

## Lecture 19: Dealing with the Imperial West, 1914-1953

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from Rudyard Kipling: "The Grave of the Hundred Head"

There's a widow in sleepy Chester/Who weeps for her only son;  
There's a grave on the Pabeng River,/A grave that the Burmans shun,  
And there's Subadar Prag Tewarri/Who tells how the work was done.

A Snider squibbed in the jungle./Somebody laughed and fled,  
And the men of the First Shikaris/Picked up their Subaltern dead,  
With a big blue mark in his forehead/And the back blown out of his head....

They buried the boy by the river./A blanket over his face--  
They wept for their dead Lieutenant./The men of an alien race--  
They made a samadh in his honor./A mark for his resting-place....

For they swore by the Holy Water./They swore by the salt they ate,  
That the soul of Lieutenant Eshmitt Sahib/Should go to his God in state;  
With fifty file of Burman/To open him Heaven's gate.

They made a pile of their trophies/High as a tall man's chin,  
Head upon head distorted./Set in a sightless grin,  
Anger and pain and terror/Stamped on the smoke-scorched skin...

## The High-Water Mark of Imperialism

When World War I began the North Atlantic was unashamedly politically imperialist—directly ruling all the globe save China, Latin America, and a few other scattered lands. When World War I begins the North Atlantic is more dominant than any region of the globe had ever been before: the gulf in physical capital, engineering knowledge, and worker skills had never been greater.

When 1953 rolled around the North Atlantic was no longer unashamedly imperialist but rather ashamedly imperialist: empire no longer had any rationale save as a temporary expedient as part of a civilizing mission, and the end of formal empire at least was on the horizon if not yet everywhere a fact on the ground. But when 1953 rolled around, the technological and industrial gap was larger than ever. It was not that the world outside of the North Atlantic had failed to progress in industry, education, and capital accumulation. But it had singularly failed to close the gap.

## The Growing Economic Gulf

(1) Before 1870, steam technology could not really be profitably applied except in places where coal was really, really cheap—where coal was expensive and human labor power cheap, muscles were still cheaper than engines.

(2) Between 1870 and 1910 or so, steam power and other modern technologies *could* be profitably employed outside the North Atlantic, but the integrated global economy was still in its infancy: lots and lots of things had to go right for the complex of institutions, labor, capital, technology, and resources to lead to large-scale economic development.

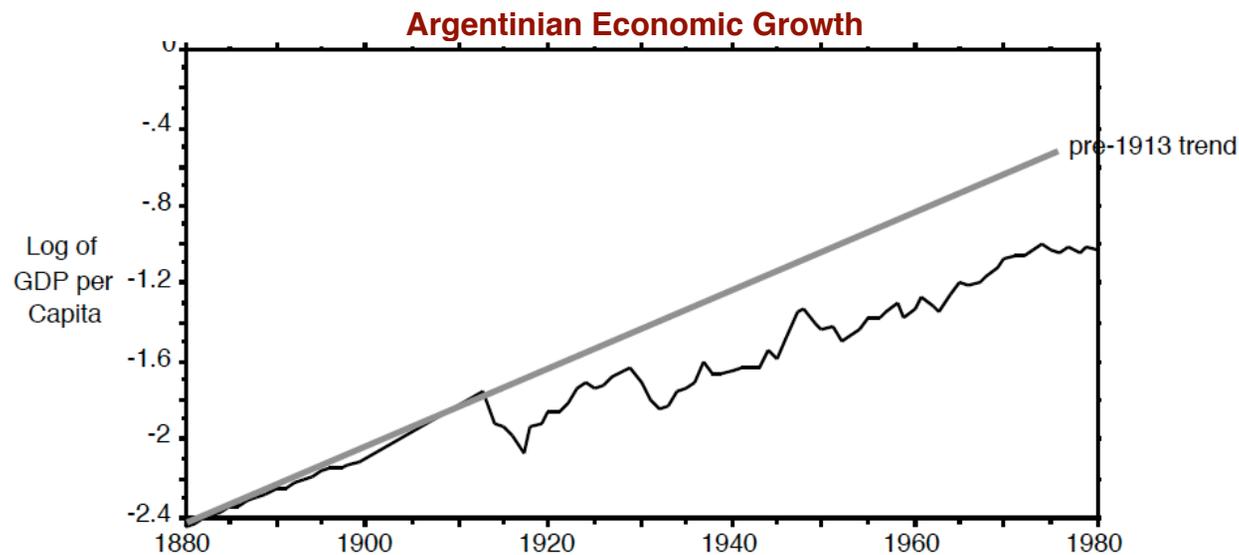
(3) Nevertheless, a lot of progress: plantations, mines, railroads, ports, etc.—but not that much in the way of industrial development. And virtually nothing in the way of higher real wages at the periphery.

(4) 1910-1953 *ought* to have seen substantial convergence. It didn't, as a result of (a) political turmoil, (b) the retreat of world trade especially in the Great Depression, and (c) bad political economy out on the periphery.

There is not enough time and space to cover what happened in all the corners of the world between 1914 and 1953.. It is most useful, I think, to focus our attention on five pieces of the puzzle: Argentina, Mexico, China, India, Ghana, and Zambia.

## Argentina

In its pattern of settlement, Argentina—in fact, the entire southern cone of South America—looks like Canada or Australia or, indeed, the United States of America. Before World War I Argentina had been as rich as Continental Europe. In 1913 Buenos Aires was among the top 20 cities of the world in telephones per capita. In 1929 Argentina had been perhaps fourth in density of motor vehicles per capita, with approximately the same number of vehicles per person as France or Germany. Argentina from 1870–1913 was a resource-rich temperate country of recent European settlement like the others.



Source: Angus Maddison, *Phases of Capitalist Development*; Robert Summers and Alan Heston, *Penn World Table V*; Carlos Díaz Alejandro, *Essays on the Economic History of the Argentine Republic*.

Yet by 1950 Argentina was on a pronounced downward relative trajectory, Argentina grew very much more slowly than France or Germany, falling from the ranks of the First World to the Third...

## **How Argentina Went Wrong**

### **Income Inequality**

#### **Poor Human-Capital Accumulation**

### **Great Depression—and Its Memory**

### **Weak Democracy**

#### **Political Turmoil**

#### **“Populism”—Peronism**

Díaz Alejandro (1970) provides a standard analysis of Argentina’s post-World War II economic stagnation.... [T]he collapse of world trade in the Great Depression was a disaster of the first magnitude for an Argentina tightly integrated into the world division of labor. While Argentina continued to service its foreign debt, its trade partners took unilateral steps to shut it out of markets. The experience of the Depression justifiably undermined the nation’s commitment to free trade.

In this environment Juan Domingo Perón gained mass political support. Taxes were increased, agricultural marketing boards created, unions supported, urban real wages boosted, international trade regulated. Perón sought to generate rapid growth and to twist terms of trade against rural agriculture and redistribute wealth to urban workers who did not receive their fair share. The redistribution to urban workers and to firms that had to pay their newly increased wages required a redistribution away from exporters, agricultural oligarchs, foreigners, and entrepreneurs.

The Perónist program was not prima facie unreasonable given the memory of the Great Depression, and it produced almost half a decade of very rapid growth. Then exports fell sharply as a result of the international business cycle as the consequences of the enforced reduction in real prices of rural exportables made themselves felt. Agricultural production fell because of low prices offered by government marketing agencies. Domestic consumption rose. The rural sector found itself short of fertilizer and tractors. Squeezed

between declining production and rising domestic consumption, Argentinian exports fell. By the first half of the 1950's the real value of Argentine exports was only 60 percent of the depressed levels of the late 1930's, and only 40 percent of 1920's levels. Due to the twisting of terms of trade against agriculture and exportables, when the network of world trade was put back together, Argentina was by and large excluded.

The consequent foreign exchange shortage presented Perón with unattractive options... balance foreign payments by devaluing to bring imports and exports back into balance in the long run and in the short run by borrowing... raising the real price of imported goods and therefore cutting living standards of the urban ... [and] a betrayal of his strong nationalist position. Second, he could contract the economy... a reversal of the distributional shifts that had been the central aim of his administration.

The remaining option was one of controlling and rationing imports.... Díaz Alejandro writes:

First priority was given to raw materials and intermediate goods imports needed to maintain existing capacity in operation. Machinery and equipment for new capacity could neither be imported nor produced domestically. A sharp decrease in the rate of real capital formation in new machinery and equipment followed. Hostility toward foreign capital, which could have provided a way out of this difficulty, aggravated the crisis...

As a result, the early 1950's saw a huge rise in the price of capital goods. Each percentage point of total product saved led to less than half a percentage point's worth of investment. Díaz Alejandro found

[r]emarkably, the capital... in electricity and communications increased by a larger percentage during the depression years 1929-39 than... 1945- 55,

although the 1945-55 government boasted of encouraging industrialization. Given low and fixed agriculture prices, hence low exports, it was very expensive to sacrifice materials imports needed to keep industry running in order to import capital goods. Unable to invest, the Argentine economy stagnated.

In 1929 Argentina had appeared as rich as any large country in continental Europe. It was still as rich in 1950, when Western Europe had for the most part reattained pre-World War II levels of national product. But by 1960 Argentina was poorer than Italy and had less than two-thirds of the GDP per capita of France or West Germany. One way to think about post-World War II Argentina is that its mixed economy was poorly oriented: the government allocated goods, especially imports, among alternative uses; the controlled market redistributed income. Thus neither the private nor the public sector was used to its comparative advantage...

## **Mexico**

“¡Pobre México! ¡Tan lejos de Dios y tan cerca de los Estados Unidos!”

### **Unequal income Distribution**

#### **Low Human-Capital Accumulation**

### **Corruption**

### **The Great Depression**

### **The Revolution**

The Porfiriato:

- Porfirio Diaz, 1830-1915; president 1876-1911
- Rising living standards; (slowly) developing industry
- Massive corruption

The Revolt Against the Old Order

- Francisco Madero: “free suffrage and no reelection” plus agrarian reform
- “Plan de Ayala” of Emiliano Zapata

The Multi-Sided Civil War

- Victoriana Huerta’s coup
- Pascual Orozco, Abraham Gonzalez, Victoriano Huerta, Pancho Villa, Venustiano Carranza, Emiliano Zapata, Alvaro Obregon
- Constitution of 1917
- PRI from 1929
- Lazar Cardenas, 1934-1940/peaceful orchestrated transfer of power to Manuel Avila Camacho
- Total “demographic cost” of revolution: 2 million??

## China

The story of China is one of:

- Continued rapid population growth—hence Malthusian pressures...
- Continued—albeit slow—mercantile and industrial growth at the seacoast edge...
- Political turmoil from above:
  - Yuan Shihkai
  - Sun Yatsen
  - “Warlords”
  - Whampoa Military Academy
  - Chaing Kaishek
  - Northern Expedition
  - Manchukuo
  - Marco Polo Bridge
  - World War II in Asia
- Political turmoil from below:
  - Peasant revolts
    - Of which the nineteenth century Heavenly Kingdom of Great Peace, and earlier movements like the early seventeenth-century revolt against the Ming form a pattern...
  - Informed by ideology
    - Urban Communist Party of China
    - Rural Communist Party of China
  - Mao Zedong
  - The Base Areas
  - The Long March
  - Yen-an

## India

### The Congress Party

### “Freedom at Midnight”

### Partition

### Counter-Example to Adam Smith

Little else is requisite to carry a state to the highest degree of opulence from the lowest barbarism but peace, easy taxes, and a tolerable administration of justice: all the rest being brought about by the natural course of things...

### Counterexample to Karl Marx

I know that the English millocracy intend to endow India with railways with the exclusive view of extracting at diminished expenses the cotton and other raw materials for their manufactures. But when you have once introduced machinery into the locomotion of a country, which possesses iron and coals, you are unable to withhold it from its fabrication. You cannot maintain a net of railways over an immense country without introducing all those industrial processes necessary to meet the immediate and current wants of railway locomotion, and out of which there must grow the application of machinery to those branches of industry not immediately connected with railways. The railway-system will therefore become, in India, truly the forerunner of modern industry. This is the more certain as the Hindoos are allowed by British authorities themselves to possess particular aptitude. for accommodating themselves to entirely new labor, and acquiring the requisite knowledge of machinery. Ample proof of this fact is afforded by the capacities and expertness of the native engineers in the Calcutta mint, where they have been for years employed in working the steam machinery, by the natives attached to the several steam engines in the Burdwan coal districts, and by other instances...

### So Why Wasn't India in 1950 Rich?—or at Least Richer?