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Review

Reviewed Work(s): The Sword of Damocles: U.S. Financial Hegemony in Colombia and Chile, 1950-1970 by Jon V. Kofas

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be established under the Bretton Woods agreement (the World Bank and the IMF) and more generally to coordinate U.S. foreign economic policies. The members of the council consisted of the Secretary of the Treasury (chair), the Secretary of State, the Secretary of Commerce, the chair of the Export-Import Bank, and the chair of the Federal Reserve Board. The point was to assure a conservative Congress that lending by U.S. agencies and to the extent possible by the World Bank and IMF would serve U.S. interests, not some vaguely defined international interest. As might be expected, the council still exists (with "Problems" changed to "Policies" in 1966), but Kevin Casey covers just the important early years. The book began life as a dissertation, but it is more mature than is usual with a book based on a dissertation. The author avoids focusing on institutional minutiae simply to prove how much he read. Instead, he makes a successful effort to place the council in a larger economic and political context.

One of the main findings is that, as might have been expected, the containment of communism quickly became the central goal of American lending policies. An early request by Poland for a World Bank loan is a case in point. Poland applied for $600 million in the fall of 1946. Soon this was scaled back to a proposal for $75 million to finance increased coal production, much of which would probably go to Western Europe, which received support from the council staff. But by the beginning of 1948 Poland's commitment to communism and the Soviet Union made even this small, western-oriented loan impossible. A second finding is that the council pressured the IMF to require that countries receiving loans first get their fiscal houses in order. The policy of making IMF loans contingent on domestic reforms, in other words, goes back to the very beginning of the IMF and at least in the United States reflects deep-seated political instincts.

The title *Saving International Capitalism* is interesting and suitably ambiguous. It could refer to the use of U.S. lending power to contain communism. But this is probably not what the author had in mind. The author seems to accept the view that the system of fixed exchange rates backed up by international lending agencies envisaged at Bretton Woods was crucial for the development of a successful liberal economic order after the war. The proposition is debatable, witness the long debates about fixed versus flexible exchange rates and about the role of the IMF. But in any case, the title accurately describes what some of the founders of the council believed they were doing.

This book is too specialized to recommend to someone who simply wants to get a sense of how American foreign economic policy evolved in the war and postwar era. And the quantitative economic historian looking for data on trade flows, exchange rates, and so on will have to look elsewhere. But for an economic historian doing research on this period *Saving International Capitalism* will be indispensable for understanding the political and bureaucratic environment that shaped policymaking after the war.

HUGH ROCKOFF, *Rutgers University*

GENERAL AND MISCELLANEOUS

The Sword of Damocles: U.S. Financial Hegemony in Colombia and Chile, 1950–1970. By Jon V. Kofas. Westport, CT: Prager, 2002. Pp. xix, 238. $64.95.

Using a rich body of primary sources from the IMF, the World Bank, and the U.S. and British governments, Jon V. Kofas analyzes the role of these global financial institutions and governments in the political and economic development of Chile and Colombia between 1950 and 1970. According to Kofas, the loans provided by the IMF in the post–

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World War II period gave great leverage to this institution, forcing the local governments to pursue economic policies that did not benefit the masses, but only the multinational corporations, the local elite, the international banking sector, and the United States. The IMF conditions for providing loans to, or alleviating the debts of, these two countries sought macroeconomic stability over social development and resulted in a loss of economic independence. This reinforced these countries' roles as exporters of primary goods, thwarted the industrialization process, further concentrated income in the hands of the traditional elite, and reinforced traditional and backward social relationships in the countryside. All this was possible, Kofas argues, through authoritarian regimes that repressed the labor movement—a process that counted on the endorsement and support of the U.S. government.

In his section on Colombia, Kofas argues that the repressive Gomez and Rojas regimes of the 1950s were the first governments to facilitate the economic adjustments that were required by the IMF as conditions for new loans. These two rulers borrowed heavily to cover the gap created by falling coffee prices, high defense spending, and their reluctance to increase taxes on the upper classes. The civilian governments of the National Front that came after Rojas did not improve the situation much: they increased foreign debt dramatically (therefore increasing the IMF influence), followed the austerity plans proposed by the IMF, increased the country's dependency on coffee, and created an exclusionary and undemocratic system controlled by the political elite. The creation of the Alliance for Progress was not of much help either, given that the agrarian reform promised by the government never materialized because of lack of political will. This situation, argues Kofas, did not leave the lower classes many options besides joining the growing left-wing guerrillas or the political party created by former dictator Rojas.

With the Chilean case, Kofas emphasizes the role of the foreign copper multinationals. In the early 1950s the Chilean government accepted the IMF recommendations to qualify for foreign loans that included a decrease on social spending and an increase on the participation of foreign multinationals in the mining sector. The IMF considered social spending and wage increases as inflationary measures that needed stronger governmental control. Government officials made a first attempt at fighting inflation with economic growth financed by foreign loans. This model eventually failed, inflation skyrocketed, and the government had no choice other than the austerity programs proposed by the IMF. These programs imposed wage controls and lower social spending together with more generous terms that favored the copper multinationals. As a result, social unrest grew and increased the popularity of the left-wing political parties. The rightist government of Alessandri (1958–1964) attempted to follow a more independent path through an ambitious economic plan to promote exports of copper and agriculture. This plan was financed by debt and only benefited the traditional rural upper classes and the multinational corporations and could not be sustained in the long-term. Eventually, Alessandri was forced to follow the IMF austerity program. The last opportunity for an economic reform came with President Frei (1964–1970) who pursued the "chilenization" of copper: the purchase of half of the copper companies' stock by the Chilean government. Frei's attempts to stop the growing popularity of the left-wing groups through reforms eventually failed because of the pressures from the IMF for austerity and debt payment. Thus, the living conditions of the working class continued deteriorating, increasing the popularity of the left-wing movement that eventually elected Allende for president in 1970.

It is worth pointing out Kofas's assumption that since before World War II the Latin American primary good exports have faced deteriorating terms of trade in the international markets. This view, one of Kofas's main points, developed by Raul Prebisch has been successfully challenged by Victor Bulmer-Thomas; his calculations of the region's terms

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of trade show that they improved during the war, Colombia's coffee and Chile's copper being among those that benefited the most (*The Economic History of Latin America Since Independence*. Cambridge: Cambridge University Press, 1994: 218–24). Not taking into account the work of Bulmer-Thomas in a substantive economic history of two Latin American countries can be considered problematic. Kofas's book, however, is a good source for scholars interested in understanding the details of the relationship of the Colombian and Chilean governments with the IMF.

MARCELO BUCHELI, *Stanford University*

On Borrowed Time? Assessing the Threat of Mineral Depletion. By John E. Tilton. Washington, DC: Resources for the Future, 2003. Pp. v, 158. $55.00, cloth; $21.95, paper.

John Tilton intends "to provide a concise primer" for the layperson on concepts and data relevant to his titular query (p. vii). Given the book's success in accomplishing this goal, it behooves me to remark at the outset that you should forthwith cease reading this review–your return per unit time would be higher from turning directly to Tilton's elegant summary of theory and fact.

There you will find a progression that in many ways mirrors the evolution of resource economics as a field. The first chapter portrays the problem of mineral depletion as a race between new uses, higher living standards, and population growth on the one hand and continued exploration and various forms of technological advance on the other. The second chapter presents theoretical developments—from those of Malthus, Ricardo, and Hotelling, to more recent frameworks—succinctly and in historical context. The third describes physical and economic measures of long-term resource scarcity, as well as advantages and disadvantages of each, whereas the fourth draws on previous work in analyzing trends in these measures over the previous century and concludes that minerals scarcity has not increased across this period. The fifth enumerates the geologic and economic factors that will shape resource availability in the near and distant future. The sixth provides a standard introductory treatment of externalities. The final chapter restates the book's major conclusions (the bottom line: we are not in immediate danger but the long-run is less certain) and includes a discussion of current policy issues. An appendix by Peter Howie presents long-run (from 1870 to 1997 in most cases) time-series graphs of real prices of selected minerals in the United States (a handy resource in light of the fact that single sources of continuous data are scarce).

Several of the book's strengths are readily obvious, chiefly its brevity (123 pages excluding the usual literary extremities), clarity (Tilton's knack for seamlessly integrating concepts, figures, examples, and data makes for a comfortable read), and accessibility (the book imparts substantial quantities of theory and yet is almost equation-free). Others are more subtle. For instance, Tilton pays consistent attention to potentially significant nuances (from a relatively detailed discussion of deflators in chapter 4, to repeated reminders of the reasons that past data may not be the best predictor of future scarcity) and avoids offering conclusions without appropriate qualifications. Indeed, it is from the murky waters of these qualifications that many new avenues for research are likely to arise.

The book's weaknesses are few and forgivable. No work of this length could be as comprehensive as might be desired and some (especially more recent) contributions to the area are absent, although the author's 30 years of perspective are evident throughout. Tilton occasionally lapses into unnecessary philosophical prose. The environmental chapter could be more focused on problems specific to the minerals sector. Perhaps most glaringly, the

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