If in the early 1920s James Bryce had retraced his steps through Latin America what major changes would he have noticed in the four countries he first visited right before the First World War? Had the years of conflict made any real difference to the political, social or economic life of the republics? Of course, in most respects the pattern of life for most of the people remained essentially the same. The massive inequality and grinding poverty, as well as the excessive degree of export and import dependence, had, if anything, probably become more acute because of the war. The keen-eyed Bryce would, however, have observed a number of major changes, changes which were to become of increasing importance for the region. Being British, he would have been painfully aware that the North American accent was now far more evident among the foreign communities and there were many more goods from the United States in the shops. Britain’s prewar anxiety over German competition was being replaced by concern about the impact of US trade and investment. He would also have been forced to notice a very radical shift in the political climate in all the republics. No longer was elite domination to be taken for granted. The working class had revolted, the urban middle class was now more vocal and there was a greatly increased concern about the political ramifications of the “social question.” Not only were political concerns very different, but the elites’ fervent embrace of both the world division of labor and European ideas and culture, so apparent before the war, was beginning to loosen. In conversations with his Latin American friends, Bryce would have detected a variety of nationalist sentiments which were much more explicit and widely held than before 1914.

It is interesting and important that the war’s reinforcement of export dependence should have been associated with the weakening of the
political and ideological structures which had helped foster that
dependence in the nineteenth century. This, and the shift in the centre
of world economic power to the United States, were perhaps the most
significant long-term consequences of the First World War for Latin
America. Of course, there were many other changes brought about or
stimulated by the war. For example, foreign influence over national
financial systems became more of an irritant and began to be
challenged. Manufacturing industry experienced some expansion, but
came up against a number of constraints imposed by the fact that these
economies were so heavily dominated by primary exports and
dependent on imports. This in turn was important in fueling the
economic nationalism which was eventually to offer alternatives to the
pattern of nineteenth-century primary export capitalism. It would be
impossible here to trace all of these factors as they worked themselves
out in the 1920s. Only three will be outlined very briefly in this
chapter: the growth of US economic dominance in the region and the
changing character of world economy, the beginnings of mass politics,
and the spread of nationalism. Understanding these changes is a first
step to understanding Latin America in the interwar period.

II

At the first Pan American Financial Conference, held in Washington
DC in 1915, Paul M. Warberg, Governor of the US Federal Reserve
Board, commented,¹ “In August 1914, six European nations went to
war. The anomalous consequence of this event was that all American
nations were thrown into a condition of acute financial and commer-
cial disturbance. Would it have been possible to avoid so disastrous an
effect upon nations not directly involved in this struggle and thousands
of miles removed from the fields of battle?” This was a calculated,
rhetorical question, for as a prominent US banker, Warberg obviously
knew that what occurred in non-belligerent countries in 1914 was
neither an anomaly nor was it avoidable. During the nineteenth
century the threads of industrial capitalism had been extended from
Europe and had gradually drawn almost the entire world into an
intricate web of economic interdependence. The dramatic crisis
ushered in by the onset of the Great War was a harsh reminder to the
countries of Latin America of their vulnerable position within this
European-dominated framework.

It was the fact of this domination which Warberg was attempting to
bring out, for he was one of the leading exponents of so-called
“Progressive Pan Americanism,” which with strong government support and under the guise of cooperation sought to displace European interests and extend US economic dominance over the hemisphere. Because of the massive and long-standing British involvement in these countries, the US campaign was only partially successful. Nonetheless, the United States’ economic presence did grow substantially, marking a significant change in the character of the region’s external domination. Trade with the US, which was growing before the war, received a tremendous boost during the conflict, and although the high percentage share achieved at this time was not always maintained after the Armistice, a permanent change had taken place in the region’s pattern of trade. There was also an increased flow of capital from the United States, this being particularly important in Chile and Peru, where the mining sectors came to be almost completely controlled by large US corporations. The role of US capital in Brazil and Argentina was rather less important. In both these countries there was increased interest from the US in both government loans and in direct investment during the war, but in terms of its share, British capital continued to play a dominant role up until the Crash of 1929. Although the figures in Table 7.1 provide only a very approximate measure, this dominance appears somewhat tenuous, for, except in Argentina, there was little increase in the amount of British capital invested in these years. On the other hand, US capital was much more dynamic and showed a massive surge during the 1920s.

The greater economic role of the United States in South America was one aspect of her rise to the leading position within the international economy in the postwar period. The change in the balance of world power that this represented was another important long-term effect of the war. The European conflict had shattered the nineteenth-century world order, and for Latin America the most important feature of this order had been the multilateral structure of trade and investment centred on the City of London. This structure had been effective in promoting an important degree of materially progressive, albeit self-limiting, capitalist transformation in the region. But, although the United States displaced Britain as the world’s leading economic power, because it was both highly protectionist and a major producer of primary commodities it could not play the same mediating role within the system of multilateral settlements that Britain had done in the nineteenth century. There were, of course, a great many reasons why the “golden age” of the international economy was never recaptured in the interwar period, but this shift of the world’s economic centre must be seen as one of the most important. It signaled

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Table 7.1 British and US investments 1913 and 1929 (000 US dollars)

<table>
<thead>
<tr>
<th></th>
<th>Argentina</th>
<th>Brazil</th>
<th>Peru</th>
<th>Chile</th>
<th>United States</th>
<th>Britain</th>
</tr>
</thead>
<tbody>
<tr>
<td>1913</td>
<td>40,000</td>
<td>50,000</td>
<td>35,000</td>
<td>15,000</td>
<td>1,860,700</td>
<td>2,140,104</td>
</tr>
<tr>
<td>1929</td>
<td>611,475</td>
<td>476,040</td>
<td>150,889</td>
<td>395,733</td>
<td>1,140,104</td>
<td>1,413,589</td>
</tr>
</tbody>
</table>


the beginning of fundamental changes in the working of the international economy, an economy upon which Latin America’s elites had sought to “modernize” their respective countries.

The changes brought by the war in the structure of the international economy were important, but they did nothing to alter Latin America’s primary export orientation. Rather than providing a rest from external pressures and an opportunity for more domestic-based growth, the war period saw the Allies extending their economic intervention substantially and the effect of this and high prices was to consolidate the position of primary export sectors within the four economies. Manufacturing industry did show some signs of growth, but on the whole this growth was consistent with prewar patterns and also fit in well with continued primary export dependence, rather than providing the basis for a break with that dependence. In short, the essential economic base of primary export capitalism was strengthened by the war. With some exceptions, this seems to have been true throughout the world. The temporarily excessive demand for primary products during and immediately after the war led to a massive expansion in the output of most commodities. With demand growing relatively slowly in the 1920s and technical change leading to greater output and the development of synthetics (most importantly for nitrates and rubber) the result was a substantial weakening of the market for many primary commodities from about 1925. In this sense the war’s reinforcement of primary export production nationally was a major factor contributing to its eventual international collapse.

III

At the same time as the primary export base was being consolidated, and in many respects as a function of the method by which this
occurred—the more blatant exercise of foreign pressure and the increased externally dependent national posture—cracks in the social, political, and ideological superstructure, many of which had started to appear before 1914, began to widen appreciably.

The most obvious example of this was the explosion of working-class militancy during and immediately after the war. The reasons for this revolt are not hard to find. Higher prices and falling real wages, which, as has been argued, were to some degree a reflection of the relative weakness and dependence of Latin America’s brand of primary export capitalism, were the most apparent immediate cause of unrest, but in themselves these particular grievances do little to account for either the timing or the character of the conflict which ensued. To understand this it is important to see the workers’ struggle within the historical perspective of prewar working-class formation, as well as the profound influence exercised by the October Revolution. The victory of the Russian workers, probably the single most important international event of these years, fueled the hopes and aspirations of Latin American workers, as well as those throughout the world. It is notoriously difficult to assess a general mood among any group, but it would seem that the very idea that workers could achieve so much served as an important spur to working-class organization and action during this time. This action had a profound impact on the political systems in three of the four republics.

It was not only the workers who were restive or influential during these years. Sectors of the urban middle class too began to push for change, and in some instance joined forces with the workers. Partly this was in response to higher prices, which affected both the middle and working class, but it also arose from more deep-seated and fundamental problems relating to the dissatisfaction with their social and political position in the elite-dominated states. This was shown most strikingly in the movement for university reform which began in Córdoba, in Argentina in 1918, and within a short time spread to Peru, Chile, and other countries, although not to Brazil (probably because the first proper university, as opposed to specialized schools and institutes, was not established here until 1920.) The initial student protests in Córdoba were over clerical control, the curriculum, and democracy, but as the movement developed so it became increasingly political and was soon allying itself with the workers’ organizations. It was also taken up by other universities in the country, there were mass demonstrations, and in little more than a month Yrigoyen was compelled to give in to the students’ demands for reform. In Peru, the
Federación de Estudiantes Peruanos had been formed in 1916, and under the leadership of Víctor Raúl Haya de la Torre (later to become leader of the Aprista Movement) it had been active in support of the workers. Demands for university reform began to be made in June 1919, after the circulation of the Manifesto liminar, published by the Córdoba students, and speeches in Lima from the Argentine Socialist, Alfredo Palacios. The students strongly supported Leguía and were rewarded with reform soon after his election. In Chile a similar movement was formed in 1920 and backed the candidature of Alessandri. Portantiero writes that although there were many differences between the three countries, "... university reform represented the most radical form of political participation found during the postwar awakening of the middle strata, shaken by a world in the process of revolutionary change." The student revolt was also associated with a broader ideological challenge to the elites' view of the world.

The effect of being "shaken by a world in the process of revolutionary change" did not produce a radical response among all the middle class. It also led to a more reactionary response, this being primarily directed against the rising tide of working-class agitation. This manifested itself in the Liga Patriótica in Argentina, and the Brazilian Liga da Defesa Nacional and Ação Social Nacionalista all formed during or immediately after the war. These were groups led on the whole by members of the elite, but their shock troops were primarily middle-class. In Chile there was a similar backlash. The Liga Patriótica Militar, set up in 1907 to obtain better conditions for the military, soon campaigned for broader political objectives, including more resolute action against working-class unrest. In 1920 patriotic leagues backed by the military were mobilized to harass the IWW, Anarchists, and the student Left. In all countries these groups were supportive of the status quo (often receiving active or at least tacit government approval), generally anti-immigrant and extremely nationalist, although the particular strain of nationalism varied considerably from country to country.

The genesis of these diverse radical, revolutionary, and reactionary movements can be traced to the prewar years, in that they were indicative of the political and social ferment unleashed by the region's capitalist transformation. But the economic crisis of the war and immediate postwar period served to exacerbate the tensions within society and so precipitated head-on clashes among the sectors represented by these organizations and between some of them and the
ruling elites. The socio-political costs of the elites’ dream of export-led capitalist expansion, costs which had become increasingly evident before 1914, were now brought home with overwhelming force. Only in Brazil, where the extremely diffuse federal system dominated by a few powerful states paradoxically gave the central government more power to resist compromise, was it possible for the elite to maintain direct political control. However, even here Topik maintains that after the war, and as a result of it, “...the ruling landed oligarchy could no longer make decisions independent of other classes.” The 1922 tenentes revolt was the beginning of a mounting political challenge to the Old Republic. Elsewhere political control had to be relinquished, although nowhere was the export oligarchy’s economic position threatened, and in all cases the new regimes continued to follow the path of primary export-based capitalist development. Of course, there was considerable variation with regard to the timing and extent of political change. For example, in Argentina the oligarchic state was under pressure much earlier than elsewhere and there was a significant diminution of elite political representation by the early 1920s. In Chile on the other hand, despite Alessandri’s victory, the political system proved far more resistant to such pressures and the social composition of the legislature was much slower to change. Peru saw the most radical shift. Leguía wisely, from his point of view, disbanded the legislature and instituted a new constitution, which contained many innovative provisions, including major improvements in workers’ rights, social welfare, protection for the Indian communities, and far-reaching educational reform. Few of these were carried through. By 1922 he was moving strongly against the workers and students who had supported him, but under his regime sectors of the oligarchy, especially certain individuals, did suffer and the power of the Civilista Party was truly broken. Regardless of their policies or the success they had, the fact that leaders espousing populist policies were able to win elections was a testimony to a major sea change, the beginning of mass politics in Latin America.

IV

The external shock delivered by the war in Europe, rather than creating the conditions for inward-directed capitalist development, tended to strengthen the central role of primary exports. Partly as a result of this, as well as the deep-seated and widely felt external economic vulnerability evidenced in 1914, and the naked forms of
coercion employed by the Allies, the war witnessed a reaction against foreign economic domination and a substantial intensification of nationalist sentiment in most countries. This seems to have been a worldwide phenomenon, reflecting to some extent a reaction against European imperialist domination.¹⁸ There was a long heritage of such thought in Latin America, the most recent (from 1900) and influential being found in the *arielista* movement,¹⁹ which held that Latin America was the spiritual Ariel as opposed to the materialist Caliban of North America. This essentially idealist stance had undergone a fundamental change by 1920. Gerald Martin writes that, “After the First World War, the Mexican and Russian revolutions, and the 1918 Córdoba student revolt, such spiritual anti-imperialism would be supplanted by a keener perception of social and economic struggle, and art would take on a class character.”²⁰

The impact of the war made nationalism very much more prominent and broadened its appeal. Not only was economic nationalism given a boost, but cultural nationalism too became more popular, different variants being adopted and espoused by revolutionary and reactionary movements. It is important to understand the reasons for these differences, but whatever its form the nationalism that developed during the war and in the 1920s represented the growing disenchantment with the European social model so idealized by the Latin American elite before 1914 and the turning instead to a celebration of local culture and traditions. It is not surprising that this national cultural renaissance should have gained momentum during the war, for with the “advanced” nations at each other’s throats it became difficult to sustain the idea that Europe represented a higher form of “civilization” or “progress.” As Stabb has observed,²¹ in the first two decades of the century,

...it became increasingly evident that European culture might not be as worthy of emulation as was once thought. The possibility that war, depression and totalitarianism might thoroughly exhaust the traditional centers of Western civilization gradually became quite real... In a world whose most valued goals were technical progress, material abundance, and a “rationally” ordered middle class society, Hispanic America might well feel inferior, but (Americanists) saw that these typically nineteenth century values were in retreat.

The war not only helped precipitate a greater degree of skepticism in Latin America about the nineteenth-century European values of rationality and progress. Faith in these values, already under attack in
Europe before 1914, was shattered by the war, which served to accentuate and spread the ideological disintegration. According to José Carlos Mariátegui, Peru's foremost Marxist theorist, this was a widespread phenomenon which affected the West as a whole. He argued that the war had rekindled ancient doubts about progress, as it demonstrated that humanity could survive factors greater than "Science" and against the interests of "Civilization." He wrote,

The world war has not only modified and shattered the economy and politics of the West. It has also modified and shattered its thought and its spirit. The economic consequences... are no more evident or perceptible than the spiritual and psychological consequences. The politicians, the statesmen, will perhaps by experiment find a formula and a method to resolve the former, but they will surely not find a theory and a practice adequate to overcome the latter.

In this sense Latin American thinkers, although they turned increasingly to nationalist themes, were continuing to reflect the intellectual trends emanating from across the Atlantic.

There were also local factors which served to make nationalism a more desirable world view. For example, the elite found it convenient to abandon their erstwhile cosmopolitanism and whip up, or at least support, xenophobic nationalist sentiments in order to counter the threat posed by working-class unrest. This issue and those mentioned above need to be spelled out in somewhat more detail for, to the extent they reflected changing perceptions to a changing world, they are central to any consideration of the development of both Latin American society and of the primary export capitalism which was so central to that society.

Prewar Brazil, like the rest of Latin America, had been dominated by European cultural assumptions. In his autobiography published in 1900, Nabuco wrote, "We Brazilians—and the same can be said for the other American peoples—belong to America merely on a new and fluctuating layer of our mind, while we belong to Europe on all our stratified levels. As soon as we acquire the least culture, the latter predominates over the former. Our imagination cannot fail to be European, that is to be human." There were writers such as Manuel Bomfim, Alberto Törres, Euclides da Cunha, or Raimundo Farias Brito, who vied against this type of self-imposed cultural imperialism, but not many of their fellow countrymen listened. Skidmore argues that the First World War changed all this as it served to stimulate a new form of nationalist thought in Brazil. He writes that Brazilians "...began, for the first time on a large scale, to feel that..."
they could change the role in which Social Darwinism and an inherited European culture were casting Brazil. For the first time the mainstream of Brazilian thought learned how to rebel against the framework within which European ideas had straightjacketed it—most importantly, to reject the determinism of racist thought."

An important feature of this new cultural awareness was the Brazilian Modernist movement, which can trace its origins to the controversial 1917 exhibition of Anita Malfatti in São Paulo, but really developed most fully from the early 1920s. Rachum has noted that "Inasmuch as modernists attacked the conventional academic Brazilian art, they rejected an art which was in its form European as much as Brazilian. This led to an intransigent attitude against further subjugation to the European cultural metropolis, and as a result to the preoccupation with giving Modernism a genuine nationalist content."

As well as the beginnings of a greater national cultural awareness, the new nationalism also provided the ideological base for an attack on working-class militancy, something which had occurred earlier in Argentina, and was, in fact a common remedy for class conflict in all capitalist societies. When there were large numbers of immigrants in the work force, as in Brazil, Argentina or the United States, then this nationalism usually contained strong elements of xenophobia. This was the case in Brazil, where the Liga da Defesa Nacional, formed in 1916, espoused a particularly virulent form of anti-immigrant nationalism. This can be seen as a reaction against social tensions associated with Brazil's capitalist transformation. There was also another equally reactionary variant which was directed against the Portuguese, especially the strong merchant community in Rio. This was associated with Afonso Celso and Alvaro Bomilcar, the journal Brazileia, launched in 1917, and the groups Propaganda Nacionalista and Ação Social Nationalista. Yet another reaction was the rise of economic nationalism. According to Topik, "The lesson of the First World War to most Brazilian decision makers was that the government should stimulate 'industrial initiatives capable of liberating us from dependence on foreign markets.'" This is not to argue that a nationalist economic policy gained immediate widespread adherence among the elite, but over time it did become a major feature of Brazil's economic programme.

Argentina shared almost all of the aforementioned forms of nationalism, although it would seem because the country was relatively more "advanced," the reaction against various foreign aspects of its capitalist transformation surfaced slightly earlier than in
Brazil. There were nationalist rumblings increasing from about the turn of the century, but it is generally accepted that the first major statements of modern Argentine nationalism came with the publication in 1909 of *La restauración nacionalista* by Ricardo Rojas and *El diario de Gabriel Quiroga* by Manuel Gálvez in the following year. Both were essentially arguments for the need to protect Argentine culture, usually seen as rooted in the countryside, from the pernicious influences of immigration. Gálvez even attacked the tango, which has since become so quintessentially Argentine, as a "lamentable symbol of our denationalization." By 1914, the gaucho, who once represented the barbarism which was to be swept aside by the civilizing influence of European culture, had been elevated to the status of a national hero, and the poem *Martín Fierro*, published by José Hernández in the 1870s, became a national epic. Solberg asserts that this change came about, "...as intellectuals became increasingly aware that immigration was altering the social and economic patterns with which the upper class dominated Argentine life. Intellectuals who sympathized with the traditional social structure attempted to use the gaucho as a symbol to convince the public that the cultural values of the Argentine elites represented the true national character."

"World War I," writes Jesús Méndez, "posed serious questions to Argentine culture. For one it confirmed previous suspicions that, at least in the cultural realm, positivistic concepts of continued, linear, progressively perfectible growth no longer survived." During the war the nationalist call was taken up, albeit in different ways, by the extreme right-wing Liga Patriótica Argentina and the university reform movement. For the latter it was Americanism rather than a narrow Argentine nationalism which they embraced. For example, Aníbal Ponce saw the war as "the greater liberator," creating a clear break with the past. The war tarnished the European image of progress and civilization "...obliging a turning toward America, the Mexican Revolution accentuating the need for a nationalist consciousness, formed on the forge of anti-cosmopolitan romanticism, carrying a defensive and often provincial spiritualism." This new consciousness was given an important radical dimension when the students joined with the workers to demand reform. It was this same upsurge in working-class unrest which the Liga was expressly formed to counter. However, for this group cultural nationalism represented less a rejection of European cultural norms, although they did reject them, than a weapon to be used against the immigrant working class.

It would seem that on the whole, as Solberg has argued,
Before 1914 Argentine nationalism was cultural rather than economic. Nonetheless, in the decades before the war there was mounting criticism of foreign companies, especially the British-owned railways. During the war Yrigoyen was publicly critical of foreign capital, seems to have taken the workers’ part in their struggles with the railway companies, and was seen by many as anti-British. He clearly did not like the British, but on the whole his economic nationalism was for domestic political consumption. It was more rhetorical than practical. For example, Solberg shows that Yrigoyen was firmly wedded to the economic links with Britain, and made no attempt to alter the country’s externally dependent economic structure. Furthermore, although he eventually pushed through the reorganization of the national oil company, Yacimientos Petrolíferos Fiscales, in 1922, a landmark of Argentine economic nationalism, this was only after years of indecision and delay.

The war did, however, stimulate the formation of a more genuine economic critique of the country’s dependent economic position. Solberg writes,

The wartime crisis... sparked a critical examination of the nation’s economic structure among a small but influential group of Argentine intellectuals. The essayists and economic theorists who challenged the soundness of the traditional export-oriented economy made a profound impact on the evolution of twentieth-century Argentine economic thought. Their fascination with industrial power and economic independence places them among the intellectual precursors of modern Argentine economic nationalism.

Economic nationalism had been fully developed in Chile by 1914, and war seems only to have confirmed the views of leading Chilean critics that a greater degree of economic independence was necessary. The monopsony control exercised by the Nitrate of Soda Executive and the wholesale takeover of the copper mines could not have been better illustrations of the extent to which the Chilean economy was at the mercy of foreigners. Chilean nationalists claimed that the increased US commercial penetration was a sign of the country’s inferiority and decadence. Montéon argues that during the war “The rhetoric of economic nationalism was gaining at the expense of laissez-faire... Few political interests any longer accepted the arguments of free trade; the role of the state in the nitrate trade, in providing public services, and in protecting industry were too important to be ignored.” Daniel Martner’s views are more or less typical of the nationalist critique. Claiming that the disruptions caused by the war were creating
the opportunity for a new direction in economic life, he argued that Chile must aspire to export manufactured goods, as do the developed countries. 48 “Being exporters of material made up in other countries weakens our economic and social independence and sovereignty and obstructs the road to prosperity and wellbeing.” Although a patriotic nationalism was employed against students and workers in 1920, because there were so few immigrants among the working class there was little of the xenophobic cultural nationalism found in Brazil or Argentina. 49

In Peru the reaction against European intellectual domination was slower to emerge than elsewhere. In fact up until the end of the First World War, with the exception of González Prada, Peruvian nationalism was predominantly associated with the Civilistas’ desire to modernize the country along European lines and their revolt against “traditional” values. 50 This was very similar to the kind of positivist-inspired ideology which was coming under increasing attack in other countries. Such an attack was slower to develop in Peru, partly because of the defeat suffered in the War of the Pacific. In the years of civil war and national reconstruction which followed, it was argued by the ruling elites that defeat was due to the country’s relative backwardness, and, therefore, what was needed was the reform of traditional institutions and the creation of a modern state.

There were, however, some dissenting voices. The most influential was that of Manuel González Prada, poet and anarchist, whose ideas about the need to bring the Indian masses fully into the nation, mark him out as an early indigenista. However, while his advocacy of social revolution clearly distinguishes him from most of his contemporaries, like them he too was imbued with strong positivist principles. 51 These principles were decisively rejected by another major Peruvian thinker, José de Riva-Agüero, whose romantic reverence for the country’s Inca past was developed within an extremely conservative perspective. But it was not until 1919 that a major break came. It grew out of the workers’ revolt and the university reform movement. It was from these conflicts that the radical anti-imperialism of Haya de la Torre and Mariátegui’s revolutionary indigenismo were to arise in the 1920s.

The development of a new nationalist consciousness in Latin America during and immediately after the war was a complex and contradictory process, but in all its diverse forms it represented a mounting disquiet about, and in many ways a rejection of, the liberal assumptions which had underpinned the growth of world capitalism in the nineteenth century. This mirrored development in Europe, where,
as Mariátegui argued, the liberal concept of progress dominated both bourgeois and proletarian culture before 1914. The war "...shattered the bubble of bourgeois complacency. The shock waves of the ensuing 'spiritual and psychological' crisis shocked the whole culture." As with all the many different social, political, and economic changes that have been discussed, the revolt against European cultural and intellectual domination was not something that first appeared during the war. However, by showing the bankruptcy of the claims for European cultural superiority, destroying the international economy, and being the excuse for the Allies' often tactless meddling in the region's economic affairs the conflict served to stimulate a diverse, but powerful nationalist reaction. This reaction was further fueled by the two great revolutions of the period, the Mexican and the Russian. The latter demonstrated the possibilities of proletarian revolution, and so gave great encouragement to the embattled working class. At the same time, by creating panic among the ruling class it also helped to ignite an already smouldering nationalism, patriotic and often xenophobic, which was directed against workers. The Mexican Revolution, on the other hand, offered not only a symbol of national liberation, but also made heroes of the Indian and mestizo masses, offering a potent American cultural alternative to the tarnished, and in many eyes, discredited European model. As Portantiero writes, "All of Latin America, which had built its links to the external world with its elites influenced by European manufactures and ideologies, felt the commotion of the war as the collapse of a historical cycle which brought with it the bankruptcy of cosmopolitanism and the rebirth of a nationalist preoccupation."

V

In many respects the war marked a major economic, political, social, and cultural watershed for Latin America. It also demonstrated a number of salient features of the region's brand of primary export capitalism. In the first place, there is little doubt that there had been substantial materially progressive change during the nineteenth century. Without it the export sectors could not have functioned. André Gunder Frank's stagnationist theory is, therefore, completely untenable. This does not, however, mean that a diffusionist perspective need be accepted. The capitalism that did develop in Latin America was both chronically weak and in many key respects excessively dependent. The two conditions fed on each other, the dependence
engendering weakness and the weakness making greater economic independence difficult to achieve. The outbreak of war showed with startling clarity just how vulnerable and multidependent these economies had become. Furthermore, although developments during the remainder of the war indicated that the economic systems here were not totally devoid of independence, renewed prosperity continued to rely on the ability to export primary commodities financed by foreign credit and carried in foreign ships. In only very limited ways was Latin America isolated from outside pressures during the war.

But it is wrong to see these problems simply as the result of various forms of external imposition or control. The maintenance of primary export capitalism had relied and continued to rely on the complicity of the local elites. They freely collaborated because they prospered from this system, at no time more so than during the European war. It was this group who reaped the benefits of progress. E. Bradford Burns has recently maintained that in nineteenth-century Latin America:

Economic growth, confined to a narrow economic sector involved in export, aggravated the inequalities of income and the differences in the qualities of life. An increasing rate of economic growth in that select sector further unbalanced income distribution by concentrating the wealth in fewer hands. The industrialization accompanying selective modernization likewise favored the wealthy at the expense of the poor... the elites’ urge to export and to modernize exacerbated the position of the majority. So while the quality of life of the majority deteriorated, the lifestyle of the elites and to a lesser extent the emerging middle class improved, both to extremes previously unequaled.

This is a fair account of the period, but could as easily be a description of the early stages of the industrial revolution in Britain. In this sense it suggests that, however well-intentioned, it is wrong to argue as Burns does, that capitalist development is about the welfare of the masses. Historically, capitalism grew not by making everyone better off but through creating greater inequality. When later this began to be offset, or at least the worst aspects of poverty alleviated, in the more advanced countries, it was a product, among other things, of class struggle and political change, the efficiency of industrial capitalism, and the ability to increase real wages by drawing on cheap wage goods and raw materials from regions such as Latin America. These last two options were denied Latin America’s primary export elites. During the war when the contradictions of dependent capitalist development were greatly magnified and the class struggle exploded, in order to maintain
After the War

their hegemonic position they were eventually forced into varying forms of political compromise. Although there was little change in the structure of economic power within these societies, especially as export sectors were generally strengthened, this was the beginning of the end of the old political order. This existing economic order was to decay more slowly, awaiting the crisis of world capitalism in the 1930s for its most dramatic moment of transition.\textsuperscript{55}

From the last decades of the nineteenth century the export elites in all four countries had different versions of essentially the same utopian dream. Their “barbaric” countries could be modernized by looking to Europe for capital, technology, labor, markets, and culture. By exploiting their “natural advantages” as primary producers they would benefit from the occasionally temperamental, but seemingly endless expansion of the British-dominated world economy. By the turn of the century the dream had begun to go wrong. Instead of the foreign presence being transient, there was growing foreign domination, whether by merchants or bankers, on the Argentine railways, or in the Chilean nitrate fields. And instead of obedient, docile labor the elite began to face an urban working-class movement, hesitant, but growing in confidence. The imperialist war in Europe brought the “golden age” of the international economy to a sudden and bloody end. By the early 1920s the elites’ nineteenth-century vision of European-style progress lay shattered as much on the battlefields of Europe as on the smaller scale battlefields in the streets of Lima, Santiago, Buenos Aires and São Paulo.