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“Not a Marshal Plan for Latin America”: How Dealing with International Payments Problems made a Regional Development Network, 1953-1956

The end of the Korean War brought the postwar commodity boom in Latin America to an end, resurrecting the issue of the finance of the region’s development strategy. In that moment, countries like Brazil and Chile faced severe and recurrent balance of payments crises. These crises imperiled external stability, one of the pillars of the postwar order, and threatened export proceeds, the primary source for financing industrialization and development. Thus, financing industrialization, raising consumption, and guaranteeing monetary stability were proving irreconcilable for state functionaries and public institutions unless other sources of foreign capital were made available. This paper follows Felipe Herrera and Roberto Campos, two key policy actors in Chile and Brazil, respectively, as they discovered and confronted this dilemma.

By focusing on the national sway of foreign aid and expertise, scholars have situated development initiatives as alternative forms of imperial domination. Instead, the larger project, to which this paper belongs, addresses the intellectual and policy initiatives emerging from the global South, as development economics was becoming an international field of knowledge and expertise. For Latin American economists and policymakers, especially those associated with the UN Economic Commission for Latin America (ECLA), underdevelopment was not a stage in the process of capital accumulation but a systemic relation to the world economy. Thus, Latin American economists’ development ideas engaged with pivotal macroeconomic issues of the emerging postwar order.

The paper first explores national policymaking experiences with devaluation, trade and capital restrictions as well as institutional reforms in Chile and Brazil. Then, it shows how Herrera and Campos coalesced around ECLA-led proposals to attract foreign

capital, create financial institutions, and circumvent the trade-off between national development and international stability. The paper makes use of correspondence between regional economists and policymakers and the staff of international organizations like the International Monetary Fund and the UN ECLA, as well as conference proceedings and press reports to show how Latin American economists tried to fine-tune the development strategy vis-à-vis the international system. By dealing with global policy concerns such as a dollar shortage and international payments stability, regional experts consolidated a notion of a Latin American economic “structure” which in turn, nurtured the idea of a regional approach to development, so-called “structuralism.” My paper demonstrates how macroeconomic rather than industrial policy concerns fostered a consensus around import-substitution industrialization (ISI), the adopted development model for the region. Thus, the paper situates the history of Latin American development within the story of the making of a global economic order.