COMMERCIAL POLICY IN EARLY REPUBLICAN LATIN AMERICA: A Reassessment from the Standpoint of Global Perspective

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I. INTRODUCTION

It is scarcely surprising that issues of commercial policy hovered high on the agenda of public controversy as Latin American countries moved through the first decades of Independence. A number of factors may account for this prominence. For one thing, this was a field of discussion on which those in policy-making circles had long experience. Trade policy had, after all, been at the forefront of concern during much of the last half-century of colonial rule in Spanish America, for besides the commercial impact of eighteenth-century Bourbon reforms, the Napoleonic interlude in Spain had produced changes in trade flows that provoked further commentary as the nineteenth century opened. Even in the case of Brazil, policy debates during the Pombaline era had revolved around commercial issues,[1] while the gaining of independence in Spanish America and the removal of the Portuguese court to Rio de Janeiro (with the aftermath of this transposition) both seemed to open up new possibilities for organizing external economic connections.[2] Just how this reorganization would look, though, became one of the most unsettled issues of the new republics, and, to a lesser extent, of the empire which sprang up, like a mushroom, in Brazil.

The intellectual environment, as shaped by expert opinion, was likewise supportive of the policy community's preoccupation with trade. In Spain, the mercantilistic views of such reformers as Campillo y Cossío and Ward favored some degree of trade liberalization and foresaw great benefits accruing for both public and private purposes from a foreign

1 For Spanish America, see Walker (1979); Hamnett (1971) and Brading (1971) for insight into the sorts of issues involved. For Brazil, Maxwell (1973), H.E.S. Fisher (1971), and Maxwell (1968).

2 The opening of the Brazilian market to British exporters is covered in the authoritative book of Manchester (1933).

trade multiplier effect. A sort of trade-centered development theory, with a remarkably refined understanding of the relation between trade and production, had, in fact, come to be generally accepted, though not fully implemented, in Spanish official circles in the latter half of the 1700s. Even the new countercurrents in economic doctrine, which also came to be known and discussed in Latin America,[3] elevated foreign commerce to a key position in explanations of progress towards opulence. Such was the case amongst the physiocrats, for example, and it was even more strongly stressed in the strain of economic liberalism that ran through Petty, Hume, Stewart, and, of course, Smith and Ricardo. Happy the nation, the preaching went, that welcomed goods and traders from afar.

New Latin American governments were, to be sure, by no means the only ones to wrangle over trade policy. In Britain, the lucrative trade with India had been opened to competing merchants only in 1813; that with China would be liberalized in the 1830s. Customs duties were reformed and substantially reduced under Huskisson in the 1820s, with a second wave of reductions coming under Peel in the 1840s. The same decade brought repeal of the Corn Laws, after long agitation for their abolition, and the penultimate legislation for putting an end to the navigation acts after a long series of liberalizations that began in 1824. These were finally laid to rest in 1854. Meanwhile, France, having instituted under Napoleon the Continental System as a means of contesting the British for commercial supremacy, moved in a generally protectionist direction until the 1850s. Germany, for its part, was caught up from 1828 to 1834 in the formation of the *Zollverein*, the culmination of which was a tariff system that was less restrictive and less complicated than was usual in Europe at that time. Elsewhere in Europe commercial policy was also under discussion, but perhaps less visible to Latin Americans than in the case of the foregoing.

For Latin Americans travelling northward, the view was not different. Alexander Hamilton's *Report on Manufactures* ([1791] 1913) engendered a running controversy after its presentation at the end of 1791, becoming the bible for the first American tariff campaigns that began a vigorous effort to change national policy at the close of the Napoleonic Wars. In short, throughout the North Atlantic "reference group" of nations to which Latin Americans related, trade policy was very much in the limelight, and the apparent correlation between participation in trade and

3 A glimpse of the Latin American reflection of these theoretical and ideological developments is found in Gondra et al. (1945).

national wealth created a kind of demonstration effect in public policy. Had anyone in emancipated colonies doubted the importance of trade amongst nations and the policies shaping it, he would have been swimming against the prevailing current of international opinion in respect of what matters should rightly be reckoned serious.

Even technology appeared to underscore the importance of trade. The first half of the nineteenth century brought to Europe, be it recalled, a major extension of canal construction, the onset of railway building, significant improvements in sailing vessels, and the beginning of steam navigation. Moreover, the import requirements of the industrial revolution then abuilding were already becoming evident, as in the need for hides for industrial belting, while it was equally plain that the new production technologies would eventually turn out an even larger exportable surplus. Indeed, in reflection of these twin concomitants of industrialization, as well as of declining shipping costs, population growth, and improving incomes, global commerce was unmistakably on the rise – and with it the influence of economic interests concerned with commercial policy. Exporters, the manufacturers whose products they handled, and the financiers who dealt in overseas traffic were beginning to cast a covetous eye on the markets supposedly held largely beyond their reach by Iberian imperial policies and were ready to pounce on the new commercial opportunities of the region once the ramparts of empire had been dismantled. In a sense, a "pent-up supply" was just waiting to match what was believed to be a pent-up demand. (That in many instances avidity led these interests to leap before they looked, so that they ended in commercial failure, is another matter.)

From the standpoint of Latin Americans, there was one final circumstance that made commercial policy so compelling a topic: namely, the intimate association between trade flows (the chief "growth industry" of that day) and the prevailing structure of privilege. Agriculture, the customary base of American social preferment and economic status, was not as static in production and ownership as has sometimes been suggested, notwithstanding the dominance of the latifundia-minifundia complex and the sluggish pace of change in local markets other than those of the mining zones. Wealth was certainly to be had from farming or ranching for Latin American markets, but generally it was garnered from the extent of operation (and from adapting the output mix to slowly growing urban markets) rather than from significant innovation.[4] For those

4 For a particularly fine account of provincial agriculture see Van Young (1981).

holdings situated favorably in relation to exterior transport routes and in ecological conditions that provided suitable production options, however, the opportunity costs of producing for export were generally quite low and the attraction of overseas sales correspondingly high. Mining, that other mainstay of the colonial economy, was even more dependent for its prosperity on sales abroad.

Manufacturing had come, during the colonial era, to be far more widespread than is sometimes believed by those who misinterpret the regulatory regime imposed by the Crown, but scarcely anywhere in the region could it have been considered a really promising route to riches. Meanwhile, the institutional structure of banking and finance, by the time independence was achieved, was a striking case of arrested development. This left commerce, then, and especially trade with overseas suppliers and customers, as the area of economic opportunity that beckoned most strongly to those concerned either to gain in material standing or to conserve the privileged standing which had been theirs under the concessionary system of regulated commerce. Whatever else they may have represented, the arguments about commercial policy rested, therefore, on an objective basis of factional struggles over profit and status.

II. VICISSITUDES OF POLICY

In the wake of independence, all kinds of conflicts welled up to disturb the policy process for the next three decades or so. Since for three hundred years the state had been the center of social gravity, it was unavoidable that the arena of public policy should become a battlefield on which new realignments of class, regional, ideological, and sectorial differences would be worked out. Those who favored decentralization vied with proponents of centralism, conservatives contended with liberals, and regional interests sometimes went so far as to shatter the new "national" unity. Political factions, built on personal and familial loyalties, and political chieftains who were scarcely more than warlords added to the confusion. Behind it all, occasional rumblings of class antagonism and disputes among sectorial interests could be distinguished. In the field of trade policy, yet another cleavage came into play: to wit, that between those who wanted to employ trade measures as an instrument of what today we would call industrial policy and those who saw tariffs primarily as a source of public revenues. With so many cross-currents running, small wonder it was that any semblance of a stable policy consensus was generally to prove chimerical. The story of those days has been recounted so frequently that we need not pay close attention to detail. Nevertheless, some examples may be brought up to illustrate the basis on which lines were often drawn. For this purpose, the two countries at either end of the crumbled empire were particularly instructive.

In Mexico, the most developed of the overseas kingdoms, there were lingering overtones of rivalry between the privileged merchant groups of former days and both provincial trading firms and newcomers to the mercantile scene. Adding to the policy stew, which often had a regional cast to it, were the concerns of those who sought to preserve and strengthen the country's manufacturing base and who, more generally, favored retention of the Hispanic heritage of governance and social organization. The first decades of republican government embraced, accordingly, sets of policies with quite divergent aims, but with intervals in which an assortment of interventionary means were employed to promote industrial development.[5]

Under the guidance of such outstanding political leaders as Lucas Alamán and such entrepreneurs as Estevan de Antuñano, Mexican conservatives succeeded in the latter half of the 1830s in halting the liberal federalism earlier expounded and implemented by such figures as Valentín Gómez Farías and José María Luis Mora. Internal duties were reduced or eliminated to free the national market of internal impediments to trade, but external duties moved towards protective levels. A national development bank, established during an earlier conservative interlude, was used to further the cause of industrialization. In a few instances, state governments also put up funds for the establishment of new factories. One must not, however, seek overall consistency in policy from any political group in this troubled period, and in any case the extraordinary turnover, usually irregular, in government between 1822 and 1867 and the disastrous effects of the Texas secession and the war with the United States all tended to overwhelm any possibility of there being stable policies producing predictable results.

Further, in Mexico as in most of the rest of Latin America in this era, a succession of arbitrary and autocratic governments installed regimes that were neither notably efficient nor imbued with high standards of probity in carrying out the writ of law. Thus, any literal reading of the historical experience on the assumption that there was much correspondence be-

5 Potash (1959). Also of great usefulness are Córdova (1976) and several other volumes in the first and second series of the valuable *Colección de Documentos para la Historia del Comercio Exterior de México* (México).

tween legislation and practical reality tends to be an exercise in counterfactual historiography.

At the other end of the Hispanic realm, Argentina moved towards economic liberalism from almost the beginning of independent existence.[6] The general tariff of 1822, for example, provided for a relatively moderate level of duties, with somewhat more protection for a few selected items, while the Anglo-Argentine treaty of three years later reinforced the liberal orientation of trade policy even though it did not directly deal with tariff levels and such like. Although rather more protection crept into the picture through subsequent revisions in the tariff schedule in that decade and the next and although the importation of selected items was prohibited altogether, during the 1840s any policy bias towards a protective support for national development – a position advanced by federalists more than by the unitarians – receded in the face of a number of considerations. What is more, as in Mexico, economic policy was frequently swamped by other circumstances: a war with Brazil, a blockade by the French, difficulties in managing external finance, a continuing struggle between Buenos Aires and the interior provinces that from time to time erupted into civil war, and the usual problems of implementing the law.

In Argentina, as in Mexico and elsewhere, the circumstances of economic geography also played a role in shaping policy outcomes. Whereas throughout much of the interior of Latin America overland transport costs were high, so that freight charges sometimes provided a measure of protection for inland producers, foreign goods enjoyed a considerable advantage in littoral areas and in those few interior regions reachable relatively cheaply from the coast. For Argentina, such considerations worked to favor the interests of those endorsing (and benefitting from) liberal trade policies; for Mexico, they lent support to the more protectionist inclined. In Colombia and highland Ecuador, economic experience ran more along Mexican lines; in Chile and Uruguay, more like the Argentine case.

Finally, constraining economic liberals (the unitarians) and those of a more conservative bent (the federalists) in Argentina was a further factor that operated throughout Latin America: the exigencies of a fiscal system based heavily on trade taxes. Neither a frankly protectionist posture nor a

6 The Argentine may be the Latin American country best covered by scholarly inquiry. Among the works affording a good view of the economic conditions and policies in this period are Burgin (1946); Ferns (1960); Reber (1979); and Brown (1979).

full-fledged espousal of free-trade was possible, given this dependence. The disordered state of political life simply underscored this imperative by reducing the efficiency of the fiscal system while piling additional burdens (for financing social control and civil combat) on it, particularly after a repayment record that reduced the possibility of further recourse to foreign loans.

In between Mexico and Argentina, the picture was similarly mixed, save, perhaps, for the 1810-1844 period in which Brazilian commercial policy tended to be fairly liberal, particularly in respect of trade with Great Britain (Manchester 1933). Peru, for instance, had started on its national project with an impetus from Bolívar's somewhat eccentric and autocratic vision of liberalism.[7] The conventional historical interpretation of the subsequent decades is that the country was marked by economic disintegration and a preoccupation with the political rivalries of caudillos, both of which are undeniable. More disputable, however, is the assertion that economic liberalism reigned and that the state withdrew, in reaction to colonial interventionism, to a passive role, an interpretation found even in such impressive works as Basadre's (1968). Granting that the shifting political currents undermined policy coherence, one can nevertheless distinguish a decidedly interventionist bent in the policy style to mid-century and even beyond, in spite of liberalization measures introduced in the 1830s and the 1840 reform of the Commercial Code. Even this latter, the apogee of early liberalism, was not without a nod or two in the direction of protection, and, in any case, the 1849 changes in tariffs brought a dramatic end to this interlude.

Off and on, protective tariffs (or protection-inspired differences in duties on imports of raw materials and finished goods), national preference in buying, waivers of duties on imported industrial inputs, subsidies, prizes, monopoly concessions, and even public enterprises were all employed, albeit none too systematically, to further the industrialization of the country.[8] In 1840, for example, the very year the liberal Commercial Code was enacted, the Peruvian government took a minority shareholding interest in Wheelwright's new steamship monopoly for coastal trade while other restricted monopoly grants were employed to encourage industrial establishments in 1841, 1842, 1845, 1846, 1847, 1848, and 1849. When the guano boom got underway in the 1840s, this industry, too, was operated on government account by an assortment of concessionaires.

7 An interesting on-the-spot appraisal of the liberator is reported in Clayton (Ms. 1982).

8 Saulniers (1981) provides a masterful study of this period.

Economic nationalism surfaced in early Colombia as well, for from 1821 into the 1840s, tariffs were moderately protective while, as noted above, the extra costs of reaching, over a very poorly developed transport system, the interior markets of that mountainous land afforded local manufacturers an additional safeguard against competing imports. Loans from public funds were likewise resorted to in an effort to spur industrial development, although the civil wars that afflicted the new state in 1828-1831, 1839-1842, and 1851-1854 hardly established a climate conducive to a positive response to the policy inducements of that day. Still other policy expedients were tried as well before the orientation of policy makers shifted, in the 1840s, in a more liberal direction. (The establishment of regular shipping services on the Magdalena at mid-century reduced the factor of geographical protection in approximately the same period.)[9] What the Columbian case highlights, as Safford has so convincingly indicated, is the importance, at least at certain times, of regional divergence in policy preferences and the danger of simplistic interpretations of the basis of the liberal/conservative division (i.e., urban vs. rural, middle class vs. landed aristocracy, etc.). Economic interests were not easily sorted out into neat policy categories during the economic, political, and ideological turbulence of the three decades up to ca. 1850, nor, for that matter, was there always a sharp differentiation between foreigners and nationals in the allocation of economic roles. Here and there, national entrepreneurs (even of the upper class) labored alongside those who immigrated to set up the new businesses of a dawning industrial age. In short, untangling the strands of commercial policy in the decades following independence is a task that must frankly accept the existence of contradictions, inconsistencies, and broad areas of ambiguity, to say nothing of considerable variation by product and region in the actual economic experience of the age.

III. COMMERCIAL DEVELOPMENTS TO 1850

Varied as was the Latin American policy scene between ca. 1820 and ca. 1850, the actual unfolding of external commerce was no less so. Indeed, since in this instance the variation was pronounced even at the subnational regional level and by sector and industry, the picture presented is, if

9 The classic study is, of course, Ospina Vásquez (1955), but most instructive, too, is Safford (1977).

anything, more complex than that found in the area of policy. Some zones became quickly caught up in the rhythms of the emergent world economy; others were absolutely untouched. So diverse were regional experiences, in fact, that the notion of an area-wide "average" or "norm" is meaningless for this period. One of the few generalizations that can be ventured, perhaps, is that while some new machinery was imported into Latin America during this period, the major impact by far of foreign trade seems to have been more on the consumption patterns of a comparatively small segment of the region's population than on the technology and organization of production. Apart from this, given the differences that characterized the region in this period, it would be as unfeasible to try to portray the whole of Latin American export experience as it was to essay a comprehensive review of policies. Again, a few observations must suffice to indicate the range of variation.

In Peru, for example, where the degree of trade dislocation easily matched the country's political disorder and where a large external debt was quickly run up and into default, the general condition of national exports was unedifying up to the time that guano became important. True, from the southern highlands of that country there came a mounting stream of wool exports, chiefly alpaca and llama (Bonilla 1974b). Ranging between 349 lbs. and 2,224 lbs. in the 1826-30 period, the annual volume exported rose to 1.4 million lbs. in 1843 and was over 1.2 million lbs. every year from 1848 on. Elsewhere, however, the record was largely barren in respect of material progress, the mining industry remaining prostrate from the decline that set in around 1805-11 (Fisher 1977).

Colombia fared no better. A short-lived investment boomlet based on the extravagant expectations British capitalists had for reviving silver mining was quickly sniffed out, and the fact that the foreign debt went so quickly into default was an additional discouragement. The trade records from the period leave much to be desired, partly because there, as well as elsewhere, the taxes levied on exports and the laxity of public administration meant that there were strong incentives to avoid accurate reporting. But so far as is known, there appears to have been a virtual stagnation in exports as a whole (Nieto Arteta 1942) though within this dismal picture there were exceptions. Hides and coffee exports, both began to rise, as they did, along with cacao, from neighboring Venezuela.

Mexico had enjoyed a remarkable resurgence of mining in the late colonial era, but despite the high hopes this engendered for the post-independence period in the minds of both foreign investors and Mexican nationals, the story to mid-century was one of disappointment and discouragement punctuated only infrequently by success – particularly before the 1840s (Cassidy 1974). On the agricultural side the picture was hardly impressive. (It should be kept in mind, though, that Mexico was, in Latin America, uniquely hampered by the loss of substantial portions of its national territory during the period under review.)

Compared with most of Latin America, Brazil performed marginally better in its foreign trade, thanks to the gradual increase in sugar exports and to a rather more rapid rise in coffee exports. It was in the south, though, that the outlines of a new economic era began to be visible. The remarkable increase of shipping out of Chilean ports, for instance, reflected a rise in exports of silver, followed by a growing exportation made up of wheat, copper, nitrate, and guano. As elsewhere there had been a spree of speculative foreign investments in the mid-1820s that failed almost as quickly as they had started up, but these were soon followed by undertakings of greater longevity and productivity. In Argentina the situation developed even more promisingly. Hides and wool were shipped to meet the growing consumption in both the British and U.S. markets, and other animal products – horse hair, horns, lard and tallow, and even bones – likewise moved out in growing volume. So, of course, did salted beef, given demographic growth, urbanization, and rising incomes in Western Europe.

Much remains to be pieced together for a detailed assessment of Latin America's trade and trade policy in the 1820-1850 period. What does seem clear already is that the determining factors in trade flows were, overridingly, the strength and configuration of demand in Europe (and, in lesser measure, the United States) on the one hand and the natural resource endowments of the different Latin American regions on the other. The land factor was much more determinative than were the other factors of production in defining the relatively limited range of production options available to the various exporting regions. The commercial policies, as such, of the Latin American countries appear to have mattered very little. Indeed, the chief impact of the policy environment on trade flows in any sense was perhaps a negative one, in the area of minerals: the general disarray in such countries as Mexico, Colombia, Peru, and Bolivia contributed to the frustration of efforts to revamp the mining sector and put it on a sounder footing for the export market. Yet even this impact is questionable: the underlying problems in these countries were so intractable that there may not have been any policies available to the leaders of these nations that would have produced the consensus and support on which more stable regimes might have been erected.

IV. THE SIGNIFICANCE OF COMMERCIAL POLICY

It is hard to escape the conclusion that so far as concerns the secular economic expansion and development of Latin America, both liberal and conservative approaches to commercial policy were almost equally incomplete and unefficacious, especially if we assess these policies in the light of modern growth theory, which places the focus on technological and organizational change as the source of much increased productivity. Further, easy as it is to understand why so much attention should have been devoted to trade policy in the climate of opinion that prevailed in those days, there is an important sense in which the emphasis was quite misplaced. True, overseas markets were growing, as were domestic markets (albeit much more gradually), though neither grew at the pace that occurred later in the century. But while economic theory has made much of the widening of the market as a critical variable, this was, up to mid-century, much more relevant to the vent-for-surplus versions of trade theory developed by Innes, Caves, and others than it was in other respects. The economic expansion that occurred in scattered parts of Latin America was, with a few notable exceptions, mainly a growth along the extensive margin (i.e., the kind of growth that came from adding more but essentially unchanged factors to the production process) rather than a growth along the intensive margin that would have involved more change in production functions and greater change in the composition of output. Such, for instance, was the case even in the Argentine where the growing engagement with export markets activated latent resources on a significant scale. There were, to be sure, some changes in output as well as some changes in the composition or mix of inputs, but these appear, on the whole, to have been somewhat isolated, sporadic, and discontinuous – not, in any case, the kind of pervasive and continuing changes that composed the growth process in more dynamic situations. Further, as experience later in the century was to reveal more sharply, there was even a tendency for innovation, when it occurred (virtually always by borrowing rather than by origination), to take on an enclave character.

For all their intensity and longevity, the quarrels over trade liberalization and protectionism thus verged on the irrelevant from the standpoint of their bearing on the foundations of regional economic growth. No one, be it remembered, favored isolating the new national economies from the world economy by encapsulating them in a protected autarchy. And both liberals and conservatives, if for the moment we may simplify by distinguishing only two camps, were nationalist in that they consciously sought to consolidate and build up the economic base of the new nations. It was, rather, the form of the articulation of the Latin American economies into the global system on which liberals and conservatives parted company, while it was the context of this articulation that led to the notable disparity between expectation and performance.

In retrospect, it is plain that those inclined to economic liberalism expected far too much of free trade. Given the institutional strictures under which the Latin American economies had labored for three centuries, the dislocations produced by a rapid opening up of formerly sheltered economies to foreign competition undoubtedly benefitted the few relatively affluent consumers of imported products much more than they helped the working population shift into more remunerative employment or entrepreneurs to come forth to meet the challenges of the day. However moderated the impact of this opening may have been by high transport and other marketing costs, there is evidence that the new manufacturing firms that were established found little economic nurture in their environment and that a sizable number of skilled artisans and workers in the proto-factories known as *obrajes* simply lost their jobs – in Colombia, Ecuador, Peru, and Mexico, particularly, but to some extent elsewhere as well. What is notable about these untoward developments, which were much more a function of product competition than of price competition, is that trade liberalization could provoke so little constructive response in the organization of local production.

The fact of the matter is that internal economies of scale were not, for most if not all industries of that age, especially significant; hence the optimal scale of factories was not as constrained by market size as it was later, when more cases of decreasing-cost industries entered the picture. Behind the not inconsiderable margin of protection provided by economic distance, especially in inland markets and, to some extent, in west-coast markets, there was, in principle, potential market "room" for new enterprises to be set up and operate competitively, even with the somewhat higher start-up costs occasioned by the delivered prices of imported machinery and equipment and with the relatively costly process of learning-by-doing normally associated with infant industries. For the same reason, the requisite of a substantial minimum size of investment for entry into production was probably not the barrier it was later to become in a number of lines though the cost of capital appears to have been much higher than it was in England at the time, or even than it had been in Latin America during colonial rule. Thus, we may legitimately question if either fragmented small markets or the problems of mobilizing financial capital on a substantial scale were major impediments to absorbing new production technologies and to reorganizing domestic manufacturing – or, for that matter, to undertaking the modernization of rural production over much of Latin America.

What lay behind the distorted transformation of the local structure of production was partly the institutional locus of liberalization. It was the product markets that were, in the main, the chief object of liberalizing policies, not factor markets. These latter – pinned as they were so closely to the structure of social power – remained encumbered by a variety of rigidities: e.g., by assorted barriers to emergence of a market in land, by peonage and other fetters on the labor market, by severe institutional constrictions on the evolving array of labor skills (i.e., on the generation of more diversified human capital), and by the very rudimentary (and, with independence, disrupted) development of a capital market in which a pre-capitalistic type of ecclesiastical and familial financing had long served as the centerpiece of the system.[10] The Latin American setting was, above all, characterized by factor markets within and amongst which the circulation of information, especially technological information, was exceedingly imperfect and through which the entrepreneurial orchestration of the other productive factors moved, at best, by fits and starts.

The foregoing circumstances need to be kept in mind in considering the implications of liberalized trade in product markets and the information conveyed by the price signals therein. In essence, transactions in product markets are, after all, summarizing transactions; the prices they generate constitute a summation of all the information given in antecedent transactions in factor markets. Since, however, Latin American factor markets had not been loosened up and were still organized so imperfectly, the composite form taken by product prices involved a substantial information loss, impeding the decomposition necessary to reveal the relative scarcities of factor components and the factor mix used in production processes. Under these conditions, the insensitivity of factor markets in their interaction with product markets failed to prompt and facilitate adaptive managerial behavior on the basis of a flow of scientific and technical information, and imports were therefore of very limited utility as guides for movement towards new patterns of resource allocation within Latin America. In other words, owing to the disarticulation of the

10 On this latter, which has been somewhat less extensively researched than the other two, see Greenow (1983) and Lindley (1983).

region's factor and product markets, foreign commerce was generally much less capable of inducing local development than it was, say, in the economies of the North Atlantic trading community.[11] Absent the organizational linkages that would transmit price signals and technical information throughout a network of factor and product markets, the marshalling of resources and assessment of production alternatives was a far stickier and more costly process than on the other side of the Atlantic, while the external sector tended, in more instances than not, to function as an enclave phenomenon and to snuff out craft production rather than hasten its conversion into an industrial sector turning out new products to compete with those coming in from abroad. In several of the countries, entrepreneurs, undaunted by prevailing conditions, did set up new factories, but the record suggests that the coordination and synchronization of production and marketing processes was fraught with exceptional difficulty in the early nineteenth-century setting.

Conservatives, paradoxically, suffered from almost the same policy myopia, though in their case it was a question of failing to perceive the full range of complementary policies that would have had to be devised and implemented if their protective and *fomento* efforts were to bear fruit. The liberals' failure to appreciate the insufficiency of the trade impulse to progress was, amongst conservatives, marked by a failure to recognize the insufficiency of market abridgement policies as a stimulus to development. In both cases, it was the character of local economic organization that created a hiatus between overseas trade and the incubation of development-furthering processes in Latin America. While internal economies of scale were not yet of any great import, external economies of scale – the externalities present in the general production environment – were of decisive weight for the possibilities of accumulation and structural transformation. The contrast of Latin America with Western Europe, as we shall remark shortly, makes this abundantly plain.

This is not to say that conservatives, any more than liberals, took a simple-minded view of the forces of production. Far from it. Lucas Alamán, for example, saw credit provision and other supportive actions, along with protective duties, as part of a policy package for instigating material progress. In Colombia, conservatives were notably active in advocating technical education and training in the practical arts, and both conservatives and liberals sent their sons abroad for first-hand exposure to the new scientific and technological developments in Europe, and to the

11 This latter is the role stressed, for example, in Youngson (1959).

United States for the practical applications thereof. But as Safford has shown, such efforts to transplant the industrial impetus to Latin America were almost totally futile (Safford 1976). The gaps in the institutional matrix of economic enterprise were simply too great to be bridged, in the short run, by either trade or makeshift policy measures.

For this complex institutional deficit, monofactorial explanations seem patently inadequate, be they psycho-social (e.g., the lack of a Protestant ethic), class-based (e.g., the political supremacy of a latifundiary elite), or couched in terms of a policy failure of one sort or another (e.g., the limitations of Spanish bullionism). Rather, most of the problems seemed to inhere in the overall inhospitable character of the social organization with which Latin America confronted the industrial capitalism of the nineteenth century. This, in turn, was the product of an enormously complicated set of historical experiences which, working through culture and geography, differentiated the Latin American economic milieu sharply from that of Europe and Europe's North Atlantic offshoot.

As scholar after scholar has shown, the burst of productivity that came about through the organizational and technological changes of the industrial revolution was essentially a product of European culture as a whole. It was, in other words, the outgrowth of a long social heritage of interaction that promoted the circulation of technical and scientific ideas, fostered the production of new knowledge through experience and research, and facilitated the adaptive assimilation and industrial application of this knowledge to agriculture, manufacturing, mining, and transportation. By means ranging from state-sponsored industrial espionage and subsidized scientific and technical inquiry to a very considerable amount of both temporary and permanent migration, the information market in Europe was characterized by diminishing imperfections and, correspondingly, by falling information search and transfer costs. The movement of people, skills, and ideas worked to facilitate and accelerate technological borrowing, both intra-industry and inter-industry, while enhancing the probability for generating new technologies and products. Indeed, this restructuring of economic life seems to have been almost continuous from at least the commercial revolution of the Middle Ages that López had described (López 1976) and involved an institutional fluidity and cosmopolitanism that contrasted markedly with the level of technique and the organization of operations through which resources were transformed in most of Latin America.

Whereas, for example, there was in Europe a widespread deliberate promotion of science and technology during the 18th and 19th centuries and even the Spanish Crown occasionally interested itself in the trends of the day, in Latin America comparatively little was accomplished.[12] In Europe, too, where, as noted, the progress of technology had, for dozens of decades, been accelerated by the extraordinary geographical mobility of skilled mechanics and the technically adept, the flow of economic and technical information was further facilitated by the activities of merchants. It is the fact that so many individuals, firms, and groups played a role that is crucial, for it was these who composed, as it were, the externalities of scale that gave Europe such a cumulative advantage in shaping the emerging world economy to its needs. As a multitude of studies have shown, even the assimilation of borrowed technology required social competence in recognizing what could be transferred directly, determining what could be transferred with modification, and carrying out such adaptations as were needed, and it was social action that was involved in restructuring the context of production operations to accommodate more advanced technology. Thus it was that in Europe, historically, the migration of skilled personnel could play a catalytic role in these processes and that often the technical ferment that took place did so in those portions of the economy most linked with international commerce.

In the Iberian world, by way of contrast, the circulation of the technologically adept did not, for the most part, even reach from France across the Pyrenees, much less to Latin America, and trade flows were almost sclerotic compared with what was going on in Europe at the time. Partly the difficulty was that of economic and cultural distance. Latin America lay off the beaten track, so to speak, and was both relatively inaccessible and unattractive to those who participated most actively in the "heritage of improvement." For centuries, the international migration of technically knowlegeable persons largely by-passed the area except for occasional royal expeditions and missions and, later, a handful of hired foreign technicians. Put off, for most of the time, by imperial policy and the stultifying remoteness of the region, they were, with independence, deterred by the numerous negative externalities that plagued the economic life of the new republics. The deficiencies of internal communication were a further barrier, limiting the spread effects of the work of the few hardy souls

12 The Bourbon government of Spain recognized the technological backwardness of its overseas dominions and, as is well-known, sent a number of technical missions to attempt to remedy matters. Most such efforts were unavailing so far as concerns the promotion of technological progress though they were successful in gathering information. For useful background apart from the much studied mining field, see Engstrand (1981).

who, ignoring opportunity costs, did venture into the liberated lands. By all accounts, then, Latin America acquired little experience in mastering the skills associated with technological borrowing, let alone in acquiring the engineering and scientific ingenuity and commercial resourcefulness required for generating new technologies as an indigenous product. This was no small part of the reason that private profit did not more often carry over into social accumulation.

Partly, though, the difficulty lay in aspects of the physical environment and had to do with the non-transferability to much of Latin America of the state-of-the-art technology in agriculture, horticulture, and animal husbandry that was the source of so much of the pre-industrial and early industrial surplus in Europe. In this respect, it is doubtless significant that in contrast to Europe, where agricultural modernization had led industrial innovation, Latin American agriculture remained relatively static after the great advances introduced at the time of the Conquest. Though the early 19th century saw some agricultural improvements in Brazil where an enlightened monarchy was generally supportive of technological updating, there was comparatively little investment throughout the region (especially beyond the Southern Cone and Brazil) in agricultural research and experimentation to resolve key technological uncertainties arising at the nexus of need and circumstances, notwithstanding the prominence of the primary sector as the foundation of economic life. Over most of the region, for example, the production technology of maize, cotton, cacao, coffee, and sugar hardly differed in the year of Simón Bolívar's death from what had prevailed in the year of his birth. The alpacas and llamas being sheared for wool in 1850 were no different from those to which the Inca had turned for the royal mantle before Pizarro came.

If commercial policy seems to have been, at best, a variable of secondary importance in determining the economic growth of early republican Latin America, the same was not the case with commerce itself, at least over the longer haul. Then and there, as elsewhere, international commerce was to function as a conveyor of organizational and technical skills, and the channel of transmission for market and technical information. From the inflow of these "invisibles," which accompanied the traffic in merchandise almost as by-products, came the basis for eventual economic reorganization, for slowly, if not always so surely, there were established on Latin America's shores the business firms, services, and practices that would in time help lay the groundwork for a more substantial economic advance. Thanks to these incipient externalities, the long-run gains from trade would vastly exceed its short-run benefits. Reber and Brown make this point with telling clarity in their excellent studies of the Argentine, but corroborating evidence comes from other locations as well.[13]

Through commerce, then, the seeds of change were being planted, though for a harvest that would come much later in most cases and, in any event, clearly well beyond the planning horizon of the republican *políticos* who debated commercial policy with such fervor. For the time being, the practical importance of commercial policy was to occupy politicians and to give consuls – and, later, historians – something to write about.

13 See, for instance, the beachheads extablished, in spite of many tribulations, by British mercantile houses, as reported in Platt (1972).