finally, it looks at the role of US policy and activity, examines the implementation of neoliberal reforms, and identifies the limitations of democracy in the area.

This is the twenty-first volume in Westview Press's Latin American Perspectives Series. It is an important and welcome addition to the classrooms and libraries of academics, students, and community people interested in a reliable and interesting overview of Latin America. It nicely fills a present gap in the literature as it ambitiously overviews developments of relevance to the social sciences and history.

*Ron Chilcote*  
Series Editor for the  
Collective of Coordinating Editors  
of Latin American Perspectives



## *Preface*

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The economic and political dynamics within and among nations are significantly different from those even twenty or thirty years ago, and these new dynamics have probably had the most far-reaching effects in Latin America. Although “globalization,” that unlovely word, is a useful shorthand, too often it is used to suggest a condition that is inevitable, unique, and due to Technology, the Market, or other transhistorical forces outside the contested terrain of social power. Recent changes do require modifying some previous understandings, but I have written this book because I am convinced that current patterns have developed from prior conditions in ways that can most productively be comprehended by applying some familiar analytical tools to comparative history.

Over half of the book is on the period since 1930 (“the short twentieth century”), but the book’s scope encompasses several centuries. It is organized around five historically cumulative phases (*not* stages) of political economic change in Europe and the United States. I use several case studies of industrial development to illustrate the changing nature of capitalism and how those changes produced successive phases in the international political economy. Although the imprint of previous phases is always evident, there are discernible patterns in international trade, investment, and politics that reflect dominant nations’ then-current needs and interests. The final step is to trace the manner in which domestic conflicts and power relations within different Latin American nations made the changing international economy a source of new opportunities and problems for domestic groups while showing how the engagement with the international economy affected national struggles and directions of change. Continuing interactions between foreign and domestic forces produced new political economic configurations, and this focus enables one to see why there have been such divergent experiences among Latin American nations and between Latin American and North Atlantic nations.

As noted in the introductory section of Chapter 1, this approach comes across as two sets of moving targets. Changes in the international political economy intersect with continuing shifts in the domestic affairs of individual

Latin America nations. This summary overstates the mechanical and understates complexity, but it serves as a guide to the table of contents and explains the sequence of presentation.

In the book, I am explicit about organizational matters and have been careful to develop analytical points in a manner appropriate for students. For instance, I spend very little time and space directly criticizing other interpretations. Although this is always tempting for an academic, my experience is that students usually regard such discussions as unduly abstract and boring. I therefore make my points in a positive manner by developing my interpretations through historical narratives. Neoliberalism (or neoconservatism) is a partial exception, because it is so thoroughly embodied in recent policies and practices that a critical understanding of it is necessary for comprehending current events and politics.

The citations in the text and the list of references are, as usual, for purposes of corroboration to maintain good faith with the reader. In addition, I have selected the references to serve as suggestions for further reading and tried to use published works that are available in most academic libraries.

I have used earlier versions of this manuscript in a range of undergraduate and graduate courses on economic and political development, international relations, and globalization. I have found that the book's general, historically informed framework helps students to address systematically the rest of the course materials. My students' advice has definitely improved the manuscript.

The arguments in this book are part of a continuing dialogue among those committed to understanding current changes in ways that might enable more people in the world to live with less material deprivation and political oppression. Thus, I welcome critical responses to my book and the opportunity to expand the conversation.

*Frederick Stirton Weaver*

## Acknowledgments

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I have been working on the ideas in this book for many years, and I have accumulated massive intellectual debts in the process. I have acknowledged some of these debts in preliminary versions of these approaches to Latin American history (e.g., Weaver, 1974; 1976; 1980), and here I will note only Carollee Bengelsdorf, Roberto Márquez, and Michael Ford for their enthusiasm and involvement in helping me to develop and express my understandings.

In thinking about those who contributed most immediately to this book, I will begin with the entertaining and instructive reactions by several cohorts of students at Hampshire College and the University of Massachusetts, Amherst, who read portions of the manuscript. Two anonymous reviewers for Westview Press made detailed and valuable comments. A number of friends looked over parts of early drafts, and Susan Porter Benson, Vivek Bhandari, Walter Goldfrank, Ali Mirsepassi, Rodolfo Torres, and especially Stanley Warner gave me helpful suggestions and criticisms. Frank Holmquist generously read the entire manuscript at different times and in various sequences, and his bibliographic knowledge, humor, and insistence on “getting the politics right” were, as always, invaluable. Sharon Hartman Strom, while in the throes of finishing her own book, read my manuscript several times, talked with me about it for more hours than I will admit, and altogether was the quintessential personal and intellectual partner. Finally, Ronald Chilcote, the series editor and the founding Managing Editor of *Latin American Perspectives*, was encouraging, and Karl Yambert, my Westview editor, was consistently prompt, pleasant, and helpful.

Several of these people might hesitate to be named as contributing to this book, but their help was substantial, and I am deeply grateful to all of them.

F.S.W.

## *Acronyms*

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AD	Acción Democrático
ECLA	Economic Commission for Latin America (and the Caribbean)
EEC	European Economic Community
EU	European Union
EZLN	Zapatista Army of National Liberation
GATT	General Agreement on Tariffs and Trade
IMF	International Monetary Fund
ISI	import-substituting industrialization
ITO	International Trade Organization
MAI	Multilateral Agreement on Investment
NAFTA	North American Free Trade Agreement
NATO	North Atlantic Treaty Organization
NGO	nongovernmental organization
NIEO	New International Economic Order
NRA	National Industrial Relief Act
OECD	Organization of Economic Cooperation and Development
OPEC	Organization of Petroleum Exporting Countries
PRI	Partido Revolucionario Institucional
SAP	Structural Adjustment Programs
TNC	transnational corporation
UNCTAD	United Nations Conference on Trade and Development
VAT	value-added tax
WTO	World Trade Organization



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# 1

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## The Changing World Economy: Introduction and Early History

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For more than five hundred years, international economic and political forces have profoundly and continuously influenced Latin America. And there is no single, homogeneous “Latin America”; the experiences of the people in the Western Hemisphere south of the United States have varied enormously by nation and within nations. These are two of the few general statements that can be made about Latin America and its history that will not immediately provoke sharp responses from anyone familiar with the region.

Yet, there are definite tensions between these two statements. For example, foreign influences were definitely factors in the beginning and end of colonial rule in Latin America, the export economies of the late nineteenth century, post–World War II industrial growth, and the debt crises of the 1980s, each of which occurred around the same time throughout the region. This sounds like quite a bit of commonality, so what happened to heterogeneity?

It is alive and well; these general categories of events obscure highly divergent processes among locales and social groups in Latin America. Despite a long tradition that represents Latin America as passive in respect to world events,<sup>1</sup> the extent to which foreign influences became local influences depended mainly on the varying configurations of social power within Latin America that underlay local responses to the opportunities provided and limitations imposed by external pressures. The recognition of active agency within Latin America does not deny that decisive power was often located elsewhere, but outside circumstances have not been simple determinants of Latin American history.