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Dependency, Development, and Liberation

Latin America in the Cold War

How does a country develop? Is economic development simply created by a free marketplace? Or is it possible to accelerate development by guiding the market? If so, how can a government engineer that development? In the twentieth century, these were among the most pressing questions facing Latin America, and the answers to them had enormous consequences.

At the beginning of the century, liberalism was the predominant political and economic ideology in Latin America. It entailed constitutional republican government whose role was to preserve order, protect private property, and promote free trade. In practice, this meant that a handful of people controlled farmland, mines, mills, and the labor to exploit them. This minority profited by exporting agricultural commodities and minerals, while importing manufactured goods. It was a system that placed great wealth in a few hands, and its critical integer was cheap labor. The patrons of the economic system were also the directors of the political system.

By the middle decades of the century, social groups including women, urban workers, and rural laborers, pressed for political and economic inclusion. At the same time, Latin Americans began to ask whether it was possible to catch up with wealthy, powerful, and industrialized nations like the United States, Britain, Germany, or Japan. The dual impulses of political inclusion and economic growth were interrelated, and a new kind of politician, populists, learned to tap the groundswell of new voters and the appeal of economic development. Populist politicians cultivated a mass following by promising rights to workers, access to health and

education, industrialization, and rising wages. In Brazil, Getúlio Vargas played this role in the 1950s, building on the base of labor legislation and state sanctioned unions he created during 15 years of mostly dictatorial rule (1930–45). Argentina had one of the most charismatic populists, Juan Perón (1946–55). Chile, by contrast, had little populist experience because traditional political parties expanded their appeal to workers, producing electoral competition between its center Christian Democratic Party and leftist groups like the Socialist Party, which culminated in the presidential election of Salvador Allende (1970–3).

By the end of the Second World War, Latin Americans faced a transcendent question: what is the path to development? And this question begat two difficult ones: Who bears the costs? And who reaps the rewards? The answers to the first question reflected a broad consensus: the state must act where the market had failed to propel economic development. But the second set of questions were divisive: any development plan confronted the gulf between those who traditionally held wealth and political power, and those who did not.

What did development mean? It was the response to underdevelopment, which had many facets. Economically, underdevelopment meant reliance on export agriculture sustained by impoverished rural laborers, as well as reliance on imported technology, manufactured goods, and capital. It also meant deficient infrastructure. Take Brazil as an example: much of its territory was unreachable by road. Its rail lines and highways were inadequate and badly conserved. The reach of electricity, telephone, telegraph, as well as water and sewer treatment was restricted to urban areas in a country where the majority of the national territory and population were rural. Politically and socially, it meant weak institutions with a limited reach. Education and access to healthcare were restricted: in 1950, 57% of Brazilians were illiterate (and consequently lacked the right to vote). The armed forces lacked capacity, training, and equipment. Adding to these challenges, Brazil's population was exploding: Of 52 million inhabitants in 1950, more than half were under the age of 20.

“Developmentalism” was the art of correcting underdevelopment. Among 1950s U.S. intellectuals, modernization theory was an especially influential vision of development which was based on the assumption that underdeveloped societies faced a lag relative to developed societies. It presumed a linear path of evolution in which the United States sat hierarchically above Latin America. Under this model, which became the

logic of U.S. foreign assistance programs during much of the Cold War (1945–90), societies like Argentina, Brazil, and Chile should embark on projects to become more like the United States. Understandably, this model appealed to mid-century U.S. intellectuals and policymakers. In Latin America, modernization theory and its colonialist implications, held less sway.

The most powerful diagnoses of underdevelopment and its remedies came from Latin America itself, especially the social scientists associated with the United Nations Economic Commission for Latin America (ECLA), headquartered in Santiago, Chile, and directed between 1950 and 1963 by Argentine economist Raúl Prebisch. Prebisch's approach, structuralism, interpreted the world as divided between a core (countries which were capital rich and industrialized), and a periphery (poor countries which relied on exports of raw materials, and were politically and economically vulnerable to the influence of core nations). For Prebisch, Latin American countries could not industrialize just by following liberal free-market rules. Instead, industrialization needed a push by the state through a process called import-substitution industrialization (ISI). This could be achieved through tariff barriers to keep imports out, as well as state financing or even ownership of industry. Prebisch's ideas were a located between liberal thought and more radical developmentalist thinking. For instance, he believed ISI had to be balanced with private ownership, free trade, and limited public spending.

Prebisch's approach became a springboard for a new interpretation of development and underdevelopment called dependency theory, pioneered by later generations of social scientists affiliated with ECLA. Dependency theorists offered a new diagnosis of the conditions that made that role necessary: industrialized countries in the northern hemisphere prevented the industrialization of countries in the southern hemisphere. Dependency theory was largely the opposite of modernization theory: it saw the terms of the relationship of countries like Argentina to countries like the United States as a perverse engine that inhibited development and reinforced inequality in Latin America. It was also pessimistic that development could be achieved under capitalism.

Dependency theorists drew from Marxism as well as from Prebisch's structuralism. They believed the relationship between core and periphery trapped Latin America in poverty and underdevelopment. Specifically, trade between the United States and countries like Argentina, Brazil, or

Chile was governed by “unequal exchange” between the low value of agricultural and mineral exports relative to the high value of manufactured imports. This unequal exchange was dynamic: over time, the value of agricultural goods continued to decrease relative to the value of industrial goods.¹ In other words, Chile would have to export many, many grapes in order for a few Chileans to afford a car imported from the United States. In turn, exporting cars meant that many more people in the United States could afford Chilean grapes. Dependency theory explained that this growing differential trapped these countries in underdevelopment.

The solution to this problem, according to structuralists and dependency theorists was to replace the free-market doctrine of promoting the export of commodities for which they had a comparative market advantage (like coffee or copper) with policies such as ISI, fostering the creation of domestic industry. Dependency theorists went further, stressing social and economic reforms to combat poverty, such as land redistribution. These perspectives were widely shared: Prebisch was Argentine, Chile was the host of ECLA, and many influential dependency theorists were Brazilian, including Celso Furtado, who would serve as minister of planning (1962–3) and Fernando Henrique Cardoso, who would be the first elected Brazilian president to serve his full term after the end of military rule (1994–2002), though by this point he had renounced the theories he pioneered. Not all Latin Americans were dependency theorists, and disputes about the path to development paved the road to dictatorship, as three examples show.

In Brazil, the debate over oil exploration exemplified divergent paths to development. Nationalists like populist Getúlio Vargas rallied around the slogan “the oil is ours!” and sought to create a state monopoly to control the new industry. Since oil was a strategic resource, it should not be owned by foreigners, nor should foreigners reap the profits from extracting and refining Brazilian oil for Brazilian consumers. Conservative opponents argued for foreign investment: it was foreign companies, not the state, which had the capital and the technology to develop the oil industry. The outcome was a compromise: a new state company, Petrobras, held a monopoly over extraction but shared refining and distribution with private (mostly foreign) companies. The debate over oil reflected the ongoing political struggle over the development.

In Argentina, populist Juan Perón nationalized industries and pushed ISI to a degree well beyond that advocated by structuralists and depend-

ency theorists. Prebisch disagreed with Perón's takeover of the Central Bank (which Prebisch had directed from 1935 until 1943) and resigned his faculty position at the University of Buenos Aires in 1947 when the university refused to remove his name from a list of supporters of Perón's economic plans.² Peronists and leftists in Argentina disdained Prebisch's approach because of its emphasis on private ownership of industry, foreign investment, and economic stability.

Among these leaders, Salvador Allende took the most radical path to breaking economic dependency. His 1970 electoral program explained "Chile is a capitalist country, dependent on the imperialist nations and dominated by bourgeois groups who are structurally related to foreign capital and cannot resolve the country's fundamental problems."³ Allende's approach went beyond the prescriptions of structuralists and dependency theorists like his friend Prebisch. He pursued socialization of the economy through nationalization of banks, utilities and the foreign-owned copper industry (which accounted for the 80% of Chile's exports and was primarily held by U.S. Anaconda Mining), as well as accelerated redistribution of land. Politically, these economic changes would be matched by a process of empowering workers and communities to make local decisions. This would be a new historical course, liberating Chile from dependency on foreign capital and its domestic allies. Allende called it the Chilean Road to Socialism.

The Cold War in Latin America

The debate over development was intensified by the U.S. Cold War doctrine of containment, which sought to prevent the spread of communism beyond Eastern Europe and the Soviet Union. The United States pressed Latin American countries to adhere to free-market policies, provide a supportive environment for U.S. business, and reject Marxism and Socialism. The United States counted on the support of traditionally wealthy and powerful social classes in Latin America whose fortunes were often tied to trade with the United States or to American business interests. The United States also cultivated Latin American armed forces by providing training, financing, and equipment. U.S. influence was not just overwhelming, when necessary it was enforced with violence, either by supporting military coups or through occasional direct military intervention.

The United States and its allies within Latin America used a wide brush to paint populism, developmentalism, and nationalism red. Much of the Latin American political and economic spectrum – ranging from moderate developmentalists like Prebisch to populist nationalists like Juan Perón and Getúlio Vargas, to Socialists like Salvador Allende, and beyond them to the revolutionary Marxist left – faced U.S. antagonism. U.S. policymakers defended archaic social, economic and political orders that reflected legacies of exclusion and exploitation that were often inherited from the colonial era. This alliance resulted in the violent suppression of social movements and radicalization of those seeking social change.

U.S. Cold War policy in Latin America varied in its nature and degree. In the Caribbean and Central America, the United States often employed direct intervention, such as orchestrating the military coup that deposed the reformist president of Guatemala, Jacobo Arbenz (1954), and inva-



Figure 1.1 Soldiers marching beneath a Chevrolet advertisement during the Brazilian military coup, 1964.

Source: © Arquivo Nacional, Brazil.

sions of the Dominican Republic (1965), Grenada (1983), and Panama (1989), as well as a failed invasion of Cuba (1961). South American countries were not in the direct shadow of the United States. Since the United States could not impose its objectives as directly, it worked through allies among the armed forces as well as domestic and international business groups. U.S. companies became proxies for U.S. foreign policy: Ford and General Motors funded secret police and death squads in Argentina and Brazil. International Telephone and Telegraph (ITT) supported groups seeking to overthrow Chile's Allende.

The 1959 Cuban Revolution was a watershed. Cuba's economy was closely tied to the United States and its political system was shaped by repeated U.S. intervention. Fidel Castro's movement had a clear goal among its initial objectives: attaining autonomy from the United States. Castro adhered to Marxism only gradually as his regime distanced itself from the U.S. and carried out social and economic reforms. Since the Cuban economy was vulnerable to sanctions imposed by the U.S. government, Castro pursued a relationship with the Soviet Union that was cemented by the failed U.S. attempt to land a military force of Cuban exiles at the Bay of Pigs in 1961, followed 18 months later by the Cuban missile crisis. Yet Castro bristled at trading one form of dependency for another. Often in defiance of the Soviet Union, Castro supported revolutionary movements in Latin America and Africa in order to create a block of liberated nations that could become politically and economically autonomous from both the United States and the Soviet Union.

For the left, and particularly among university students, the Cuban Revolution suggested that the transformation of a society to alleviate historic injustices could be done with heroic speed. Underdevelopment could be vanquished through more direct means than those advocated by developmentalists like Prebisch. The revolutionary regime nationalized industries and large farms, implemented reforms protecting the poor from landlords, created a socialist economy, eliminated malnutrition by rationing and equitably distributing food, eradicated illiteracy, and made education and healthcare free and universally accessible. These achievements were the envy of social reformers across Latin America. What was more, the Cuban Revolution seemed to show that insurgency could be a successful path to power, and that once in power, leftists could quickly and decisively transform a society.

For the right, the Cuban Revolution inspired fear and intensified its willingness (present long before 1959) to violate the constitutional order

to preserve the social and economic order. For the United States, it seemed to validate the Containment Doctrine. For Latin American armed forces, the revolution expanded the meaning of national security to incorporate action within national borders and against their own citizens, and intensified the stakes of that struggle. Castro had executed the officers of the president he deposed, so Latin American military officers saw their struggle against insurgencies as a fight to the death: they would not surrender to revolutionary groups out of fear they would be dealt the same hand.

The trajectory of Che Guevara reflects the dynamics of revolution. An Argentine doctor, Guevara traveled to Guatemala with an interest in Arbenz's reforms. He fled to Mexico after the U.S.-backed coup and met Fidel Castro. When Castro mounted his insurgency in Cuba, Guevara became the movement's strategist. In revolutionary Cuba, Guevara implemented his far-ranging ideals for creating a more just society by seeking to eliminate the profit motive as an economic engine out of the belief that profit engendered exploitation. As minister of industry, Guevara's ideals proved ruinous. Guevara left to continue supporting movements for liberation, first in Zaire, then in Bolivia, where he was captured and killed by troops trained by the United States.

The methods of guerrilla war proposed by Guevara, and refined by French collaborator Régis Debray, called for the creation of rural *focos* (flash points) that, because of their isolation, made guerrilla groups hard to find and defeat. Their objective was not to defeat the regime in power through direct military confrontation (this was an unlikely prospect). Instead, guerrilla actions should educate the public about the nature of the struggle and build opposition to the regime. A guerrilla movement's goal was to induce the regime to resort to repressive actions that would undermine its legitimacy, lead to mass opposition, and induce its collapse. Movements using *foco* tactics proliferated. But if insurgents read Guevara's manual, *Guerrilla Warfare*, so too did soldiers training in counterinsurgency. As the methods became more common, the armed forces became better prepared and the chances for successful guerrilla campaigns dwindled.

The Cuban Revolution transformed U.S. policy in Latin America. It prompted U.S. officials to rethink the significance of development: if aid to development could alleviate social inequalities and poverty, perhaps support for radical movements in Latin America would diminish. The Kennedy administration created the Alliance for Progress program

(1961–73), which was influenced by structuralism and collaborated with ECLA. The Alliance for Progress invested billions of dollars in infrastructure projects, support for land redistribution, literacy campaigns, and the development of domestic industry, across Latin America. In the 1950s, Brazilian President Juscelino Kubitschek (1956–60) had urged the U.S. government to provide this kind of development aid to Latin America but was ignored. After the Cuban Revolution, the Alliance for Progress was too late and too limited to reshape the landscape of conflict.

Alongside development aid, the U.S. government increased military assistance such as counterinsurgency training, and supported military conspirators seeking to overthrow democratic governments. During the 1964 military coup in Brazil, for instance, the U.S. Navy sent fuel and supply ships to the Brazilian coastline to aid the conspirators if they encountered resistance. This support was followed by extensive financial and technical assistance to military regimes. The U.S. armed forces and CIA offered training in interrogation and torture. An infamous example was former FBI agent Dan Mitrione, who was sent to Brazil and Uruguay by the U.S. Agency for International Development to teach electroshock torture. His techniques, he said, inflicted “the precise pain, in the precise place, in the precise amount, for the desired effect.”⁴ He was kidnapped and executed by the Uruguayan Marxist guerrilla group Tupamaros in 1970. (The Tupamaros’ kidnapping of Mitrione became the subject of a remarkable film by Costa-Gavras, *State of Siege*, which was filmed in Chile in the months before its military coup).

A key figure in the U.S. relationship with South American dictators was Henry Kissinger, the architect of U.S. foreign policy under presidents Richard Nixon and Gerald Ford (1969–77). Kissinger saw the dictatorships in Argentina, Brazil, and Chile as vehicles for promoting U.S. interests. He coordinated the “invisible blockade” against Salvador Allende’s government in Chile (1970–3) and conspired to see him deposed. After the 1973 military coup, Kissinger privately reassured Chilean dictator Augusto Pinochet that his government was not concerned about the human rights abuses perpetrated by the new regime. When the military Junta seized power in Argentina in 1976, Kissinger urged the generals to conduct their wave of terror quickly before international opposition mounted. When Brazilian General Emilio Garrastazu Médici (1969–74) visited Washington at the height of the Brazilian dictatorship’s repression of the opposition, Kissinger declared that where Brazil led, Latin America would follow.

Kissinger's support for these dictatorships was based on his assessment that U.S. power was receding. The Vietnam War, and the 1973 Oil Embargo and the impeachment process of Richard Nixon diminished the foreign influence of the U.S. government. In this context, stable, anti-communist regimes like those in South America provided relief for American foreign policy. For Kissinger, the human rights toll of these regimes' actions was incidental to the strategic and political significance the regimes represented for the United States.⁵

But the U.S. relationship with these regimes was more complex. As human rights violations mounted, Latin American political exiles, U.S. scholars, church groups and politicians applied pressure on the U.S. government for supporting these regimes. One outcome was the congressional investigation led by Idaho Senator Frank Church, which documented U.S. government and business support for the coup in Chile that resulted in Allende's death and the installation of that country's Junta. Public pressure also resulted in laws that tied U.S. military aid to human rights and required Congressional approval for covert military assistance (a law President Ronald Reagan skirted, triggering the Iran-Contra scandal in the early 1980s).

Opposition to dictatorships over the question of human rights became sufficiently extensive in the United States that Jimmy Carter made it a prominent part of his presidential campaign in 1976. As president, Carter changed the course of U.S. foreign policy in Latin America by advocating the defense of human rights. Latin American dictators were skeptical. Brazilian President Ernesto Geisel (1974–9) saw Carter's criticism of Brazilian human rights violations as a simple effort to re-assert influence. Geisel saw as proof of this the fact that Carter's willingness to criticize the regimes' human rights violations was not matched by criticism of his country's role in those abuses. In 1977, the U.S. Congress assumed the role of reviewing military agreements with foreign countries to ensure human rights were respected. Geisel responded by canceling the Military Assistance Agreement in place between Brazil and the United States since 1952.

The United States had played an important role in creating the conditions under which these dictatorships came into being, and provided critical support even to the most violent aspects of these regimes. Later, under pressure from human rights advocates at home, the United States government pressured the regimes to respect human rights. Yet in the case of each of these regimes, the United States' role was important but

not decisive. These regimes' origins, their endurance, opposition to them, and their end were first and foremost, homegrown. What was more effective than U.S. foreign policy in undermining the dictatorships was the economic factor. The confluence of oil costs, high interest rates, and a global recession between 1979 and 1982, and Argentina's calamitous invasion of the Falkland Islands, were the most significant external factors in ending the dictatorships in Argentina, Brazil, and Chile. Internal factors were also critical: the increasingly effective ways in which the political opposition learned to contain and gradually roll back these dictatorships.

Notes

- 1 Joseph Love, "Raúl Prebisch and the Origin of the Doctrine of Unequal Exchange," *Latin American Research Review*, 15:3 (1980), 46.
- 2 Edgar J. Dosman, *The Life and Times of Raúl Prebisch, 1901–1986* (McGill-Queen's University Press, 2010).
- 3 Cited in Brian Loveman, *Chile: The Legacy of Hispanic Capitalism* (Oxford University Press, 2001), 246.
- 4 William Blum, *Killing Hope: U.S. Military and CIA Interventions Since World War II* (Common Courage, 1995), 203.
- 5 There is an extensive collection of declassified documents related to Kissinger's involvement in Latin America available online at the National Security Archive, www.gwu.edu/~nsarchiv/NSAEBB/index.html, accessed October 14, 2012.