

SOUTH AMERICA AND THE FIRST WORLD WAR

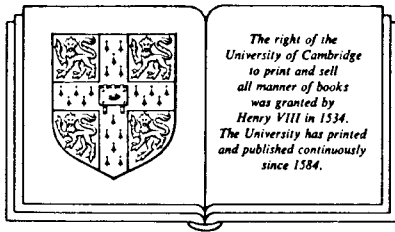
THE IMPACT OF THE WAR ON BRAZIL,
ARGENTINA, PERU AND CHILE

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Introduction

I

Peru's Canete valley is about 150 kilometers south of Lima. In the first decade of the century this was about a three or four-day horseback ride or, more usually, and if you had the money, a day or less by coastal steamer. As was the case for most of the country's larger irrigated coastal valleys it was given over to export crops. Here it was cotton, grown on numerous small and medium-sized estates and sugar produced by a single large British-owned *ingenio*. Besides sharecroppers, about 3,000 workers were employed either permanently or on a casual basis on the various estates in the valley. On 10 August 1914, the subprefect called an emergency meeting of local merchants, *hacendados*, and estate administrators in the principal town of San Vicente. A few men sat on chairs, the majority leaned against the walls of the rather small room which was becoming increasingly filled with concern and cigar smoke as the official spelled out the extent of the crisis, of which most of them were already aware. He wanted those who had contacts in the capital to ask them for immediate assistance because there was not enough cash in the valley to pay agricultural workers and estates were having to shut down. There was also a serious food shortage and the likelihood of unrest.¹ The sudden disruption in the life of this valley was evidence that the shock waves of the recently begun European war had reached rural Peru. It had taken less than a week. In the larger cities the impact had been felt even earlier. Before the Germans invaded Belgium on 4 August, banks throughout the continent had shut their doors, factories and workshops had closed, trade had come to a standstill, thousands of workers were laid off and food prices soared. These all happened because the region's life support system had been disconnected. War had severed the many seemingly indestructible strands of finance and trade which bound Latin America so closely to Europe and the world economy.

The crisis which ensued was to show clearly and dramatically how important and deep-seated these external links were.

The war brought chaos to Latin America as well as to most other countries. In its aftermath the world was transformed. When the guns finally fell silent in November 1918, not only was the structure of the international economy altered and the political map of Europe ready to be redrawn, but nineteenth-century bourgeois faith in unlimited progress within a secure framework of positivist rationality also lay in tatters. This faith was shaken not only by the war itself but also, and perhaps more significantly, by the Russian Revolution and the massive and worldwide upsurge in working-class unrest which followed. The powerful influence of these events was felt not only in Europe and North America, but throughout the world. However, while the impact and consequences of war in the metropolitan countries have been the subject of much scholarly attention, regions such as Latin America have been relatively neglected. Partly, this has been due to the fact that the dislocations caused by war, especially in neutral countries, have often been considered as "abnormal", unrepresentative deviations from the long-term trends of socio-political and economic change. According to this view, periods such as the First World War can tell us little about how these processes unfolded in a world at peace. This is not strictly true. For example, because Peru, Chile, Brazil, and Argentina were, to varying degrees, heavily dependent upon foreign capital, imports, shipping and insurance, access to export markets, and in some cases labor, the collapse of the world economy and its subsequent restructuring during the war was an extremely testing experience which created both problems and opportunities for these peripheral countries. This in turn tended to highlight the strengths and weaknesses of the variants of the primary export-based capitalist development which had taken root here. It might be argued that the chaos of war was not representative, but it was the fact that the chaos took quite distinctive forms in the different countries which is so instructive, as it helps to expose the foundations and framework of prewar economic growth. Moreover, in the postwar period the Latin American countries, which had constructed their economies on the apparently firm foundations of the British-dominated international economy, had to come to terms with a new, and in many fundamental respects, weaker, less stable world economic system. Finally, as it had in Europe, the Great War and its immediate aftermath witnessed far-reaching political and social changes in the region, associated in the main with the emergence of a more vocal urban middle class and a

more combative working class. In short, studying the impact of the First World War on these four Latin American countries offers insights as to the course of prewar growth as well as the significance of the many changes ushered in by the war.

The principal concern of those studying Latin America during the war period has been whether or not a significant level of import-substitution industrialization was stimulated by the temporary shortage of imported manufactured goods.² This interest stems from the assumption that progressive, self-sustained development should be equated with industrial growth and that such growth took place during the war in the more advanced countries of Latin America. Most notably, André Gunder Frank has taken this as support for his thesis that significant economic development can take place only when links between metropolis and satellite are weak or broken.³ As will be argued, this view is wrong on a number of counts. Industrial growth during the war years was, for the most part, quite modest, and did not depart from its rather narrowly based prewar structure. Secondly, although foreign investment and imports were curtailed, the export trade was greatly strengthened as Allied demand for many of the region's commodities increased. The Allies also imposed an unprecedented degree of control over many aspects of foreign trade, including shipping, purchasing, and the blacklisting of enemy firms resident in Latin America. This meant not a weakening, but a general reinforcement of both a major component of Latin America's external connection as well as the overall grip of primary export capitalism. All this suggests that the central debate over the war period—basically whether strong foreign links had a positive or negative effect on development—has been misconceived and oversimplified. For example, if, as it seems, industry was not particularly buoyant during the war this was more likely to have been due to the limitations imposed by the economic structures created in the decades before the war to support primary export-based growth, and not to partial isolation from the metropolis.

The development of manufacturing industry is an important issue, but it cannot be adequately understood in isolation and was, in any case, only one of the many interesting aspects of the war years. What was of greatest moment was the destruction of the international economy. Although it had suffered numerous and often severe crises, this economy had never totally broken down as it did in August 1914. It was never to regain its prewar coherence. This was due in large measure to the fact that after 1918 the United States became a major

international creditor, and Britain was unable to perform the vital equilibrating role which had permitted the expansion and relative stability of the world system before 1914. For a region so externally dependent as Latin America a less secure world system was an extremely serious threat, a threat which was realized dramatically in 1929. Paralleling its enhanced world role, the US also substantially increased its economic interest in the four republics during the war. This change, which was particularly evident in Peru and Chile, marked the beginning of a new form of external domination and was to have far-reaching economic and political effects throughout the region.

Besides the lasting economic impact of the war, the extreme conditions of these years tended to accelerate the development of a number of significant social, political, and cultural movements, many of which had begun to establish themselves before 1914. The cultural trends were extremely diverse, but a common underlying theme was a disenchantment with the accepted system of "rational" European intellectual values and the desire to create a more robust, independent national identity. It is, perhaps, not surprising that both economic and cultural nationalism should flourish at a time when the extent of region's external dependence became so evident and foreign interference so blatant. But the more xenophobic variants of nationalism, especially in Brazil and Argentina, were mainly in response to more domestic issues—the massive upsurge in working-class militancy which came during, and most dramatically, immediately after the war. This was one of the most important developments to come out of the First World War, not only in Latin America, but throughout the world, as economic dislocation and the example of the October Revolution ignited widespread proletarian discontent. In Latin America this posed a direct threat to the virtual total political domination of the landed elites, a domination already under attack before 1914 and also being challenged from the growing urban middle class, particularly badly hit by wartime inflation. The result was a radical shift, except in Brazil, in the political climate, which saw the traditional export elites' authority and control of the state considerably diminished and the beginning of mass politics. All these movements had their separate, complex historical geneses, but in their different ways reflected the nature and contradictions of prewar capitalist development as well as reactions against it.

II

For Latin America the war and immediate postwar years are clearly an important and interesting period to study. There are, however, pitfalls

associated with this type of project. In all works which concentrate on an event as cataclysmic as a war there is a strong predisposition to see the major changes which occurred as a direct result of that war. No such claim is made here. In almost every case there were clearly discernible prewar roots for such important wartime changes as the strengthening of most traditional export sectors, the greater economic role of the United States, or the growth of domestic manufacturing industry (where this occurred). What the war did was hasten in hothouse fashion the emergence of these factors. In doing this, and because of the many other strains associated with the war, most noticeably domestic inflation, a number of important prewar socio-political changes such as the rise of economic and cultural nationalism, the increased militancy of the working class, and the political challenge to the export elites were also stimulated and their significance greatly enhanced. The war served as a powerful catalyst.

Another problem which had to be faced, common to any comparative historical study, was the choice of countries and themes. The two choices were closely related. The principal theme explored through most of the chapters is how the region's multifaceted external links helped shape the system of capitalism which took root here and the significance of the similarities observed for understanding the character of Latin American capitalist development. Of course, each country was clearly unique across a wide range of factors, such as population, geography, historical formation, political structure, culture, exports, etc., but they all shared a very substantial degree of external dependence, and because of this and their Iberian heritage many major aspects of their capitalist formation were roughly similar. The central driving force in each economy was the export of primary commodities. Foreign capital, banks, shipping, and merchants were of key importance, and to a greater or lesser degree the ruling elites believed that a European ideal of progress could be attained by their countries adopting the role assigned to them within a seemingly "natural" world division of labor.

In line with the general theme outlined above, Argentina, Brazil, Peru, and Chile were picked for investigation, because although before the war other countries were increasing their economic stake in these republics, in all cases the dominant foreign interests remained British. This gives some degree of symmetry to the character of external involvement as well as making the outbreak of war in these countries that much more traumatic and, therefore, revealing. The author's knowledge and general interest also was a major factor in this particular choice. Finally, it was felt that although it would have been

possible to include other countries, such as Uruguay or Colombia, or ones in Central America or the Caribbean, where United States involvement was substantial before 1914, this would have multiplied the external variables, made the study unwieldy, and, in the end, may not have significantly modified the conclusions as to the dynamics of primary export capitalism. Mexico might seem another major omission, but although the war did have an impact here this was marginal when compared to the widespread chaos caused by the Revolution. However, as this work is selective, whether what has been observed was common to all of Latin America must necessarily await the work of other scholars.

Besides choosing the countries and a central unifying theme, the other important decision that had to be made was what sub-topics to explore and how best to handle them. It was decided to limit coverage to four main areas, foreign trade, finance, manufacturing industry, and the labor movement, which although not providing anything like a comprehensive picture of these societies, are of key importance and do allow some useful generalizations to be made about both the nature of Latin America's primary export capitalism and the impact of the war upon it. In order to establish the wider framework for analysis it is important to begin with a general discussion of the development of these four peripheral capitalist countries within the context of the nineteenth-century world economy. This is intended to provide the reader with a brief account of prewar growth and so give the background against which the impact of the war may be more easily understood. The next chapter concentrates on the initial impact of the war. It was during these months that economic and social upheaval was most intense and the similarities of experience among the four countries most marked. Once they began to adjust to the new conditions imposed by the conflict so there was a greater divergence of experience. Because of this it was felt that for the sake of expositional and analytical clarity it was preferable to devote the subsequent chapters to the four issues mentioned above, as well as to deal with each country separately within each chapter. In the final chapter the general state of the region after the war is considered and some of the more interesting economic and social changes which were stimulated by the years of conflict are briefly explored.