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INDUSTRIALIZATION AND THE INTELLECTUAL
FOUNDATIONS OF SOCIO-ECONOMIC DIVISION IN
GUATEMALA

Master's Thesis

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Tallinn 2018

I declare that I have written the master's thesis independently.

All works and major viewpoints of the other authors, data from other sources of literature and elsewhere used for writing this paper have been referenced.

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Table of Content

ABSTRACT	5
INTRODUCTION	6
DEFINITION OF THE PROBLEM	7
Unit of analysis	7
The geographical area of Study.....	8
Limitations of the study.....	8
BACKGROUND: Power of the State, but which Type of State	9
Power relations	10
INTRODUCTION TO THE FAMILY NETWORKS.....	13
Family networks	14
Families and institutions: the state as a veil	17
IDEAS DIVIDED: José Cecilio del Valle y Antonio Batres Jáuregui	20
Latin American Liberal Intellectual edifice	20
The Central American liberal thought of José Cecilio del Valle and Antonio Batres Jáuregui.	22
General perspectives in Valle and Batres.....	23
The homeland and nation-building in Valle and Batres	24
Big and Small fatherland	25
José Cecilio del Valle, an eclectic liberal with continental nuances.....	30
The failure of liberal thought	35
Alternative intellectual influences	36
Alberto Masferrer and his Minimum vital.....	36
INDUSTRY	39
The brief situation of the industrialized world.....	39
Early industrial policies: Guatemala and Costa Rica contrasted	42
Coffee and Bananas.....	42
Costa Rica productive structure	43
Guatemala as coffee and banana republic.....	46
Subsequent industrial policies	49
Industries and its promotion	50
The genesis of the Central American Common Market	54
Ten years of democratic spring	56
The Central American Common Market	58

The early neoliberal era and today	61
Universities.....	62
University Francisco Marroquín	63
Other universities	64
RESULTS: Consequences of the ideology	65
Distorted industrial policy	65
One of the smallest states in the world	67
Industrial bank as a bond seller.....	68
State capture.....	68
Other conclusions:.....	70
ANNEXES.....	72
REFERENCES	75

ABSTRACT

Drawing from the German Historical School method, the present work investigates the trajectories and divisions throughout the history. Family networks in Guatemala that function as a corporation, with 22 families in the core and 26 adjacent, have used the state as a veil to maintain the power. The element that as family networks allowed them to survive during an economic crisis and power emptiness, has been its ability to diversify its economy and take the place of the State to preserve their domain and remain stay in power as a cohesive block. It is examined the evolution of two countries of the postcolonial Central American Federation. Costa Rica and Guatemala, and how early on different kind of elites and production matrix produced utterly different societies.

It is for this reason that the present study present as units of analysis the history of industrialization from the colonial time, the relations of power and role of the elites and their ideology embodied in institutions, the legal system, and universities as vehicles to propagate the ideas. The ideology is promulgated by intellectuals that provide specific social imaginaries that are key for these families to maintain the political hegemony of their ancestry. The role of the two foremost intellectuals of the post-colonial time is examined.

Keywords: Industrialization, Family Networks, Organic Intellectuals, Power Relations, Universities,

INTRODUCTION

The industry is the engine that drives the economy and is in close relation with liberty. Economic development requires not only the individual will and wit but industrial policy and then trade supported by a network of entwined institutions.

Guatemala that Albert Hirschman loved and reminded him of Switzerland, with the added anthropological appeal of Mayan villages has a complicated trajectory. (Nicaragua Notes 1955 in Adelman, 2013, p. 314).

Guatemala is not and has never been a reference in industrialization. Nonetheless, the present work digs into the rise of industrialists to explain contemporary socio-economic and political situation. Beginning with the attempt to modernize the economy, the state was the protagonist through deliberated policies to the industrialization that emerged in the 1870s.

The work basis itself on snapshots of different eras. More precisely, inflections on the history are described as critical junctures or punctuations for significant changes at long and irregular intervals (Pollitt, 2008, p. 45).

The perspective on historical development, the image of social causation is known as path dependency. It rejects the claim that the same operative forces will generate the same results, in contrast, the effect of such forces will mediate the contextual features of a given situation often inherited from the past (Hall and Taylor, 1996, p. 941).

This work will concentrate on these trajectories and cumulative causation of industrialization and the ideology behind it until the failure of industrialization during the neoliberalism. Rather than a pessimistic view of the Latin American history captured by the Guatemalan case, the idea is to understand the inertia that led to a failure to find new opportunities to generate industrial policy that would help the economy to develop. In this context, ideology is understood as a reduced perspective of reality (Drechsler, 2013).

The episodes of change of tremendous importance in the political development of Guatemala are, the colonial period, the liberal reform, democratic and social reforms of 1944 and the subsequent intervention of the CIA in 1954, those critical junctures stand out.

Political and social divisions, modes of land tenure and state organization, are the outcome of the colonial period, with the antagonist case of Guatemala and Costa Rica represent the early liberal period.

This study is not intended to make an exhaustive analysis of the history or the social structure of Guatemala, but to certain level clarify a little the complexity of the Guatemalan society. Moreover, how large families from the Conquest and the colony are going to be forming networks of power that today, centuries later will be part of the oligarchy and the ruling class in Guatemalan.

Family networks under the state as veil created institutions that produced a hierarchical form of domination. Colonial institutions can explain long-run development, by the laws that regulate access to labor and land, the control to access a social status. These institutions often connect ethno-racial categories to patterns of resource allocation, and as a consequence, a significant portion of society is excluded from economic prosperity.

Lastly, Guatemala shares with the rest of Latin America, widespread distrust of government institutions. Anti-state sentiment in Guatemala has its origins in a particular free-market ideology promoted by several universities, (U.S. Embassy, 2001). Guatemala was one of the first countries where the Mont Pelerin Society held meetings to impose the market vision and the rise of multinational capitalism (Phillips-Fein, 2009, p. 265).

DEFINITION OF THE PROBLEM

The author chose the topic to revise the historical trajectory of industrial policy since 1871 and the previous situation of the colony that determined the policy outcome. As the engine for industrialization has been the state for most of the successful cases in catching up economics, is going to analyze why Guatemala is the smallest state in the world concerning public spending in relation to the GDP.

The primary objective of the research is to find the ideas behind the political economy and industrialization. **Next research task** is to define which agents are involved in the industrialization, those who created and, whether or not the state played a role. If the state played a role, which type of state.

Unit of analysis

Gustav von Schmoller was of the idea that economic analysis must use simultaneously: history, the institutional dimension, the legal system, statistics, abstractions for theory and very importantly, psychology. Schmoller looked to avoid the "illegitimate isolation" of economic phenomena from other social factors (Backhaus, 1989, p. 12; Balabkins, 1987, p. 12; O'Brien, 1992, p. 25).

It is for this reason that the present study presents as units of analysis the **history of industrialization** from the colonial time, the **relations of power** and role of **the elites** and their ideology embodied in **institutions, universities** as vehicles to propagate ideas, and the **legal system**.

The geographical area of Study.

The old Central American Federation, Guatemala and to a lesser extent Costa Rica as comparison.

The present work is based in Guatemala, and it begins from a common start point as a colonial territory of Spain, then as the Central America Federation. This common ground shared with the rest of Latin American provides some similarities in, but also the opportunity to compare different policies. First, is examined the evolution of two countries of the postcolonial Central American Federation. Costa Rica and Guatemala, and how very early on another kind of elites and production matrix produced utterly different societies.

Next is presented the case of Guatemala, the skewed role of the state planning development as a reason for failure and why a country lags behind. Therefore in historical perspective, the question arises:

How does the elite and their organic intellectuals impact the industrialization in Guatemala?

Limitations of the study

The main limitation is scarce literature on industrialization in Guatemala. Another limitation is to leave some loose ends regarding the organic intellectuals of the elite. This work concentrated in the two most important, and the antagonist cosmovisions of Antonio Batres Jáuregui and José Cecilio del Valle, leaving behind the contemporary Pedro Molina and Bernal Díaz del Castillo, intellectual of the industrial family Castillo. The work did not cover The Washington Consensus because of the deindustrializing effects and the work concentrated on the industrializing period.

BACKGROUND: Power of the State, but which Type of State

The Commission for Historical Clarification (Comisión para el Esclarecimiento Histórico in Spanish) was established by the Guatemalan government and the United Nations to clarify past human rights violations and acts of violence that have caused the Guatemalan population to suffer (Tomuschat, 2001, pp. 233–234).

The historical evidence of the Guatemalan State as the Commission for Historical Clarification points out, the state as the perpetrator of genocidal practices during thirty-six years of internal war. The result was according to the report of the Commission for Historical Clarification (1999), more than 200,000 victims, of which only 6% corresponded to the population directly involved in the armed conflict. To this we must add:

- Of all the registered cases, 83% were Mayan and 17% Ladino
- In total, the Commission conducted 7,200 interviews with 11,000 persons cataloging the interviews in a database.
- The total number of people killed was over 200,000; 83% fully identified victims were Mayan and 17% were Ladino (1999, para. 21)
- "State forces and related paramilitary groups were responsible for 93% of the documented violations" (1999, para. 21)
- "Insurgent actions produced 3% of the human rights violations and acts of violence" (1999, para. 21)

In regards to the distinctions of the terms over the next pages, the word creole (*criollo*) is designated the children of born Spaniards in America without any miscegenation. Then *mestizo* is designated to the mixture of Spanish with American Indian. The term *Ladino* began to be used during the colony to designate people or groups of people who were not Indian or Spanish or Creole. The concept of *Ladinos* is broader than that of *mestizos* because it includes black people. The term *Ladino* indicates a sum of people without specifying their characteristics as Guzman-Böckler puts it, "the *ladino* is a fugitive; he tries to perform a double escapade: of the Indian and himself" (in Casaús p.197). The importance of term *Ladino* resides that they formed social-layers which are different to social classes. A social-layer have a similar level of wealth or poverty, but who, because they do not play a collective and well-defined economic function in the production and property regime, neither recognize common economic interests, nor they react with the solidarity that is proper of the classes (Martínez Peláez, 2013, p. 161).

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Returning to the report, the Commissioners attributed the roots of the conflict to the deep historical divisions in Guatemalan society. As we shall see, those divisions began in the dawn of the new Spanish colony persisting until the present day, and the divisions are at the same time ideological, social, economic and political (Perlin, 1999, p. 397).

To understand how the process above was possible, it is essential to understand the relations of power.

Power relations

Power articulates human relations and behaviors. One of the ground-breaking theories on power goes back to the French philosopher Michael Foucault. On the ubiquity of power Foucault writes that not only it embraces everything, but also emanates from everywhere. Hence power is diffuse, not a structure, nor an institution, nor can be possessed. It is the name we give to a strategic situation in a particular society” (Foucault, 1990, p. 93).

The author notes how the technique of disciplinary power occurs in constant surveillance (power knowledge 123-124) and that “power is diffuse rather than concentrated, embodied and enacted rather than possessed, discursive rather than purely coercive, and constitutes agents rather than being deployed by them” (Gaventa, 2003, p. 3). The subject is then, tied to the relations of power through control and dependence; and the possibility to exercise power also brings the opportunity to create truth and the truth tend to reside in the hegemonic forces by imposing truth-power. In sum, the truth has the power to impose itself on others. Moreover, this is resolved in the field of political praxis. Hence, the truth has a profound relationship with the will to power (Feinmann, 2008, pp. 227–473).

It indicates that power that subjugates and subdues, power engenders subjects within an asymmetrical social structure that maintains the relations of domination-submission; where subaltern subjects are subjected to the actions of the elites, political, intellectual or economic, and those elites can aspire to free their subjectivity in self-care (Foucault, 1994, pp. 51–52)

According to Foucault, the strategy is based on the subject-subjected, it directs its scaffolding towards the games of power the imposition of the truth. In this way, the analysis of power is an analysis of procedures and the technologies of morality, power, truth, knowledge. The subject is produced and at the same time is subjected throughout these technologies. The systems of social control and punishment constitute the moral that is imposed on the subjects.

Subject-subject begins at home, continues with religion and school and accesses the world, a world in which the constituent power has created as a social order, then, the subject begins to hear phrases that reveal the meaning of things. That sense is the order. That order is expressed in the phrase: "the natural order of things." The natural order of things is the order that power has imposed on them. It is the order of power. The pure function of power is to lead citizens to believe that their interests are expressed in the natural order of things (Feinmann, 2011, p. 22).

According to Gaventa power is not necessarily repressive, prohibitive, and exclusionary or negative, although it can be all of these things, it is also positive:

We must cease once and for all to describe the effects of power in negative terms: it 'excludes,' it 'represses,' it 'censors,' it 'abstracts,' it 'masks,' it 'conceals.' In fact, power produces; it produces reality; it produces domains of objects and rituals of truth. The individual and the knowledge that may be gained of him belong to this production (Foucault in Gaventa, 2003, p. 94).

As has been pointed out by the report of the Commission for Historical Clarification, in Guatemala the negative side of power, exclusion, repression, and concealing outweighs the positive side, and even the positive side has to be analyzed according to which reality produces.

In a historical interpretation of genocide as an expression of racism in Guatemala (2009), Marta Elena Casaús makes a historical interpretation of the Guatemalan State pointing out that genocidal policies have been adopted through the history. The controversial scenario in Guatemala and to some extent the rest of Latin America is one in which a relationship between racism and genocide can be drawn. In those pluriethnic and pluricultural States, where there are ethnic minorities or minority majorities, as is the case of Guatemala, racism occupies a central place in the social structure, in science, and in the power structure. These practices, attitudes, and manifestations contribute to the execution of acts of genocide.

Other works by James Dunkerley, Lowell Gudmundson, Jeffery Paige, and Robert G. Williams, elaborate in the agrarian roots of Central America. These analysts claim that in Guatemala and El Salvador which polarized class structures were created in the coffee sector during the nineteenth-century, were far more likely to develop authoritarian political systems than countries in which more harmonious class structures were formed, such as Costa Rica (Mahoney, 2001, p. 18).

The definition of racism is the generalized and definitive assessment of some biological or cultural differences, real or imagined, for the benefit of one group and to the detriment of the Other, to justify aggression and a system of domination (Casaús Arzú, 2009). These attitudes can be expressed as behaviors, imaginary, racist practices or ideologies that as such expand to the whole social field forming part of the collective imagination. They may come from a social class, an ethnic group or a community movement; or come directly from the institutions or the State, in which case we will talk about State racism. It can occupy different spaces of society, depending on whether the relationship of domination has its origin in a class, an ethnic group, a community movement or the State” (Casaús Arzú, 2009)

The work of Severo Martínez Pelaz (2013) and Casaus are crucial to understanding the expansion of racism in Guatemala as a historical structural factor that works and has worked as one of the central mechanisms of oppression and exploitation. Above all, as the best justification of a system of domination and maintenance of the status quo, and that is an integral part of the nation-building project, therefore, the nature of the State (Casaús Arzú, 2009).

To illustrate this point, Foucault uses the expression state racism, inserted as a new mechanism of state power, as a power-technology with the prerogative. Insofar as it is the State, starting from liberalism, which will create a homogenous, monocultural, monoethnic and excluding model, beginning in the middle of the nineteenth century. The State plays an essential role in the reproduction of racism and, therefore, the historical-political approach seems more pertinent to us. The author above in *Genealogy of racism* makes a historical review of the configuration of the modern state through various philosophers and political thinkers of the eighteenth and nineteenth century. He concludes by stating that by the influence of Darwinian theories in the social sciences, there is a nationalization of the biological and the State modifies the concept of sovereignty used until the eighteenth century (Foucault, 2012, pp. 8–11)

The present work analyzes path dependencies of Guatemala and how it is metamorphosed according to the different historical stages. One element to explain the historical role of the state is racism, reproduced by different actors that build it until it becomes naturalized in such a way that even the subaltern classes use it as an element of recreation of their own identity.

The implications of racism are distilled in economic policies. The proclamation of independence in 1821 was prompted by the country's elite and created an authoritarian State which left out the majority of the population. The nation was born racist in its precepts and

practices, and most importantly, served to protect the economic interests of the privileged minority. The evidence is, that historically violence has been directed by the State against the excluded, the poor and above all, the Mayan people, as well as against those who fought for justice and greater social equality (Commission for Historical Clarification, 1999, para. 3).

The purpose of the study is to understand the economic policies of industrialization, and in doing so, follow the mutations of the state with the changes of wind of each era because as the report states:

“The anti-democratic nature of the Guatemalan political tradition has its roots in an economic structure, which is marked by the concentration of productive wealth in the hands of a minority. This established the foundations of a system of multiple exclusions, including elements of racism, which is, in turn, the most profound manifestation of a violent and dehumanizing social system. The State gradually evolved as an instrument for the protection of this structure, guaranteeing the continuation of exclusion and injustice”(Commission for Historical Clarification, 1999, para. 4).

As a result, the polarization, fragmentation, and demobilization of Guatemalan society are a historical derivation, product of the very configuration of the State and eminently socioeconomic nature. This work will revolve around the state that shaped the industrial policies.

Studies centered on agrarian relations have tended to overlook the role of states, either because they assume the countries of Central America were inherently stateless in the nineteenth century or because they assume that state structures and behavior are outgrowths of elite agrarian interests and the overall organization of coffee production (Mahoney, 2001, p. 18).

The present work presents a study of economic policies adopted by the State, a State that has been captured by the same elites since the colonial times mutating throughout history via family networks, business alliances, political and religious associations represented.

INTRODUCTION TO THE FAMILY NETWORKS

The Analysis of Social Networks emerged in 1934 as a systematic interest in the study of networks of groups of friends for therapeutic reasons. Advances in computing allowed the

network analysis to become an interdisciplinary field of research: between anthropology, sociology, political science, health sciences, physics, economics, and history. Thus, from research related to the Analysis of Social Networks the social sciences have constructed methods of scientific explanation that generally apply to macrosocial or economic structures. It also suggests that economic, religious, political activities, participation in networks, reciprocity and trust are related to social structures, and these, in turn, with the concept of social capital and the analysis of social networks (Rodríguez, 2013, pp. 105–111).

Social capital thus is the network of relationships between individuals that have a certain persistence over time. The advantage that follows can be assimilated as another form of capital available to the institution or group, in which it is invested within the network with the expectation of obtaining benefits, favors, income, influences; which is appropriable, convertible and requires maintenance (ibid).

Thus, this technique of analysis will be used to study the relationships between actors and organizations that arose in the process of industrialization in Guatemala.

Family networks

After the internal conflicts and the signing of Peace, in three of the five Central American countries, an exciting movement happened, the return to power of the traditional networks this time mimicked as ‘businessmen modernizers.’ That is the case of Cristiani in El Salvador, Violeta Chamorro and Lacayo Oyanguren in Nicaragua and Alvaro Arzú and Oscar Berger Perdomo in Guatemala. The return of the oligarchies to power after the peace treaties were signed in Nicaragua, El Salvador and Guatemala is a noteworthy historical-political event, and in reality, a recurrent aspect in the political life of the Central American region. This historical observation in Guatemala will be analyzed (Casaús, 2010, p. 7).

The first time term “élite” appeared and adopted its current meaning was in *Les Systèmes Socialistes* (Pareto, 1935) by Vilfredo Pareto. The author believed that elites always rule and history has shown one elite replacing another (Dronchon, 2017). Therefore elites are: "dominant group with the gears of power at their disposal." In the case of oligarchy does not necessarily include the wealthiest families because wealth is one of its characteristics. In the original definition of oligarchy from Plato and Aristotle, is the government of a few (Pareto, cited in Dosal, 2005).

The importance of family networks throughout history in Latin America lies in the relevance of present-day to understand and interpret the social structure and power of American

societies. In the presence of indigenous population, where the socio-racial level occupies a significant place, studying the colonial configuration and social structure becomes essential as the patriarchal pattern continues to be relevant in the society as a whole.

As a unit of analysis, the family is not just an aggregation of individuals. It was through the family, and a predominant city that created a nucleus in the social and economic took place. The network of the family allowed for extension over space and time because succeeding generations supplied the continuity required for such a vast economic and political process (Balmori and Oppenheimer, 1979, p. 234)

However, the concept of the economic resource is something more than a step and transfer of resources to the next generation via family inheritance. It is a system of relations of production from which the different strategies of a social reproduction set in motion. The comprehension of the social reality through the family is through the application of the concept: relational capital. It is a system of relationships that allows the integration and comparability between different aspects (Chacón Jimenez, 2008, p. 203).

The definition of family network or family constellation is a set of families that configures the power elite and represents the oligarchical nucleus in any given country (Balmori et al., 1990; Casaús, 2010). The family as a network, and above all as a structure of long duration, continues to play a decisive role in the analysis of the whole social structure and particular, the power elite. These networks are linked by five factors that confer a uniqueness and homogeneity that allow them to be constituted as a long-term structure, according to Casaús (2010):

1. Alliances through marriage.
2. Alliances through business.
3. Geographical proximity and the socio-racial factor.
4. The participation in political, religious or socio-cultural associations.
5. The formation of their own organic intellectuals who assure their network the correlation of forces in the power block that allows them to exercise dominance.

These family networks begin to take shape in the colonial society around the first conquerors and settlers who are beginning to take over the primary sources of wealth: *the encomienda*, *the repartimiento*, *the mita* and the land.

The process by which the monarchy after being forced to give free exercise to the conquistadors and first settlers, then and shortly after recuperated the government of the provinces, is explain thought the development of two important colonial institutions: the *encomienda* and the *repartimiento*. The *repartimiento* had two aspects, first consisting in distributing lands and native people to work the land; and second, justify the slavery by saying that the reason of the handing over of native people was to Christianize them (*encomendado* could translate into English as entrusted to). Hence, to distribute native people and entrust them, were one and the same thing. In reality, the *encomienda* was a pretext to divide the native people and exploit them, and since no higher authority controlled what happened to them, they came to be, in fact, enslaved (Martínez Peláez, 2013, p. 41). The *mita* was a system of work used during the Inca empire in the Andean Region, which was later exercised by the Spanish crown. *Mita* was used mainly in mining (Ramirez, 1991, pp. 59–67).

The accumulation of political power will be determined by the control of the local positions mainly in the municipalities, called *Cabildos*, by buying positions to the peninsular government. Through a combination of the above-mentioned factors, but mainly through marriages and matrimonial alliances and the reproduction of these marriages, a large spider web will be configured, which will be strengthened through inbreeding relationships, extending vertically and through blood ties and relations traceable exclusively through males relations, as mechanisms of hoarding political and economic power (Morner, 1983, p. 340)

The element that as family networks allowed them to survive during an economic crisis and power emptiness, has been its ability to diversify its economy and take the place of the State to preserve their domain so that the can stay in power as a cohesive block. In each historical stage, the families that survive are those families that diversify their production in times of economic crisis, introducing new products, improving technology or expanding their capital to new markets (Casaús, 2010, p. 11).

According to Balmori, Voss, and Wortman (1984), these family networks work as a corporation, considered as an organization commercial, as an association of power and money during three generations. For these authors, the first generation began an economic activity, typically trade, and then diversified their production. The second generation held public office and created political institutions that serve their interests. This generation used public offices, town councils, municipalities, governors, deputies, to accumulate greater economic power. The third generation engages in the conquest of the State, establishing regional business alliances and marriage until they captured the State Nation.

As a result, the family will act as a fundamental collective entity of colonial society and as the primary institution of accumulation and concentration of power and as the central mechanism for the ideological reproduction of racism and the values of colonial society. The endogamy of family networks and mechanisms of upward mobility linked mainly to socio-racial factor, status and wealth will be the determining factors for the configuration of the apex of the colonial social pyramid (Casaús, 2010, p. 9).

Families and institutions: the state as a veil

State institutions, the rules associated patterns of action that promote or block investment opportunities are a way to advance an understanding of the early days in Guatemala. Family networks exercised that task as power players with the state as a veil.

Institutions act as the skeleton that provides stability to a society. They establish the normative principles to contribute best to strategizing the economic sector (Hodgson, 2006, p. 2). As Thorstein Veblen noted that there is causality from daily activities to institutions (cited in Hodgson, 2004, p. 357). Institutions provide the necessary aspect of social and economic planning but more importantly provide the qualitative dimension to the social foundation. It is crucial because “institutions affect social stability by reproducing processes that function as stable patterns” (Powell, 2007, p. 1).

When generalizing about the overall level of colonialism in a given territory, it is relevant to consider a broad range of institutions and their associated organizations. Political arrangements, legal systems; modes of economic activity, labor systems, trade policies, types of agriculture; and sociocultural conventions, religion, family structure are all institutions. Although these diverse institutions define the level of colonialism in general, for explanatory purposes, the work will focus on those that are especially consequential for postcolonial levels of economic and social development.

Traditionally in Spain, the family social networks played a decisive role in the configuration of power structures. The importance of family networks as structures of political power of long duration is the authentic center of the power of colonial society. Notable families were the only ones who survived throughout centuries Balmori, Voss, and Wortman (1984) define as ‘notable families’ those that can explain the social organization, the structure power and the system of loyalties and subalternities of many colonial societies, both in Spain and in Latin America.

In colonial times institutional frameworks were established with the aim of effectively managing the extraction of the country's raw materials. Moreover, even after independence local elite and wealthy foreign merchants accumulated an immense wealth produced by the export industry. Thus, even though colonialism came to an end the structures and procedures geared to extract natural resources remained in place and transformed into an economy based on producing the natural resources and exporting them abroad (Cardoso and Faletto, 1977, p. 35).

As mentioned before, those families can exercise power because, at an economic crisis or emptiness of power beginning in the colonial time but more prominent since independence, family networks dominate society politics and exercise their domination from the State. The enormous strength of family networks lies in the control of wide spaces in civil society. When a crisis or weakness has passed and managed to recompose their equilibrium of forces, those families have the ability to the return to the civil sphere. That capacity to amalgamate civil society and combining economic power with political power in times of crisis is where its strength and its invulnerability lies and what makes them authentic elites of power and in structures of long duration(Casaús, 2010, pp. 15–16).

The family structure emerged in Guatemala at the end of the eighteenth century; those ruling families consolidated a network and alliances that helped to stabilize the society during the turbulent independence period. According to Balmori et al. (1984) upon coming to power, Latin American families "did not function as individual families. Instead, they created a series of formal and informal institutions (political parties, clubs, banks, insurance companies and residential enclaves) through which they ended up inserting themselves in the nation's economic activities.

In some areas, the power of the elites declined after three generations. The history of Guatemalan oligarchy diverges from that pattern. Some of them, such as the Castillo family, have retained their status since the conquistadores Bernal Díaz del Castillo settled in Guatemala. The key to the survival of oligarchic families has been their ability to adapt and restructure during political and economic transitions, such as the change from the indigo to the cochineal in the 18th century and from the cochineal to coffee in the nineteenth century. Those who remained committed exclusively to a single economic sector, eventually saw themselves in the periphery of power; while successful families diversified their investment and established links outside their productive sector. No family could enter or remain in the oligarchy if it did not

achieve successful marriages or reproductions. The diversification of economic interests and marriage alliances strengthened the marriage network by making it less vulnerable to changes, whether political or economic (Dosal, 2005, p. 19).

These family networks exercise domination as the traditional charismatic leader to subaltern groups, in turn, results in a kind of cronyism and a type of subordination based on loyalty, trust or the patronage of comrades (*compadrazgo*). These family constellations usually revolve around one or two family networks in every century, and they exercise their domain in a patrimonial, patriarchal and inbred way. With Independence and birth of the liberal state, the domination centers around the figure of the caudillo (a strongman) and the forms of legitimation are linked to the leader's charisma, starting new forms of legitimation of a legal-rational nature with the configuration of the oligarchic State. (ibid)

According to the Mahoney, substantial constraints on the colonial market foster monopolistic elites with vested interests in commercial obstructions. The extent to which a colonial bourgeoisie or a market-obstructing elite have consequences for development long after the colonial institutions (Mahoney, 2010, p. 20).

Furthermore, the history of families has had a little-addressed contribution: the vital role played by organic intellectuals in the family networks. Organic intellectuals contributed to the preservation of its family network, and also a relationship with other secondary networks, and above all, these intellectuals gave an ideology or specific social imaginaries that are the key for these families to fight for the political hegemony of their ancestry (Casaús Arzú, 1994).

The permanence of long-term structures is the creation of intensive relational capital. That materializes by the organic intellectuals in each historical period. According to Gramsci (1999), they exercise the ideological and political direction of their family network by exercising the next functions:

- Organize the economic structure and are spokespersons the ideology of their group.
- Transfers the conception of the world of the ruling class to the rest of the society.
- Stablish alliances and create mechanisms to establish legitimacy.
- The consensus of society as a whole.

These organic intellectuals linked to a class, whose activity is conferred by belonging to one of these family networks, are spokespersons for an ideology of group or the social imaginaries of their ancestry. Examples of this linkage of intellectual-family networks are in

families such as Urrea and Guzmán that connect to Bernal Díaz del Castillo. José Cecilio del Valle, linked to del Valle, Herrera and Matheu families. Antonio Batres Jáuregui, related to the Delgado de Nájera, González Batres and Arzu, Juan José Aycinena and Micheo; or the brothers Manuel and Luis Cobos Batres linked with the Arzú and González Batres families (Casaús, 2010, p. 8). This study will focus on the antagonists José Cecilio del Valle and Antonio Batres Jáuregui.

IDEAS DIVIDED: José Cecilio del Valle y Antonio Batres Jáuregui

The Gramscian contribution is that it gave to organic intellectuals a function on the struggle for the political-cultural hegemony of a society. The intellectual as a group with an own identity emerged as an option opposed to the traditional power, which pretended to embody the conscience of subaltern groups against the power and acquired the moral commitment to denounce injustice, corruption, and dictatorships publicly and supported the search for truth, justice, beauty and universal values (Casaús and García, 2005, p. 2).

One of the questions that need to be raised is, in Latin America, at what moment the intellectuals were constituted and were recognized as a group of power and influence with an identity of its own? In the case of Guatemala, it was the Generation of 1910 that prepared the road, and the Generation of 1920 which managed to achieve that self-awareness. These elites played a role in the reformulation of national imaginaries, in the articulation of continental, regional and national identities, in the creation of new public and cultural spaces that served as forums to fight for the hegemony of their social and political ideas (ibid. 4-6).

In Central America, a group of intellectuals contributed to rescue the cultural values of "Our America," to recover the historical past of the pre-Hispanic cultures and contributed to form a project of the multiethnic and pluricultural nation. For those intellectuals, the literature, journalism and the essay contributed to forging a new national, and regional imaginary recovered the past of the region and contributed to redefining the complex relations between culture, society, politics, economy and the State.

Latin American Liberal Intellectual edifice

"The freedom of trade that with Spain is the source of their wealth, in America is the principle of misery" (Valle, 1930, p. 287).

Latin America has never substantively developed the social sciences. While the region has been more creative in the arts, music, literature, painting, music and can compete with any part of the world, in the social sciences is not the case. Foucault was of the idea in this respect

that knowledge and power are interrelated, juxtaposing each other. An intellectual exception is the structuralism theory of the Economic Commission for Latin America and the Caribbean (ECLAC). Iberoamerican social sciences have suffered as a result of nonexistence enlightenment beyond the arts and letters, given to the lack of sophistication in the exercise of power by the state argues Gabriel Palma (2009, p. 244).

Félix Ortega (2000) advocates that in the nineteenth and twentieth-century intellectuals in Spain and Latin America were dilettante intellectuals, understanding them as individuals writing on many subjects without rules, no method or appropriate theory. They were usually multi-faceted writers, who wrote and thought about anything, often unknowingly and often mixing literature, essay, poetry and philosophy; and all these disciplines with journalism. Generally speaking, resulting in reasonably superficial opinions when not banal. The majority of them belonged to different cultural and philosophical movements, to various "isms": modernism, expressionism, Hispanism, vitalism, spiritualism. Given these points, they shared the passion for writing, art, science and were aware that, through the handling of the press and the national and international discourse, they were forging a public opinion and exerting an enormous power in society.

The consequences of this model are, in the first place, the absence of theories in the modern sense of the term, about any aspect of reality. Second, writings full of paradoxes and contradictions; where shocking affirmations that replace grounded reflections; and when reflections appear, they lack the adequate theoretical support. As a result, the generation of Spanish that influenced Latin America was unable to create schools: academic, literary or even journalistic. They practiced a particular type of intellectual solipsism, which is equivalent to a brilliant momentary cleverness, but which leaves in shadow the plots of reality that they try to understand. In other words: they did not contribute to professionalizing an activity that the Spanish society was in need, that of the reflective person (Ortega Gutiérrez, 2000, pp. 44–46).

At the time of the newly independent Federation of Central America, the dominant topic was freedom of trade, to the point that the question of free trade became not just an economic debate, but a political and social one as well. The liberty to commerce threatened the position of the merchants, artisans, and producers who were under the Spanish system. At the same time, it provided new opportunities for that portion of the Creole aristocracy which had held economic, social, and political power and prestige, but which at the hour of independence found itself struggling in the face of a declining indigo market. To this economic conflict were added political idealism and philosophies of the Enlightenment, in many ways, strange ideas to the

traditions of the region. As a result, the Central American federation had a turbulent and unstable beginning (Woodward, 1999, p. 91). The division begins here.

In this section, the discussion will point to the antagonist intellectual edifice of the newly born Central American Federation.

The Central American liberal thought of José Cecilio del Valle and Antonio Batres Jáuregui.

José Cecilio del Valle, Pedro Molina, and Antonio Batres Jáuregui represented the thought of the Creole elite, and they were the spokespersons for their projects. These three authors represent the common thread of the debate on the nation project as it was forged throughout the nineteenth century and that will be resumed in the first quarter of the twentieth century. Valle and Batres had superfluous points in common: both were between centuries, witnessed moments of great transformations and opinioned about them. Valle defended the civic nation and Batres Jáuregui the civilized nation. Both were evolutionists, and they believed in the theory of the stages of progress, which would indefectible assimilate the indigenous. Valle and Batres belonged to the elite of power, they were interested in building the nation and considered that they had to participate in the realization. Similarities stop there as we shall see (Casaús and García, 2005, p. 16).

In regards to Pedro Molina, after the restoration of after Constitution in 1820 permitted the political discussion, and for the first time, categorized political factions appeared in Central America. The interests of the Aycinena oligarchy were taken up by Dr. Pedro Molina in his newspaper, *El Editor Constitucional*, which began publication in July 1820. Molina, of illegitimate birth, was not a member of the 'family,' nor were most of his close associates (Woodward, 1999, p. 87).

Maria Teresa García (1996) considers that the ideological distinctions between the projects of Valle and Molina nation are difficult, they represented allegedly opposing political thought but in reality were similar as a whole. It is less complicated to compare the alternative view, by today's standards of José Cecilio del Valle with Batres Jáuregui, who ultimately reflected the consolidated liberal thought present today. However, for reasons of presenting those two antagonist views, the present work will not analyze the work of Pedro Molina.

In Central America, the concepts of homeland and nation and the place that should occupy the dispossessed groups – the Indian, the poor ladino and the women- acquired relevant importance as minority majorities. The topic of the Indian, coinciding Marta Casaús with

Mónica Quijada(1995) and other authors, is a constant concern for the Creole elites and their nation project, either to include or not the Indians as a citizen with full rights, as it happened before during the colonial time.

According to Valle, a nation is built by fusion and Batres was of the idea that by annihilation. In other words, by inclusion to Valle or by exclusion to Batres. The liberalism embodied by Batres Jáuregui proposed the assimilation of subordinate sectors, mainly because he doubted that the Indians could be integrated, because of their biological and psychological interiority (García Giráldez, 2010, p. 40).

The nation that envisioned Valle was shaped by the enlightenment, while that of Batres Jáuregui was impregnated with racial ideas, with the scientific pretension of the positivists of the last quarter of that century and that they resurface in the middle of the twenty century (Casaús and García, 2005, p. 18).

General perspectives in Valle and Batres

José Cecilio del Valle was born in Jerez de la Choluteca Honduras in 1870 and died in Corral de Piedra, Guatemala in 1834. From a livestock family, his family network followed the inbreeding model, biological and professional.

Jose Cecilio himself was the most important intellectual of the first quarter of the nineteenth century, a member of a generation of men who sought better fortune moving to Guatemala, the center of the political power. Is difficult to draw the spatial boundaries of the work of Valle. His trajectory led him to be in contact with other countries, other political realities in which absorbed from the most illustrious countrymen and other historical protagonists, for instance, was a personal friend of Jeremy Bentham. Del Valle knowledge of the enlightened and the French Revolution, his constant references to Rousseau, Montesquieu, Humboldt and his language skills gave strength to his intellectual work (Casaús and García, 2005, p. 19).

Antonio Batres Jáuregui (1847-1929) was one of the most relevant, long-lived and politically active of his time. He belonged to a family network that since the eighteenth century had been consolidating its power thanks to the occupation of public positions and relations marriage and business. Liberal and a great connoisseur of European thinkers such as Herbert Spencer, Mills, Guizot, Buckle, Bancroft, and Darwin, was an admirer of the Spanish illustrated thought of Jovellanos and Campomanes, and the way they dealt with the issue of the modernization of agriculture. He held various public offices, headed the Secretariat of the

economic association *Sociedad de Amigos de la Patria* during eighteen years and was a professor of political economy, international law, and literature. Batres was also a lawyer, historian, philologist and politician and one of the first authors who devoted more attention to the indigenous, treating their history and projecting his liberal thinking into the future regarding ‘civilization.’ His best-known work, *Los Indios su historia y su civilización* (1893), was one of the best contributions to the racial thinking of the nineteenth century. Batres participated in the development of the civilizing project; his theories dominated the political game. The demands of socio-economic factors were the ones that justified the national project that excluded large sectors of the population, notably the indigenous population. Batres was one of the promoters of agricultural diversification, and its orientation towards the introduction of coffee cultivation founded the Farmers School and promoted artisan schools throughout the country. Nonetheless, its hierarchical criteria was very different from those of Valle (García Giráldez, 2010, p. 26).

These authors represent the common thread of the debate on the nation project as it was forged throughout the nineteenth-century and that will be resumed in the first quarter of the twentieth-century.

The homeland and nation-building in Valle and Batres

José Cecilio del Valle, following the tendency of thinkers in the early independent time, preferred to use the term *Patria* (fatherland) to that of the nation, so much so that Valle chose to name his newspaper *El Amigo de la Patria*. Valle began to direct the newspaper in October 1820 and became one of the two most relevant political and constitutional debate forums of the moment, and that was an accurate reflection of the controversies that took place in Europe and America. *El Amigo de la Patria* appeared to replicate *El Editor Constitucional*, directed by Pedro Molina, which had come to light a few months before. Both expressed the positions of the sides that were fighting for conquering the public discourse (Casaús and García, 2005, p. 22).

The origin of the word *Patria* (fatherland) is older than other terms used in the enlightened liberal discourse of the time. According to Quijada (1995), fatherland was preferred because it was easier to identify; supported in the territory, the place of birth and in the bond of loyalty that awoke. *El Editor Constitucional* of Pedro Molina understood it in the same way and yet he was less inclined to use it.

The image of the great Central American homeland of Valle faced the small country (Guatemala) of Batres Jáuregui. They were attempts to reformulate the form of government that best adapted to a sovereign Central America

Big and Small fatherland

The image of the great fatherland of Central America of Valle collides with the small fatherland of Guatemalan of Batres. Those were attempts to reformulate the form of government that best suits to a sovereign Central America after independence.

Valle set out to discover the causes of prosperity and the misery of nations. Valle juxtaposes the new man as opposed to the military man or the priest, figures that had been exalted in the colonial society. On the other side of the spectrum, Batres proposed a unitary conception, claiming a need for Guatemala to have its own identity -the little country- and, if it is part of a supranational entity, to be integrated into the Pan-American continental nation. Batres represents the liberal intellectual that bases his arguments allegedly scientific arguments of Spencerian positivism. Valle embodies the enlightened scholar who tries to discover that the origin of the nation's prosperity lies in work and not in the ethnic uniformity, this being the only criterion to value the culture of the peoples, from which they derived the other values. (García Giráldez, 2010, p. 25).

Some of the supranational models, 'the great homeland' that was raised in Central America throughout the nineteenth century and also in the early twentieth century, was inspired by Valle and Simón Bolívar, while others opted for the national homeland and they were linked to the proposals of other supranationalities coming from the United States. In essence, the great homeland of Valle did not question the homeland even if is prey of particular interests, as long as they do not conflict with the common interest; but the threat was not so much the external economic and military interests but the lack of national 'spirit' of the national singularities (ibid 24-30).

The pillars on which the *Patria* –great or small- conferred the feeling of belonging rather than Territorial circumspection was the nationality, a desire for greatness foundation of it, to a feeling of possession at the same time, from where derived the bond of loyalty to the three elements: patriotism.

“Patriotism, it is the love of the fatherland; and homeland, is the nation, the people or the society of men who, celebrating the same pact, have submitted to the same law. To love the nation or people is to want it to be cultured and

moral: to work so that it has lights and virtues: to be interested in the education that gives both”(Valle, 2011a, p. 175)

In addition to Valle, it was not significant the place of birth, but the country of adoption, “America is my homeland, and every citizen should love what he has.”(Valle, 2011a, p. 195).

Besides a place of origin and feeling, the homeland was also desired for happiness and freedom, in the affirmative and revolutionary sense of the independence; the desire to break the ties that were trying to prevent progress. According to Godechot (cited in Casaús and García, 2005), the homeland was the love of freedom, applying the term homeland to the war of free men and therefore happy.

The children of Spaniards are Spanish in opinions and feelings if they are born in Spain, and they are Americans in one and the other if they are born in America. The first ones love the jurisdiction and prosperity of Spain. The latter love the rights and prosperity of America (Valle, 2011b, p. 32).

The homeland pretends to create the reality of freedoms and good laws as conditions indispensable for its existence, but also as an antidote against a revolutionary temptation. It represents an attack against despotism and tyranny, which are responsible for the unrest and unhappiness, abuses the rights of others (Casaús and García, 2005, p. 24).

Although Valle preferred to use the term *Patria* (fatherland), he often resorted to the word nation, either using them as synonyms or distinguishing them. The nation is a more multifaceted term, because it includes, in addition to a territorial aspect, cultural and institutional. In the cultural aspect, under the Castilian centralizing domain the Mayan civilization. On the other hand, Batres calls nation also to some Mayan kingdoms, only when they refer to those whom he considered had a degree of organization or civilization. For this author, nation deserved its name earned by the organization of it (ibid., 26)

Mónica Quijada (1995) argues that the Creole identity that Valle tried to rebuild did not need to be resorted to the indigenous past to appropriate it. Valle wanted to underline the specificity of Guatemala, see if it had produced an interruption in natural development as consequence of the conquest, but above all to collaborate in the construction of a future, integrating the nation. The specifics of this country was the paradisiacal nature, its geographical position, the fertility, topographic configuration and even commercial interest.

José Cecilio del Valle lamented that, being one of the most fertile provinces in America and with a self-sufficient agriculture, was so deprived; maybe even the most economically, politically and culturally backward of all civilized nations; the cause was the lack of interest in developing its human community and the absence of laws that promote knowledge elements for progress.

Why are there countries of abundance and places of misery? Why is wealth stagnating at one or two points only, and not distributed to all? Why are there poor and rich? This is the big problem of Political Economy (Valle, 2011a, p. 128).

The remedy rested in wise laws that allowed to realize this ideal, then: “Guatemala will be what it should be, a giant in the political as it is big in the physical” (Valle, 2011a, p. 90).

Valle did not exalt the Mayan as a culture, as Batres did. Valle fought the stereotypes of the Indian, praising their potential to generate wealth, emphasizing his enormous capacity for work and his contribution to progress:

“The Indian to whom he has portrayed as indolent and lazy is active, capable of the toughest jobs. His arms are the ones that break. His arms are those that break mountains, and pulverize rocks to extract the gold and silver that the commerce exports: his hands are those that have made those millions that suppose such a great quantity of work” (Valle, 2011a, p. 73).

The exclusion of the Indian was due, according to Valle, to the fact that he did not receive appropriate attention to the members of the communities and were marginalized. It would have been enough to accept the existence of heterogeneous indigenous populations and all other races who had been victims of some exclusion, Indians, Ladinos and Spanish Americans. Those races that the law had kept ousted would be integrated into the collective imaginary and then there would be the mixing of races together with that of the professionals. In contrast, Batres promoted colonial stereotypes, considered the Indian vague by nature; his insidious and indolent nature was the result of the fertility of the land. Batres reflects the pessimism of the colonial perception of the Indian as lazy, drunk and indolent, as an unavoidable obstacle to their redemption and improvement. Prejudices towards ‘that indolent race’ had a bright antecedent colonial, which did not differ much from those promoted by liberalism, they were reproducing throughout the twentieth century. With few vanishing, these

stereotypes continued to serve as an ideological mechanism of justification for a system of exploitation, aggression, and domination (Casaús and García, 2005, p. 33)

Despite the fact that liberalism contemplated the possibility of existence imbalances produced by the heterogeneity, Valle tried, as other Latin American intellectuals, to bring them back through a Careful plan of integration of all classes in the (pseudo) harmony liberal and social hierarchy (García Giráldez, 2010, p. 34).

Del Valle nation project was inclusive not only of the natives of the homeland but of all those who wish progress, including foreigners, European, Spanish or American, willing to contribute with their knowledge to the prosperity of Central America. “Let us open the doors of the Republic to Europe if we want Central America to be enlightened and rich. A European, (wise capitalist or worker) is a new producer of wealth” (Valle, 2011b, p. 174). He continues and hints the industrial progress by integrating foreigners:

“Prussia saw manufactures that it did not have when it received the French that the Edict of Nantes had expelled from its homeland. The children of Flanders have the honor of having influenced the prosperity of Great Britain, fleeing the persecutions of Philip IV, and seeking asylum in England. Moreover, the prodigy of the United States: that amazing progress of population, enlightenment, wealth and prosperity, is due to the good reception they give to foreigners” (ibid).

In some topics, even for today’s conservative societies, Valle was ahead of his time when he advocated that in seeking the harmony of the new society, a nation should foster interracial crosses not only between Indians and Ladinos but also between Spaniards and Central Europeans. The exaltation of the power of inclusion of the fusion of races, as synonymous with civilization, the disappearance of the Indian as a social category racial: the language, the physiognomy, the social categories were uninformed. To reach that uniformity marriages had to be encouraged “procuring the marriages of Indians with individuals of the other classes so that the castes disappear and forge unity in our population“ (Valle, 2011b, p. 125).

Those marriages would produce a physical and moral transformation not only of the castes but also of the Indian, because:

"The physiognomies and sizes, the organizations and characters will be changed, those sad and disheartened Americans who speak only of yesterday's and sighs will become happy, tall and beautiful men as the feelings that will give life to their being, and they will not be humble like the slaves. They will have the noble physiognomy of the free man ... The soul of the American will rise like that of the European. The Indian will not be a degraded being, who on his face, in the wrinkles of his forehead, shows the signs of his humiliation. It will be what man is: a noble being who, in the elevation of his gaze, makes known his essence "(Valle, 2011a, p. 198).

The changes proposed by Batres also led to homogeneity in a single nation, but not by the unifying force of citizenship, but for the biological, racial uniformity, since the races that do not would disappear or be kept marginalized:

"the owners of this fertile soil, which make up more than two thirds of our population, and which, however, have remained alien to civilized life, ridiculously bearing the name of citizens" ... "beg for unity arises, asking that the aborigine come to be mixed with us in a single nation; to enjoy the elements of life and progress that we enjoy; to achieve together with us the social and individual goals that are proper to the rational being"(Batres Jáuregui, 1894a, pp. 177–178) .

Batres Jáuregui represented the thought of the sector that evidenced the ethnic element but considered that transform the Indian into a citizen is a complicated task. In the purest liberal style, considered that there were adequate means to get the Indian to progress and develop, so that in Guatemala, in particular: "That million pariahs, which today are not part of the republic, will be in the next generations as many citizens" (Batres Jáuregui, 1894b, p. 200). Contrary to Valle or Molina the indigenous people of Guatemala constituted the primary object of his work as a historian, but with a commitment obliged them to inquire how to increase their development.

This change is due, says Quijada (1995), to the notion of the nation had changed in the imaginary of the elites, for whom civilization was the urban and the European, its people, ideas and systems social, all the rest was barbarism.

Unlike Valle, Batres view of the Indian responded to a well-defined economic project. Batres reconsidered the mode of ownership of the land. He advocated giving it to those who

already had capital because it served to create a category of small indigenous communities, whose consumption needs will boost the economic progress of the country. Batres about the communal lands:

“The communal lands that are not yet assigned to the private property shall be procured to be divided into lots and awarded to the heads of the people of the town, consulting equity and convenience, and not being taxed or alienated in favor of the ladinos by the indigenous owners, for eight years” (Batres Jáuregui, 1894a, p. 285)

According to Batres the most significant inconvenience to civilized the Indians as they did not know the private property, an institution characterized by its civilizing elements.

“The convenient distribution of territorial property must, without a doubt, be the most appropriate means of developing the habits of the industriousness of the Indian; Well, there is a lively aspiration in him, a desire ingrained only to cultivate the land and to bequeath to his children”
(Batres Jáuregui, 1894a, p. 185).

Batres influenced the most the Central American model of the ‘civilized’ nation in the late nineteenth century.

Of course, Valle observed that the fundamental causes of the destruction of old republics, were socio-economic: “the inequality of wealth, the inequality of state and the inequality of education” (Valle, 2011a, p. 178).

In brief, these three new political factions found members of the upper middle sector as their principal spokesmen. Ralph Lee Woodward Jr (1999, p. 89), argues that none of these organic intellectuals truly represented the middle sectors; as they stood for different wings of the Creole aristocracy, both reflecting influence of personal interest and Enlightenment thought. The view presented in this study might suggest something different in regards to José Cecilio del Valle as we shall see next.

José Cecilio del Valle, an eclectic liberal with continental nuances

José Cecilio del Valle was critical of the institutions of the colonial time and their economic structure that had made the region poor, in particular, the encomienda system, the entitlements of the right of conquest, the arbitrary distribution of lands, and the desire to settle people near the mining regions.

To counteract it Valle stressed the need to teach economic policy, emphasizing that the economist must work on the happiness of the people.

Sensibility, the origin of the sweetest virtues: the cause of the sublime of heroism: the principle of all good, is what animates the Economist: the one that brings him where the poor are, the one that makes him cry with all those who suffer: that forces him to form the generous vote to live for his fellow men, occupied in finding out the origin of his goods and evils. (Valle, 2011a, pp. 127–128)

Valle proposed to inquire the relationship of inequality between the countryside and the city. “The new investigations were a field for the economist, the origin of the wealth goes to examine the causes why there is misery in the fields where crops grow and wealth in the cities that produce nothing” (Valle, 2011a, p. 36).

To search for the gaps in wealth, he founded "*El Amigo de la Patria*" which covered the topics of science, government, agriculture, industry, protection of artisans and traders. In regards to economic matters, Valle does not establish the primacy of agriculture over the industry, as the physiocrats would have done, but it equally attends to all the sources that produce wealth and to all the means by which it is distributed (García Laguardia, 2011).

If a role had political economy was to promote and protect industry, cultivation and the arts, the science that meditates the progress of them should be subject to their zeal (Valle, 2011a, p. 40). In another passage, Valle makes clear that: "*the freedom of trade that with Spain is the source of their wealth, in America is the principle of misery*" (Valle, 1930, p. 287).

Even more: Valle, with an economic talent that even in our days would reveal great truths, protests against the existence of the monocropping, then in Guatemala, the indigo, as coffee later on, monoculture is so unfortunate for the general wealth then as now, because the only product of cultivation brings, given the defective conditions of the organization of work, an agricultural system that cultivates the welfare and wealth of a few at the expense of the work and poverty of the most (García Laguardia, 2011).

Perhaps recognizing that unemployment is not natural but a political decision, he states, "**the man who by the force of inertia is removed from work, by another greater is attracted to labor as the source of his happiness**" (Valle, 2011a, p. 36). Additionally,

"Work is the origin of all wealth: work is the beginning of the immense scale of values; the town where there is more work must have a greater amount of wealth. This is the true political scale, the nations that want to tilt wealth in their favor must increase the jobs, the only weights that make it return to one side rather than another" (Valle, 2011a, p. 131).

José Cecilio del Valle was different from other liberal intellectuals of the time, maintained an eclectic position. The three economic movements of his time mercantilism, physiocracy, and classical school were intertwined in his writings, with the addition of some Italian economists of the seventeenth century, leaning towards a neo-mercantilism that claimed some state intervention (García Laguardia, 2011).

Mario Garcia Laguardia points out that the Italian neomercantilist influence in Valle appears very clear but has been slightly studied. Ferdinando Galiani, Genovesi as well as Filangieri were known in their language but not their translations. Galiani is perhaps the most evident influence, the Neapolitan economist, in his dialogues on the wheat trade, pointed out the weaknesses of the physiocratic theory, attacking some general principles such as the pre-eminence of agriculture over the industry. Noting that only the analysis of particular situations, rationally performed, can solve the problems. The attitude shared by Valle, to advocate a rational study of the facts to draw consequences, appears very clear.

For instance, by the end of the colonial period, a small-scale and labor-intensive textile industry had been developed operating in Antigua Guatemala. The English textile trade, illicit at first and legal in 1820, led the relatively inefficient small industries to direct competition with manufactured English goods. When free trade was adopted, it destroyed Guatemala's incipient textile industry and learned the value of protecting local industry. The liberal Pedro Molina defended the trade of English textiles, arguing that foreign fabrics were superior in quality and less expensive than domestic ones (Dosal, 2005, p. 24).

On the other hand, José Cecilio del Valle asked the government to prohibit the importation of textiles and burn bales of foreign cloth, advising all Central Americans to wear their own textiles to strengthen the local economy. However, free trade prevailed and, predictably, the Guatemalan industry vanished. Eventually, the liberals incorporated certain protectionist principles promoted by José Cecilio del Valle. During the administration of the liberal president Mariano Gálvez (1831-1839), the government approved the first two laws established to promote the industry. One of these authorized the Executive to grant twelve years of exclusive privileges to the mechanical industries and the other established the Society for the

Promotion of Industry whose purpose was to teach mechanical arts and establish new factories. Although the Guatemalans did not establish any new industry, the laws were precursors to the policies adopted by the Liberals in the 1870s (ibid).

Turning to the state, Valle makes the relationship between government and wealth, politics and political economy. The law and politics sole purpose is public welfare and enrichment. Moreover, it states that **"if there is a need for a government to protect trade, it must also contribute to the expenses demanded by the existence of the government"** (Valle, 1930, p. 289). This analysis seems to be the ethos of *"El Amigo de la Patria,"* and that concept is the most advanced work published at that time.

Jorge Mario García Laguardia affirms that Valle bases political rights on economic budgets, and in more general terms elaborate the idea that all political formulation must be built by the exhaustive study of the social and economic reality of the environment in which they will be applied.

Regarding the method, Valle did not believe that theories were chemical formulations or purely rational. Valle was of the idea that it is necessary to consider the facts, proposes the need to depart from the analysis of reality and, from there, to extract the consequences. In summary, Valle use of the inductive method to make general formulations (García Laguardia, 2011).

Consequently, Valle appealed to the contextual specificity, "each kingdom has its political economy, in the same way, that it has its botany, its grammar, and jurisprudence" and he adds, the "history of a nation is a course of moral sciences, political and economic"(Valle, 1930, pp. 138 & 329).

Another argument for context:

"because in the economic, more than in the moral and political ... runs through the motives that have been forming the reason and necessity aided by experience, because the plan of its formation can give abundant lights for the science that is proposed to create: studies the history of the people, because only by understanding their origin, following their march and stopping in each epoch to observe them from there, as a point of elevation; the causes of their misery and wealth, the turns and setbacks of their

commerce, the successive steps of its industry and the revolutions of its agriculture" (Valle, 2011a, p. 35).

On transformation subject, Valle thought that the transformation flowed from top to bottom, made by more prepared people to avoid a revolution and anarchy. It replaces guillotine blood with the calm and coldness of statistics. Politics confronts with political economy (García Laguardia, 2011).

Also, Valle abominated the regime of the colony which he ruthlessly attacked, but teaching the remedy by using a path of evolution, through an effort of transformation that comes from above downwards, that is, from the classes somewhat prepared and capable of assimilating the ideas of reform to the uneducated. The idea was that an opposite movement, from bottom to top, which he considered unfortunate, the impulse would come from the unconscious side and only result in anarchy, dislocation, and *caudillismo* (*ibid*).

Moreover, and perhaps in line with some authors of the German Historical School, the revolutionary content of José Cecilio del Valle is his approach as a reformist who looks to the past as a starting point and thinks towards the future. That argument is in line with Schmoller, "all progress in history consists of replacing revolution with reform." (1904, cited in Drechsler, 2013)

Therefore Valle replaces, in his writings the pomposity of the blood of the guillotine of La Marseillaise, for the calm and coldness of the numbers and statistics. Politics is contrasted to political economy. To the vibrating words, the cold numbers; the beautiful words of freedom and rights, contrasted it with the anguished question of how many thousands of well-distributed land Guatemala has. To the fever of conquest and the principles of equality and democracy, the display of statistics. Valle is the first one who fully enters to talk about the importance of statistics, and he is the first journalist who goes to the public offices in demand of data for his charts (García Laguardia, 2011). It could be a precursor of open government.

Valle concludes about the importance of economy as a subject: "But if there should be favorite and privileged sciences, which one can present bigger titles than those of the Political Economy?" (Valle, 2011b)

The failure of liberal thought

The individualism projected in the work of that generation of intellectuals provided the answer to the political radicalism that they practiced. Persuaded that there is no society, all power would have to be in the hands of those exceptional subjects, which conveniently they believed to embody. Sometimes this individualistic approach will lead them, to accept anarchism. Their anarchism is derived from the biological evolutionism of Herbert Spencer convenient to the passionate person without limits of any kind, radicalism without criteria. A radicalism that is not left or right, it does not seek to build institutions, but rather to destroy. It does not attempt collective organization, but the personal exhibition that sometimes embodies the man of action, a man in favor of quick and forceful answers, radical solutions. Uses without any doubt, improvisation, which is the result of will, a type of genius that so attributed to those with audacity. It is this lack of mental patience and political correctness, the uniqueness of this radical syndrome. These men with ease diagnose and cure the country's ills. In conclusion, a group difficult at first to classify in some political orientation, but were with a couple of exceptions, anti-democrats (Ortega Gutiérrez, 2000, pp. 43–53).

Given the limited success of the liberal project in the twentieth century in Latin America, a group of intellectuals seeks to answer the recurrent problems in education, integration of the indigenous population and employment.

The failure of the elites to form a homogenous nation of citizens and the erosion of the liberal regimes after prolonged tyrannies in this region gave place to a crisis of legitimacy of the system and a rejection of liberal doctrines (Casaús, 2003, p. 48).

Mahoney (2001) opines that the failure of liberalism in Central America was due to the authoritarian character of the *caudillos* and the type of reforms imposed. *Caudillo* could be used as a synonym of a strongman or dictator. In those countries where the liberal reforms were more radical and the leaders who carried them out more authoritarian, the case of Guatemala and El Salvador, the oligarchy was more endogamic and the liberal regimes of the 1920s more bloody and dictatorial, generating a strong, widespread reaction against it in the first half of the twentieth-century.

In the case of Guatemala, this hypothesis is quite illuminating because it supposed a rupture with the previous liberal thought, the filiation of the authors who proposed the constitutional reforms of 1921 and 1927, aimed at the expansion of social rights towards the attainment of suffrage for women and indigenous peoples (Casaús, 2003, p. 50).

Alternative intellectual influences

When former president Juan José Arévalo publicly expressed that he practiced Spiritual Socialism, it was never understood exactly what he was referring to, only that it was close to what a Social Democracy, and has nothing to do with other forms of socialism, especially those based on the Marxism-Leninism communism. In fact, Arévalo closed the Clarity, a school of communist style (Molina, 2011, p. 27).

The subaltern ideas influenced notably a large part of intellectuals that gave form and content to the Revolution of 1944 in Guatemala; those ideas led to the ‘ten years of democratic spring’ under the presidency of Juan José Arevalo and Jacobo Árbenz. In that time Guatemala experienced social, political, and economic reforms that sought to democratize and modernize the country.

In the case of Guatemala, studies conducted to identify other intellectual influences are very scarce. Moreover, after the eclosion in the decades of 1910 and 1920 alternative intellectual views not only were unknown but also deliberately silenced by Liberals and Marxists because politically other interpretations were not attractive to their projects (Casaús and García, 2005, p. 6). This brief section will cover the vitalism, theosophy and to lesser degree spiritualism, of the intellectual elites of the 1910s and 1920s generations.

Alberto Masferrer and his Minimum vital

Similar to his predecessor José Cecilio del Valle, Masferrer believed in humanism and that the limits of the nation should transcend. Salvador Mendieta puts Masferrer and Valle as an exemplary personality of Latin American unionism (Casaús, 2003, p. 63).

Alberto Masferrer (1868-1932), an authority of utopian socialism, Fabian socialism, inspired by the doctrines of Henry George, the vitalism of Tolstoy and the anarchism of Kropotkin, was one of the unique and great thinkers of his time. According to his biographers, he is the only Central American author influenced by orientalist teachings and theosophy. Theosophy understood as a religious view that defend the knowledge of God without the need of divine revelation (Casaús, 2003, p. 63).

Theosophy is as an alternative and a more comprehensive perspective of progress that covers spiritual, material and cultural aspects, without abandoning the scientific aspect, that is, it does not break with the idea of progress. It was also characterized by the tremendous

technological development that intensified capitalist industrialization. This tendency would be inspired in Germany by authors such as Hans Freyer, Ernst Jungüer, Carl Smith and Werner Sombart (Cañas, 2014, p. 49).

The Minimum Vital of Masferrer was a philosophy of life, but also a primary and absolute right of all the individuals that make up society; it is "the nation organized as a great family, in which the primary capital function of seeking life for all its members is attended to" (Casaús and García, 2005, p. 92).

Masferrer has been one of the most cited, famous and influential authors of Central America. Masferrer promoted the theosophy, spiritualism and especially Central American vitalism, all of which reflects in his brief but very widespread work *Minimum vital*, a kind of social catechism destined to form good citizens through the individual and collective regeneration of the Central American societies. Masferrer summarized the principles of the vitalist doctrine in those essential duties of the individual to be constituted as a just citizen and to ensure that all men possess an integral and dignified life (ibid. 65).

The doctrine of the 'minimum vital' procure to all the inhabitants of Latin America the complete satisfaction of their primordial needs. The 29 point project proposed a continental union of Spanish-speaking America, in line with the forgers of the continental homeland or the great homeland of Simón Bolívar and José Cecilio del Valle. The basic principles of Masferrer's *Vital Minimum* included: land for those who work it, right to work for all, a minimum wage for peasants and workers and, above all, free and official elementary school education for all. Second, create a defensive alliance of Latin American nations to fight for national integrity and sovereignty, defending against US interference. The second set of ideas led to the foundation of continental political parties of anti-imperialist, anti-oligarchic and anti-dictatorial leaning (Casaús, 2011, p. 94).

As a macroeconomic policy, *Minimal Vital* is a doctrine that covers the right organization of the Nation's budget. The economic basis for the development is the entire state administrative machinery. It must be honest, cutting out all those unnecessary expenses and avoid bureaucratic privileges. Redirecting resources in essential areas and to socially vulnerable sectors. In other words, vitalism attacks the corruption with public money, an evil so typical that it consumes the already weak economies of Latin American countries (Cañas, 2014, p. 98).

If the State aims to obtain a good recollection of taxes, it must have an efficient fiscal policy, which requires another essential aspect, which is that the citizen before being a taxpayer must be a worker. This concept is in line with full employment policies.

Moreover, the vital minimum premise is that the country's budget must cover basic needs and legitimate through the provision of public services. The allocation of resources must be justified by a legal framework and not at the discretion of a person or political parties; in this context, ordinary expenses should not be excessive. According to Masferrer, the problem of public finances is cultural, since the disorder always benefits a few. To avoid such situation, it is that the same State must have an effective internal audit and the citizen must be educated to exercise social control, a precursor of open government (Ibid. 99).

The vital minimum was a way of life, a transformation of the individual and collective conscience that was embodied in the laws and institutions. The minimum vital guaranteed to all citizens a decalogue of rights and obligations, congruent with a Post-Keynesian view because is ground in, "the right to work is vital as the foundation and the indispensable condition of common welfare and social justice, the right to land, water and all the goods of the earth."(Casaús and García, 2005, p. 92).

As for industrial policy, the Minimum Vital aspires to a better organization of collective life. It aims to provoke moderate protectionism over the industry, while at the same time wants salaries to improve, it is clear that consumers pay the protection, but this is the cooperation between the partners to create higher and better circulation of liquid money for the benefit of all without trying to evade taxes. Another important point is to create more workplaces and also it is essential to raise the cultural level of the people to increase the capacity not only as a consumer but also as a producer (Cañas, 2014, pp. 98–99).

The importance for Guatemala of Masferrer and the minimum vital lies in the conferences in Guatemala, he shared with workers, teachers, women, intellectual elites and politicians in 1898, 1910 and 1920. His incidence in the intellectual and political group was significant and lasted until the revolution of 1944, primarily in characters such as the future president Juan José Arévalo and his spiritual socialism, the formation of nationalist spiritualism came from the ideas of Masferrer, but also Mendieta, Juárez Muñoz, and Wyld Ospina (Casaús and García, 2005, p. 6).

INDUSTRY

The brief situation of the industrialized world

Not everyone agrees that industry is the dynamic force of the economy. The recent study of April 2018 the International Monetary Fund, (henceforth IMF) deals with the so-called “manufactures fetish” as famously quoted by the former editor of The Economist, Bill Emmott (Waite Cassidy et al., 2015, p. 144). The concluding remark of the IMF study states that “the decline in the share of manufacturing jobs in overall unemployment need not hurt growth or raise inequality” (Gruss et al., 2018, p. 22).

The reason why manufacturing jobs are unique is that they provide high-quality jobs to low and medium-skilled workers, while the increasing productivity represents higher wages. That being said, the study claims that emerging economies have moved from agriculture to services bypassing the manufacturing sector, being some service sectors capable of bringing similar benefits to manufacturing concerning labor productivity. Thus policymakers can and should use a service sector strategy to catch up because services sector grow faster. Preconditions to reach the goal are among others, bolstering human capital and physical infrastructure, reduce barriers to international trade and investment in services, which tend to be high in developing economies and improving the business and investment climate (Gruss et al., 2018).

There is nothing new under the IMF sun. Post-industrialism was popular in the last decade resulting in the decline of living standards in the developed world. In 2006 the Council on Competitiveness wrote:

*“Services are where the high value is today, not in manufacturing. Manufacturing stuff per se is relatively low value. That is why it is being done in China or Thailand. It is the service functions of manufacturing that are where the high value is today, and that is what America can excel in
“Innovation Index: Where America Stands,” Council on Competitiveness,
2006 in (Fletcher, 2011).*

In today’s world, the IMF study is not only counterintuitive but out of touch with reality and perhaps a new low even for the IMF.

Regarding the decline of living standards in the developed world, Professor Peter Temin from the MIT argues that the United States disparity has increased and fracture to the point

where it should see as a dual economy, that of the undeveloped world. The high end of the distribution, a 20 percent of an educated population whose fortunes have disconnected from the rest of the nation and enjoying supportive social networks. The other 80 percent a low-wage sector troubled with debts and job insecurity. This situation was a condition in less advanced economies, which lead Professor Temin to conclude that the United States has regressed to developing nation status.

The analysis employed in the conclusion of the regression is based on the seminal work of development economist Arthur Lewis. Lewis depicts a two-sector world, built on physiocratic as well as classical economics from Smith to Marx. In Lewis, model agriculture is now the dominant or subsistence sector and not using reproducible capital, with just two factors at play, landlords and workers, and wages set in a negotiating context. The capitalist sector is the part of the economy which uses reproducible capital and pays capitalists for the use thereof (Kirkpatrick, 2004, p. 6; Lewis, 1954, pp. 146–148; Ranis, 2004, pp. 713–714).

Lewis discovered the low-wage sector had little influence over public policy and the high-income sector was keeping wages down to provide cheap labor. Social control was used to prevent workers from challenging existing policies, and social mobility was low. What the type of economy Lewis was writing about in 1954 is suitable for a developing world. Many of those findings resonate in today's Princeton study that found out the United States is not a democracy anymore but an oligarchy, where the wealthy determines the policies and the average American has little influence (Gilens and Page, 2014).

As a result, the deindustrialization the United States has undergone made it run as a dual economy, more like that of developing countries than an industrial one (Temin, 2017, p. 143)143

In the current state of affairs, the isolated situation of the United States is not detached when taking into account other recent events. The Galton's problem, named after Francis Galton, who pioneered studies of statistics among others, means that uncorrelated circumstances, might not only arise isolated but as an effect of cultural diffusion between societies (Scott and Marshall, 2009, p. 271). Therefore, seemingly independent events might be a direct relation of the deindustrialization and the Brexit and Trump's election and resurgence of far-right movements across the globe, in the middle of the Renaissance promised of the globalization.

Observed by John Ralston Saul (2009, pp. 15–16), the summary of the promises of globalization was as follows: the power of nation-state is waning, such power will lie in global markets thus economics, and not politics will shape human events. These global markets freed from small national events will establish economic balances. These economic balances will finally outgrow the problem of boom and bust cycle. The resulting prosperity will allow turning dictatorships into democracies. These democracies will not have the power of the old nation-state withering away nationalism, racism and political violence. On the economic side, new markets will require more prominent corporations and their size will raise them above the risks of bankruptcy and will be another source of international stability. All of the above will create the conditions for strong governance and will see the emergence of debt-free governments.

It was all the opposite. It leads to negative populist nationalism, which is a dangerous one, not citizen-based nationalism, economic instability (Saul, 2009, p. 269). A rusting belt in the old heart of prosperous industrial cities, (McQuarrie, 2016), the rise of extreme right political parties, with a similar version on the left side of the political spectrum. This situation has been baptized by Mark Blyth as Global Trumpism, explaining how the same factors happening in the United States are also happening in other Western democracies mainly Europe, driven by xenophobia, racism, populism right and left, and authoritarianism (Blyth, 2016a, 2016b, 2016c).

As noted above, the IMF has no memory to present a recent study with the same rhetoric that has been used in the last years.

The current situation of the first world might find parallels in the history of Latin America as it was where everything began. A skewed society, concentration of power and money, has been the longstanding conditions of Latin America. As Mark Blyth (2013, p. 160) suggests, “It was the Global South where the policies unleashed upon the periphery of Europe, and which stand ready to strip the American welfare state, were the first road tested.” Similarly, commenting on the political climate of United States Simon Johnson and James Kwak argues that “the United States will look like the stereotypical Latin American country, with the super-rich living in private islands ... a comfortable, professional class ... and a large, struggling lower class” (cited in Blyth, 2013, p. 11).

Lastly, as Estonia followed the steps of Latin America (Juuse, 2015), and paraphrasing the title of the study, it could be a Latin Americanization of the World Economy.

Early industrial policies: Guatemala and Costa Rica contrasted

The history of Latin American colonialism produced a system that was structured not in the interest of benefit the whole society. Institutional frameworks were established with the aim of effectively managing the extraction of the country's raw materials. Moreover, even after independence, local elite and wealthy foreign merchants accumulated an immense wealth produced by the export industry. Thus, even though colonialism came to an end the structures and procedures geared to extract natural resources remained in place and transformed into an economy based on producing the natural resources and exporting them abroad (Cardoso and Faletto, 1977, p. 35).

The case of Guatemala and Costa Rica shows different outcomes of the same export-driven economies.

Coffee and Bananas

R. Lee Woodward's explanations of Central American political development claims that historically, differences among countries in the region are the product of the agrarian class structure. The author distinct between coffee republics and banana republics to explain such approach.

Based on colonial differences alone, the extreme cases of Guatemala and Costa Rica have developed sharply as contrasting socioeconomic and political systems. The picture for the region as a whole is one in which various colonial differences, for example, political and social divisions, modes of land tenure and state organization, and to some extent, the indigenous population, were small enough to have left future regime options mostly undefined (Mahoney, 2001, p. 25).

The Conservative caudillos promoted coffee exports, but it was under the Liberal dictatorships of the latter part of the century that coffee reached its position of preeminence among export. Coffee best represents the most successful aspect of the Liberal's approach to economic development, coffee production and export provided the modernizing infrastructure and economic growth that liberal rhetoric promised (Woodward, 1999, p. 150).

When liberal presidents implemented a reform policy option, major structural transformations were set in motion. In Guatemala and El Salvador, radical changes led to the establishment of relatively centralized and highly militarized state apparatuses, along with divided agrarian class structures in which landless and land-poor peasants were faced with a politically powerful agrarian-commercial elite. This overall structural patterns can be referred

to as 'radical liberalism.' On the other side, in Costa Rica, the implementation of a reform policy brought the modernization of the state and the agrarian economy, including the emergence of a politically powerful coffee elite class. Also, it did not lead to intense class polarization in the agrarian sector or substantial militarization in the state. This overall set of structural transformations can be called 'reformist liberalism.' (Mahoney, 2001, p. 75)

It was under the organic intellectuals, Antonio Batres Jauregui that the liberal agenda was set up. The Alejos, Arzú, Arrivillaga, Aycinena, Castillo y García Granados families, unified the oligarchy around the liberal ideology and soothed the transition from the conservative regime to the liberal without breaking the oligarchic core (Dosal, 2005, p. 19).

During the liberal period, states were indispensable to the development of export agriculture in the region. Their role included not only the minimal regulatory and policing duties of a night watchman state, but also actively stimulating production through a range of promotional activities: signaling government support for the production of critical agrarian products, distributing free coffee seedlings to producers, offering loans, providing information on agricultural techniques in government bulletins, encouraging foreign investment and the immigration of foreign capitalists, making cheap land available for export crop production. Furthermore, the expansion of the agrarian economy was tied to state efforts to promote railways, roads, ports, improved communication and financial facilities. Nonetheless, Liberal policies also had a dark side, to secure a workforce for exports the state implemented coercive means, such as vagrancy laws that kept peasants on plantations (Mahoney, 2001, p. 19).

In the cases of radical liberalism, Guatemala, and El Salvador, these democratizing episodes ultimately failed when military and economic elites initiated powerful counter responses against democratic reformers, which led to the establishment of harsh military-authoritarian regimes. By contrast, in the case of reformist liberalism in Costa Rica, important factions of the elite actively mobilized democratizing movements to generate electoral support in the course of ongoing political struggles (Mahoney, 2001, p. 14).

As a result, the radical liberalism and the reformist produced different outcomes as it is intended to see next.

Costa Rica productive structure

Costa Rica was born liberal as Central American did, with the difference only Costa Rica has a dominant middle class. Relevant to the analysis is the class structure and the production structure present at the time of independence (Woodward, 1999, p. 204).

Costa Rica is politically and socially unique among the Central American states, due to emergence as a rural democracy, the consequences of Costa Rica's colonial legacy built around a homogenous social structure characterized by individualistic, smallholding peasants living in isolation from one another. Hispanic institutions were never prominent in Costa Rica, and as a consequence permitted broader popular participation in politics and the development of more egalitarian political institutions than elsewhere in Central America (Mahoney, 2001, p. 18; Woodward, 1999, p. 213).

By the time of the Central America independence from the Spanish crown, Costa Rica was a small agrarian society with village settlements concentrated four major towns. These nucleated settlements were made up of households that pursued primarily small-scale and subsistence agriculture of corn and beans. Contrary to Guatemala and El Salvador, the land was not held in private plots; instead, a large percentage was rented to cultivators, either in well-measured plots or more dispersed common lands. In general, villages functioned autonomously in their day-to-day affairs, without direct supervision by landlords or colonial officials. Furthermore, large estates either owner-cultivated or based on plantation labor were not a central feature of the Costa Rican agricultural system. Nevertheless, within the context of generally impoverished agricultural settlements, there was substantial wealth inequality between village notables and well-established city artisans on the one hand, and common farmers and laborers on the other (Mahoney, 2001, p. 82).

Then, when the federation broke apart into sovereign countries, Costa Rica's autonomy enabled it to avoid the conservative resurgence that bolstered colonial heritages and blocked liberal progress among all the other Central American countries. By the mid-nineteenth century, Costa Rica had achieved rudimentary state centralization, initiated significant land privatization, and begun exporting substantial quantities of coffee. All of this happened while the rest of the region languished in an economic depression.

Supporters of the 'rural democracy' thesis often ground their arguments in historical and socioeconomic features that characterized late-colonial Costa Rica lacked precious minerals, a large indigenous population to serve as a workforce, lack of a significant export crop and absence of a class of large landholders to exploit its labors. As a result, colonial officials took little interest in Costa Rica, and the province developed without significant Spanish oversight and in relative isolation from the rest of the region. Also, the province is seen as having been spared from many colonial institutions and practices that served as fetters on future development in the rest of the region (Mahoney, 2001, pp. 76–77).

Costa Rica led the way in the 1830s to develop transportation and ports due to the coffee exports. Many of the characteristics of the coffee industry developed first in Costa Rica, setting the pattern for other Central American states and Colombia. In 1805, as a part of the Bourbon effort to promote agricultural development and diversification, the Spanish government relieved of taxes all coffee produced in the kingdom and Costa Rica Governor Tomas de Acosta introduced coffee plants and encouraged their cultivation. The coffee boom in Costa Rica contributed to the emergence of a strong landed class, but it also permitted the state to modernize somewhat more rapidly than other Central American countries (Woodward, 1999, p. 105).

By 1892, according to Lowell Gudmundson (cited in Mahoney, 2010, pp. 17–23) a Costa Rican per capita exports were approximately five times greater than in El Salvador, six times greater than in Honduras, and more than ten times greater than in Guatemala and Nicaragua. In developing the agricultural sector, Costa Rica avoided land concentration and the use of coerced labor, its national and local governments early on promoted the small farmers, actively undermined the land grabbers, and refused to build up the military in ways that would have encouraged coercive labor systems. By contrast, the other Central American coffee-producers, the state enacted land and forced labor by laws, which nurtured inequality and economic polarization. Additionally, encouraged the state militarization necessary for the intensely repressive agrarian economic structure.

Costa Rica also owned banana production, but it managed it differently to Guatemala as we shall see next. Foreign ownership was limited as well as certain aspects of the transportation industry. Therefore social and economic patterns of ownership and control did not create the small, wealthy oligarchies that were typical on the other four states. The ethnic composition by the time of whites comprised about 80 percent of the state's population by 1925; Negroes made up roughly 4 percent, and most of them were banana workers. The agrarian middle sector was responsible for placing of checks to foreign domination of the economic life in the country. These checks were absent in other Central American states. The liberals did not dominate the period, so they could not sell out the land to foreigners (Woodward, 1999, p. 213).

Not only Costa Rica become more dynamic in economic terms than the rest of the region, but it also outperformed its neighbors on human development as measured by education and working conditions. The organization of the early coffee economy is of great explanatory. Coffee production in Costa Rica was overwhelmingly in the hands of small growers who used mostly family labor. Costa Rica lacked a sizeable obedient labor force that functioned under

highly coercive controls. The smallholder economy was instead built around nucleated villages. The elite derived its wealth from the commercial aspects of coffee production, specifically the financing, processing, and marketing of the crop. Costa Rican elites introduced the late-nineteenth-century education reforms that made this nation a regional leader in literacy. These elites also showed tolerance for other state activities that served broad sections of society, including providing access to credit for small farmers, infrastructure projects, and systems of justice that applied the rule of law broadly (Mahoney, 2010, p. 20).

Guatemala as coffee and banana republic

With the introduction of coffee cultivation, foreigners join the power as a faction of modernizing and progressive class with their investments, contributing a large part of the necessary capital for this crop. The finance was mostly of German origin, profoundly influenced the legislation and in the establishment of the liberal State of the time. The Germans farmers pressured the government from the beginning to issue liberalizations laws of land trading. The Germans applied the financial mechanisms of commercial houses, mainly those belonging to the Hanseatic League and subsequently, monopolizing the internal and external marketing of the product. All this, combined with the application of forced labor of the indigenous population (Casaús, 2010, pp. 129–130).

Between 1871 and 1898, the Guatemalan oligarchy controlled the political and economic infrastructure and promoted a program of nationalist development. Although the *fincqueros* (owners of large haciendas) allowed American and German capitalists to invest in coffee, railways, and bananas, prevented foreign investors from monopolizing rail lines and ports. The symbol of the impulse for economic independence was the Northern Railway, that begun with Justo Rufino Barrios in the 1880s and expanded aggressively by Reyna Barrios during the 1890s. Funded by local capital, the State claimed ownership and administration of the railroad (Woodward, 1999, p. 149).

Development policies were torn down during the dictatorship of Estrada Cabrera (1898-1920). In exchange to secure his government, Cabrera with the support of the USA gave to the International Railways of Central America (IRCA) to Minor Keith, vice-president of the United Fruit and two-thirds of the already built railways in exchange to build the remaining part. Furthermore, the deal included stores, warehouses, and a strip of beach a mile long and 500 yards wide on each side dock, 170,000 acres of the best farmland in the region, all that

concession for ninety-nine years. The only favorable clause to Guatemala in the contract was that at the end the company was forced to sell to the government of Guatemala at a price to be fixed by arbitrators. During the life of the contract, the company enjoyed exemption from all municipal tax and customs taxes. This exemption applied to existing taxes and those to be created. By 1904 IRCA and the United Fruit Company (UFCO) consolidated operations and over the next 20 years (1904 -1924) UFCO infiltrated Guatemala and operated banana plantations without a contract with the government. Given the total dominance of IRCA got freely ceded over 200,000 acres of land in the Atlantic (Toriello Garrido, 2009, pp. 2-4; Woodward, 1999, p. 149).

In the term of eight years, the International Railways of Center America (henceforth IRCA) monopolized rail traffic from coast to coast, and United Fruit dominated the shipments in both oceans ports. These two companies, linked by directories and agreements commercially interconnected, virtually unregulated and without tax obligations, directly conditioned the rank and the scope of economic development during the next forty years. United Fruit and IRCA operated under concessions that did not allow the State to intervene in the administration of their businesses that Estrada Cabrera had ceded government authority over the control of tariffs or the regulation of the schedules of the docks (Dosal, 2005, p. 75).

From banana production to coffee production in Guatemala. Noticed for its high quality, and unique blending uses the production enjoyed tax reliefs and subsidies by the state, and in result, it led transportation development, and legislation providing inexpensive land and labor to encourage the coffee expansion. These incentives began under the Conservative caudillos, but Liberal government intensified them. Sugar production received similar promotion and also expanded, but much less so than coffee because of the competition of Caribbean, Louisiana, and Hawaiian who had more favorable transportation facilities. By 1855 coffee *fincas* were up and coffee replaced nopal-cochineal cultivation in some areas. The value of coffee among all Guatemalan exports rose from 1 percent in 1860 to 44 percent in 1870 when it became the most significant single export commodity (Woodward, 1999, p. 131).

Table 1 Leading Guatemalan exports as percentages of total exports 1840-1871

Years	Cochineal %	Cotton %	Coffee %	Total exports (millions of pesos)
1840-50 ^a	93	—	—	0.7 ^b
1851-55	79	—	—	1.2 ^b
1856-60	81	—	1	1.5 ^b
1861	71	—	5	1.1
1862	61	—	9	1.4
1863	57	1	13	1.5
1864	44	15	12	1.6
1865	53	19	17	1.8
1866	57	5	23	1.7
1867	57	6	22	1.9
1868	41	1	36	2.2
1869	51	—	32	2.5
1870	34	—	44	2.6
1871	33	—	50	2.7

^a Figures for 1840-50 partially based on estimates.
^b Annual averages.

Source: Woodward, 1999, p. 131

Central America path dependency theory analyses intraregional variations that remain centered on economic factors, but another consideration is about the role of linkages between domestic politics and international contexts in shaping Central American development (Mahoney, 2001, p. 21). In the case of Guatemala, a critical juncture is provided by the history of the banana crop.

The banana crop drove a knowledge transfer and export-driven economy. As noted by Streeten (1979, p. 26) at the end of the colonial time, a paternal attitude toward the Latin American states continued on the assumption that the developed north should supply the knowledge and technology transfer to the global south. “Missing components can be capital, foreign exchange, skills, or management.” Reducing the problem of development to transfers, the policy design becomes one that is aimed to get aid, free-trade, foreign investment, transnational companies, movements of people, and so on. As Paul Streeten emphasizes, the result is “neither complete insulation nor wide-open integration but a policy of enlightened discrimination” (Streeten, 1985, p. 242). This produced a skewed society where education was not necessary because the elites and groups with particular interest decided to align themselves with powerful trade partners instead of building productive capacities to industrialize.

The upside of the banana industry was the development of transportation and ports; valuable foreign exchange, which fostered modest economic growth; increased tax revenues; exploitation of lowland and eradication of deadly diseases endemic to the tropics. However, to secure grip of the elite, who had control of the military and cooperation of powerful foreign partners, made social change difficult, even in times of bonanza. The Liberals had taken Guatemala out of its economic isolation and placed it unequivocally in the mainstream neocolonialism. The accompanying financial growth and modernization of the capitals achieved some of their goals, but it also hastened the growth of larger middle sectors (Woodward, 1999, p. 201).

In reality and above all, Guatemala had to pay a very high price, loss of national sovereignty and economic independence that eventually produced the invasion and a coup organized by the CIA.

Subsequent industrial policies

The first study able to identify a network of interconnected families with exceptional political power and control over economic institutions dates back to 1974. The North American Congress on Latin America (NACLA) published the results of Carole Snee's study on the Guatemalan bourgeoisie. The list of Snee of the 20 most essential families provides a rudimentary database frequently cited by later analysts.

After that sociologist, Marta Casaús Arzú, herself from an oligarch family, published the most extensive analysis of the elite based on genealogical studies and a survey passed to more than 100 oligarchs. Similar studies probably will never be replicated given the controversy generated among the elites. Casaús concluded that the nucleus of the oligarchy is composed of 22 families with another 26 linked in the periphery of the said nucleus. These families linked in marriage and economic interests had controlled the means of production and the political system from 1531 to the present when Guatemalan conquerors and their children distributed the positions of the City council that would occupy during most of their lives.

There is the case of the Castillo family who remained the city council (*Cabildo*) for several generations related to the Lira Cárcamo, Castillo-Larrave, Castillo-Pimentel; in the seventeenth century related to the Batres and in the XVIII century with the Urruela and Arzú. The Castillo family is still one of the most influential families, industrialists, owner of the first brewery. The recently deceased Alvaro Arzú was the city mayor during four periods, three in a row and former president of Guatemala.

Paul Dosal and Marta Casaús Arzú agree that the oligarchy consists of family networks that control the production networks: land, labor, commercial institutions, banks, and industries.

Industries and its promotion

Using forty-eight families identified by Casaús Arzú and twenty NACLA families as a basis for his work, in addition to secondary sources, Dosal (2005) investigated the personal background and economic interests of approximately one hundred families identified as influential. Fifty families control the coffee, sugar and cotton industries, exporters, banks, industries, car sales, hotels, insurers, and construction companies. From its ranks come the leaders of the private sector, diplomats, government ministers and sometimes even the President himself. These are the dominant families that have had, have and will have the power perpetuating it by periodically diversifying their economic base and by consolidating matrimonial alliances with other oligarchic families. In the last 45 years, no one from the army has been a member of the oligarchy, showing that those who hold power are not necessarily those who govern.

The French author André Bourgière (cited in Casaús, 2010, p. 66) hypothesized about the inverse relationship between the power of families and the State. In the opinion of this author, when the State weakens and stops having enough power to protect its citizens, the families expand and assume control of the State, exercising absolute power and, vice versa, when the State is strengthened and strengthens and gains certain autonomy, families shrink and lose public spaces before controlled by them. This hypothesis was valid for many European monarchies throughout the seventeenth and eighteenth centuries. In the case of Centroamérica, it is still valid not only in the century but to a large extent also in the twenty-first century. According to Casaús, it proves two things: the enormous weakness and lack of autonomy of the States in Central Americans and the enormous power of these family networks that in the currently continue to take over and occupy the State by exercising power in a sweeping way and with a specific oligarchical and patrimonial style, which is what prevents the Central American States from basing their authority in a rational legal legitimacy, and continuing to exercise a type of traditional and clientelist domination. The phenomenon is due to the unique way of how families were inserted in the State throughout the nineteenth century, operating as public or semi-public entities that are often equaled official government structures. In this way, family networks extended their power nationally and regionally expanding its area of influence.

Last Name	Coffee	Sugar	Cotton	Cattle	Other	Commerce	Industry	Finance	Oil	Mining	Marital Ties
Aguirre	✓	✓			✓		✓	✓			Arrivillaga, Arzu
Alejos	✓	✓	✓	✓	✓	✓	✓	✓			Arzu, Batres, Díaz Durán
Andrade	✓							✓			Arrivillaga, Aycinena, Díaz Durán, Falla
Arenales	✓				✓	✓	✓	✓	✓	✓	Aycinena, Castillo, Dorión
Arrivillaga	✓	✓			✓	✓				✓	Aguirre, Aycinena, Batres
Arzú	✓					✓	✓	✓			Alejos, Azmitia, Castillo, Herrarte
Asturias	✓				✓	✓	✓	✓			Arzu, Aycinena, Beltranena, Urruela
Aycinena	✓		✓	✓	✓	✓		✓			Asturias, Batres, Beltranena, Piñol
Azmitia	✓						✓				Beltranena, Castillo, Toriello
Barrios	✓	✓		✓				✓			Alejos, Aparicio, Dorión
Batres	✓	✓			✓	✓					Arrivillaga, Arzu, Asturias, Castillo
Beltranena					✓	✓	✓	✓			Castillo, Sinibaldí, Urruela, Valladares
Berger	✓			✓	✓		✓				Azmitia, Dorión, Novella
Bouscayrol	✓	✓		✓	✓	✓	✓			✓	Asturias, Castillo, Saravia
Castillo	✓	✓		✓	✓	✓	✓	✓			Azmitia, Beltranena, Lara, Sinibaldí
Cofiño	✓	✓			✓	✓	✓	✓			Castillo, De León, Díaz Durán, Herrera
Cordon	✓	✓	✓		✓	✓	✓		✓		De León, Matheu, Samayoa
Dardón	✓										Köng, Lara, Ibagüen, Neutze
De León	✓	✓		✓	✓	✓	✓	✓			Barrios, Castillo, Cordón, Dorión
Díaz Durán	✓										Cofiño, Falla, Herrera, Klee
Dorión	✓	✓		✓		✓	✓	✓			Berger, Castillo, Klee
Falla	✓				✓						Arrivillaga, Beltranena, Castillo, Saravia
Fischer						✓	✓	✓			Castillo, Cofiño, Saravia
García Granados	✓	✓	✓								Aguirre, Köng, Neutze, Vásquez
González		✓					✓	✓			Barrios, Saravia
Herrarte	✓			✓							González, Pivaral
Herrea	✓	✓	✓	✓		✓	✓	✓			Dorión, Ibagüen, Ubico, Urruela
Ibagüen	✓		✓		✓	✓	✓	✓			Asturias, Batres, Samayoa, Stahl
Klee	✓	✓		✓	✓	✓	✓	✓			García Granados, Matheu, Samayoa, Saravia
Köng	✓		✓	✓	✓	✓	✓	✓		✓	Castillo, Dardón, Díaz Durán, Uruela
Lara	✓					✓	✓	✓			Castillo, Cofiño, Dardón, Díaz Durán
Maegli	✓		✓	✓	✓	✓	✓	✓			Novella, Urruela
Matheu	✓		✓			✓	✓	✓			Bouscayrol, Klee, Neutze, Sinibaldí
Molina	✓		✓	✓			✓	✓			Aycinena, Lara, Valadares, Zirión
Neutze		✓				✓					Aycinena, Matheu, Toriello
Novella	✓				✓	✓	✓	✓	✓		Berger, Klee, Maegli, Urruela
Piñol	✓	✓	✓	✓		✓					Asturias, Batres, Valadares, Vásquez
Pivaral	✓			✓		✓	✓	✓			Batres, Herrarte, Rodríguez, Valadares
Robles	✓			✓		✓					Donón, Herrera, Klee, Stahl
Rodríguez	✓	✓		✓	✓		✓	✓			Batres, Castillo, Robles, Saravia
Samayoa	✓				✓	✓	✓	✓			Aycinena, Azmitia, Matheu, Piñol
Saravia	✓	✓				✓	✓	✓			Aparicio, Asturias, Castillo, Ubico
Sinibaldí	✓	✓		✓	✓	✓	✓	✓			Castillo, Matheu, Samayoa
Stahl	✓					✓	✓	✓			Cofiño, Ibagüen, Robles
Toriello		✓		✓		✓	✓			✓	Castillo, Herrera, Saravia
Ubico	✓										Cofiño, Klee, Saravia, Urruela
Urruela	✓	✓			✓		✓				Castillo, Köng, Novella, Ubico
Valladares						✓	✓	✓			Aycinena, Beltranena, Castillo, Molina
Vásquez	✓	✓		✓							Arzú, Castillo, García Granados, Piñol
Zirión	✓	✓				✓	✓	✓			Castillo, Lara, Molina, Urruela

Sources: José A. Quiñónez, Directorio General de la República de Guatemala (Guatemala: Tipografía Nacional, 1930); Manuel Antonio Pilón, Directorio comercial, industrial y profesional de la República de Guatemala, 1935-1936 (Guatemala: n.p. 1936); Coronel J. Bascom Jones, ed., El libro azul de Guatemala, 1915 (New Orleans: Searcy & Pfaff, Ltd., 1915); Promotora Continental, ed., Quién es quién: banca, agricultura, industria, comercio (Guatemala: Imprenta Minerva, 1969); Quién (diccionario biográfico); libro de oro (Guatemala: n.p., 1966); Carlos C. Haeussler Yela, Diccionario General de Guatemala, 3 vols. (Guatemala: edición privada, 1983). In Dosal, 2005 pp. 22-23

Although conflicts have arisen between the industrial and agricultural elites, unity is an outstanding characteristic of the Guatemalan oligarchy. The trajectory of leadership has been taken by the modernizing families in three critical conjectures: Bourbonic reforms during the independence, liberal reforms during the late nineteenth century and the aftermath of the contra revolution of 1954 (Casaús Arzú, 1994). Chart XX lists the predominant families during each disruptive period, based on data from the previous chart

Table 2 Elite Leadership. Independence, liberal reforms and the aftermath of the contra revolution of 1954.

1770-1870	1871-1954	1954-1994
Arrivillaga	Aguirre	Alejos
Arzú	Aparicio	Andrade
Asturias	Barrios	Arenales
Aycinena	Batres	Arrivillaga
Azmitia	Cofiño	Arzú
Batres	Díaz Durán	Bouscayrol
Beltranena	Dorión	Castillo
Dardón	Falla	De León
De León	García Granados	Dorión
Delgado	Herrera	Fischer
Díaz Durán	Ibargüen	García Granados
Lara	Klee	Herrera
Molina	Matheu	Klee
Pavón	Molina	Köng
Piñol	Pivara	Maegli
Sinibaldi	Rodríguez	Matheu
Urruela	Samayoa	Molina
Valladares	Saravia	Neutze
Zirión	Sinibaldi	Novella
	Stahl	Rodríguez
	Ubico	Saravia
		Sinibaldi
		Urruela
		Valladares

Source: Dosal, 2005

The conservative governments did not share the enthusiasm of the modernizers to promote the export of coffee, the development of infrastructure and industrialization. In 1879 the liberals synthesized their development strategy in article 20 of the Constitution that guaranteed freedom of industry while authorizing an exclusive 10-year concession to new industries. Besides, article 20 reflected the liberal developmental paradox, allowing the State to

establish industrial monopolies and granting exclusive concessions to selected companies, while explicitly denying the same privileges to existing or potential competitors. Despite the political controversies generated by Article 20, this remained the legal basis of the industrial development policy from Barrios to Jorge Ubico (1871-1944) to promote and protect the industry, using tax incentives and, in several cases, tariff barriers. It until President Juan José Arévalo enacted a law for industrial development. The Law of Arévalo eliminated some ambiguities and obtained more impressive results (Dosal, 2005, p. 28).

Dosal notes that while the oligarchs built infrastructure, founded banks, and acquired industrial machinery as a result of the surplus capital generated by the coffee trade, the excess in luxurious imports limited the scope of the economic diversification that the liberals hoped to achieve (2005, p. 45). If Dosal observation is correct, it implies that dangers pointed out by Ragnar Nurse are true. First, large parts of foreign financing would eventually lock countries into undiversified economies breeding inequality, second, they would finance private consumption emulating living standards of trade partners (Nurkse cited in Kattel et al., 2009),

In the first quarter of the twentieth century, the institutions of government served the interests of those controlling the economy, often through harsh dictatorships exemplified by Jorge Ubico in Guatemala, but always through a system which contradicted the constitutional phrases and campaign rhetoric about democracy and liberty. The situation resulted in a new political and labor leaders, influential journalists, and diplomats to champion social revolution on the isthmus. The member of the movement was not all leftist radicals; they tended to agree that their states needed government planning and direction of the economy whether under a socialist system or one of controlled capitalism. The worldwide rise of nationalism coincided with a growing consciousness among Central Americans of the isthmus' status as an area of developing nations (Woodward, 1999, p. 211).

During the decade of 1920, a decade of intellectual movements, Ubico and other members of the oligarchy promoted the progressive modernization of the economy and the state. More than an instrument of the oligarchic aristocracy fused in the past, Ubico marched autonomously to a new era, establishing a personalized dictatorship that continued the assault of the political power of the oligarchy, initiated in 1898. Undoubtedly, Ubico preserved the oligarchical structure of power during an unprecedented economic crisis, but also modernized its bases by promoting economic diversification. By supporting the progressive factions of the economic elite, faced with rising unemployment, a stagnant economy and some sporadic

manifestations of widespread unrest, the task of Ubico's immediate response were to soothe social discontent (Dosal, 2005, p. 109).

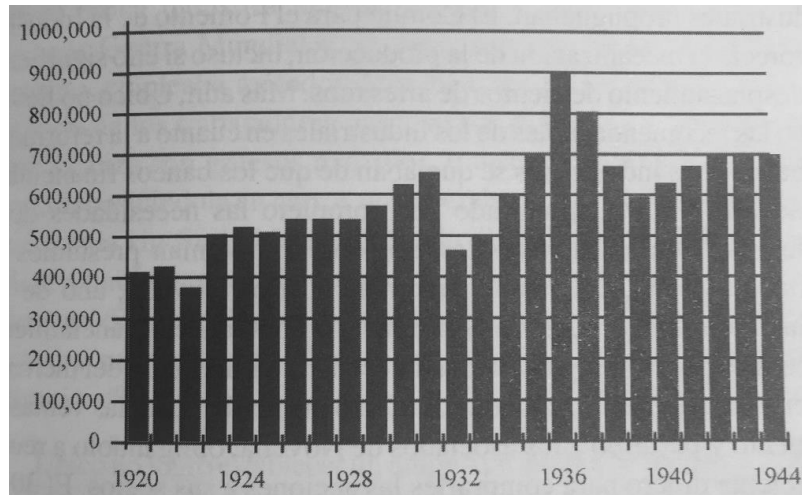
The genesis of the Central American Common Market

On August 28, 1932, Ubico appointed representatives of the Chamber of Commerce and the Association of Industrialists to a Committee for the Promotion of Industry and asked them to recommend measures to promote industrial expansion. The designation of this advisory board, composed entirely of representatives of the sector private sector, was the first collaborative effort between the government and the industrial oligarchy.

The three main recommendations of the committee preconfigure the Import Substitution Industrialization policies of the Central American Common Market (henceforth CACM). First, the government should provide direct support immediate to the industrialists, facilitating them access to new markets. It is worth to note that, never during the history of the economic policy, a stimulus for the internal demand was recommended, and instead, industrialists recommended promoting trade among Central American countries. The government should confer tariff protection to industries. Second, the committee recommended that the government grant tariff protection to industries that would replace imported goods. It did not support, however, the tariff protection for inefficient industries that could not exist without tariff protection. Third, the committee promoted a plan of refund of customs duties to stimulate the development of the exporting industry. Such scheme would come back over and over through the next decades such as the laws of the *maquila* in the 1980s; the government had to grant tax incentives to the export industries that process imported raw material. Two decades later, representatives of the private sector would form a powerful entity, CACIF with close links to government, but neither Ubico nor many landowners shared the political view of the industrialists during the 1930s. (Dosal, 2005, p. 119).

Although the protectionist tariffs had been in force for several years, Ubico pushed the policy more vigorously, deliberately extending protection to nascent industries. Industrial production had grown steadily, from 1922 to 1931 and declined drastically in 1932, as illustrated in graph 3. As a result of Ubico's modest reforms, industrial productivity resurfaced, reaching a peak similar to the one before the war, of more than 90 million dollars in 1936 (Ibid., 121).

Graph 1
Value-added per industrial sector 1920-1944. (Prices of 1970, In thousand dollars)



Source: Víctor Bulmer-Thomas, *the Political Economy of Central America since 1920*, cited in Dosal p.121

By 1945 the industry became a valuable player even when it was still small. Few family networks and industrial oligarchs reaped excessive profits by exploiting cheap labor and unorganized labor, protected by government concessions and protectionist tariffs. A 1946 study (Ovalle, 1946) on the industry of alcoholic beverages, revealed profit margins exceptionally high, in some cases exceeding 75% of the company assets. Not having an industry of capital goods and with only an intermediate industry, nobody boasted an industrial revolution. As the report mentions, the country had ideal conditions to have beef and dairy cattle, but there was no meat processing plant nor milk pasteurizer that could produce products suitable for human consumption.

It is curious to note how in other regions of Latin America Chile, Mexico, Central America, the brewing companies constituted one of the leading promoters of early industrialization and most of the time were family groups who promoted the industrial development. After the brewery monopoly the sodas of the Castillo family, the Gutiérrez poultry industry, the Novellas represent the second monopoly of importance and extension in the Republic (Casaús, 2010, p. 166).

At the end of Ubico presidency, the power of oligarchic network was consolidated based on the agro-export, commercial and financial services. The economic structure of the activities mentioned above forms a type of State that is authoritarian and liberal, and whose form of domination was based on the use of force and social exclusion. So it is not coincidental that from at the beginning of the 20th century, prolonged dictatorial regimes were repressive and bloody. This weakness of the State is the product of its oligarchical composition and facilitates that in times of crisis or changes in the political conjuncture, the networks through one of their representatives and with the support of family networks, replace many of the functions of the state. The to access to the power of the dictator Jorge Ubico Castañeda is the result of the confluence of economic and political interests of a fraction of new class, represented in the Guillén families of Ubico, Klee, Samayoa, Herrera, Dieseldorff, among others. Those families promoted to power a man from his oligarchic network to defends the interests of the ruling class and especially its family network (Ibid., p.154).

Ten years of democratic spring

The period between 1944 and 1954 that comprises the presidencies of Juan José Arevalo Bermejo and Jacobo Árbenz Guzmán are taunted as the ‘ten years of democratic spring.’ During this period Guatemala experienced for the first time social, political, and economic reforms that sought to democratize and modernize the country and its institutions (Árbenz Guzmán, 2013).

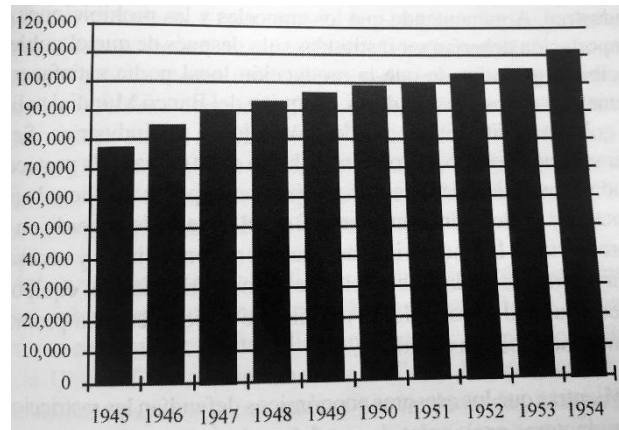
The revolution of October 1944 set the conditions for the first democratic elections of the century. Juan José Arévalo promoted the doctrine of ‘spiritual socialism’ and won the elections to take office in 1945. The doctrine practiced by Arévalo established the social welfare via social security, the Institute for the Promotion of Production as a bank for agricultural and industrial development. Also, The Labour Code was another significant innovations of the time, as well as the abolition of the Vagrancy Act that which was a way to make slavery legal, as well as the establishment of the central bank. All these institutions made Guatemala a pioneer in many fields (Molina, 2011, pp. 27–28).

The policies implemented by Arévalo were followed and expanded by Jacobo Árbenz. In the inauguration speech, Árbenz proposed to take the country, from a semi-colonial and economically dependent situation, towards a modern capitalist state, respecting private property and elevating the quality of life of all citizens. "Our economic policy necessarily strengthens

the private initiative and develop the Guatemalan capital, in whose hands economic activity rests fundamental of the nation” (Árbenz Guzmán, 2013).

Graph 2

Value Added Industrial Sector 1945-1954 (Prices in 1970 dollars)



Source: Victor Bulmer-Thomas, *the Political Economy of Central America since 1920*, cited in Dosal p.159

President Jacobo Árbenz recognized the importance of increasing returns and advocated for a technological change, expand economic activities and linkages, factors that would create cumulative causations and generate virtuous circles. Those recommendations came from a study made by George E. Britnell (1951) from the International Bank for Reconstruction and Development. The study severely criticized the methods used by the United Fruit Company, which took over the state land for banana cultivation and had large extensions of idle land. It also made recommendations about other businesses of UFCO; such as the monopoly in the railroad (IRCA), international communications and the port Puerto Barrios. The Britnell report also did annotations on the power company owned at the time by an American corporation. Árbenz presented the reform as a measure to stimulate industrial growth that sought to stimulate the internal demand:

"The agrarian reform, as we conceive it, will bring a remarkable increase in the purchasing power of hundreds of thousands of families, which will in the direct benefit of business, at the same time that it will create the basis for capital to be invested in industry, with the object of producing items that can be purchased by the population, in such volume that the industry is prosperous" (Árbenz Guzmán, 2013).

Árbenz decided to focus its economic policy on three projects: hydroelectric Jurún Marinalá, construction of a highway to the Atlantic and build port Santo Tomas de Castilla. These projects completed over the next years (Molina, 2011, p. 29). Moreover, expropriated idle land as part of the land reform and it shook the nation's oligarchy to its heart and began to break the system that they hold over centuries. Árbenz also attacked the United Fruit Company, expropriating 200,000 acres which the government immediately distributed to 23,000 peasants. Árbenz understood that to change Guatemala from a semi-colonial economy, and he had to break both the elite and UFCO. The expropriation of the UFCO was fatal for Guatemalan democratic spring. The U.S. government via the Secretary of State, John Foster Dulles and his brother Allen Dulles, the director of the CIA, began to plot against Árbenz. The Dulles brothers had served UFCO faithfully for years as negotiators for the company's contracts with Jorge Ubico in 1931 and 1936. Ultimately the CIA invaded Guatemala, and the event is one if not the critical juncture in the country history as has never recovered and has limped ever since and its institutions weakened.

The Central American Common Market

In articles around the mid-1920, Stefan Zeletin argued that there be fixed stages of national development. One of these, he claimed, required closure to stimulate the development of domestic industries. High tariffs, reduction of the relative importance of external trade, and stimulation of substitutes for previously imported manufactured goods would then occur. Democracy, beautiful as it might be in the long run, would have to take a temporary back seat to the needs of the capitalist oligarchy that would lead the modern industrial age (Chirot, 1978, pp. 31–32). Despite writing on the Romanian case that also represented Guatemalan situation in the post-democratic-military state industrialization that began after 1954 and the subsequent internal war that lasted 36 years.

Between 1958 and 1963, prominent industrialists played roles decisive in the formulation of the Central American Common Market and in the enactment of legislation that favored industrialization based on import substitution. The industries identified to promote were a tire factory and a flour mill. The Industrial Development Law of 1959, followed by the establishment of the First Central American Common Market and an increase in foreign investment, completed the industrial development strategy and caused the industrial growth of the 1960s. Conceived by the Economic Commission for Latin America (ECLAC) the Central American economies would be diversified and reduce its dependence on capital and foreign markets (Dosal, 2005, pp. 187–189).

The program expanded slowly throughout the 1960s. Costa Rica, the most prosperous nation was reluctant to cooperate on the grounds that competition from countries, mostly Nicaragua would lower salaries. However, the substantial advance was made, particularly among the states of Guatemala, El Salvador, and Honduras and new industries did produce many industries that produced goods formerly imported from outside the region (Woodward, 1999, p. 293).

At the same time, US officials paid particular attention to the Integration Industries Regime Program (RII), a scheme which Central Americans set up to would authorize protectionist tariffs to the medium and large industries that require access to the regional market to operate with utilities. Each Central American country would ensure at least one industry, before a second one was authorized, by consolidating an equitable regional development. The Americans argued that market forces and not institutions governments, should determine the place of industries and that no political process should stimulate the formation of monopolies in the name of the free market. US officials feared that the Integration Industries Regime (RII) program would create a labyrinth of corruption and influence trafficking in which vested interests get government approval for its industrial monopolies (CEPAL, 1959; Dosal, 2005, p. 185).

To reorient the integrationist movement towards the free-market ideology, the State Department sent Harry Turkel and Isaiah Frank to Central America in February 1959 to offer US economic assistance to in exchange for substantial modifications to the integration policies. Without revealing exact amounts, Turkel and Frank offered assistance to America if the Central Americans created "a true common market," one that will not discriminate against foreign capital (Dosal, 2005, p. 187).

In 1959 a meeting sponsored by the CEPAL was set up in El Salvador. The purpose was to accelerate Central America import substitution of non-durable consumer goods, whose total import value in the five countries were around 140 million dollars. To reach that the investment required was 500 million dollars to expand production. The only source of investment capital is the region's internal savings or financed with foreign capital provided by companies already established in Central America (CEPAL, 1959). Those colliding viewpoints of CEPAL and the US State Department the Common Market that elites began to establish in 1932 began to erode.

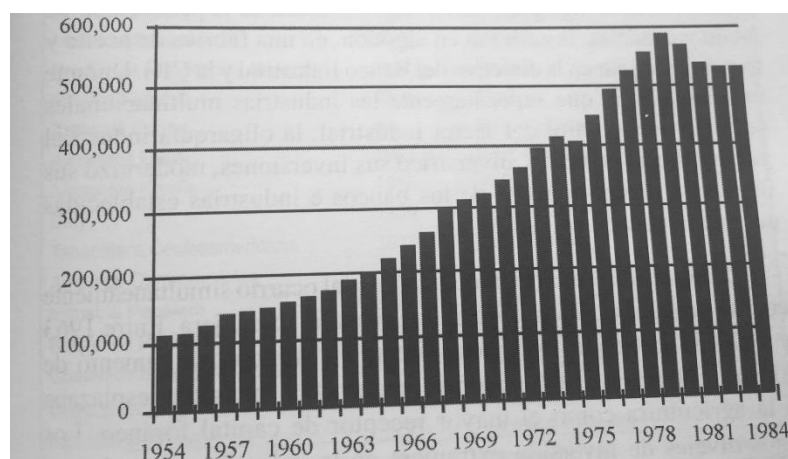
Despite a substantial increase in the labor force During the 1960s, union membership fell from 10.33% of the economically active workforce in 1953 to only 1.62% in 1975. The

result was a Guatemalan variant of corporativism that differs from the standard Mussolini variant, in which the government did not co-opt the working classes. All the factions of the upper class, with very few individual exceptions, shared the conviction that the unions subverted the democratic and capitalist system (Albízurez, 1980).

The CACM came to a halt during the so-called ‘*football war*,’ a two-week war between El Salvador and Honduras in the summer of 1969. The situation signaled the reality, without stronger political cooperation, the economic union was precarious (Woodward, 1999, p. 293).

State policies that promoted industrial growth and as a result, the industrial elite became not only more powerful but also kept their political unity. As shown in Graph 3, the industry had an annual average increase of more than 5%, between 1954 and 1984, producing about five times more in 1984, than 30 years before.

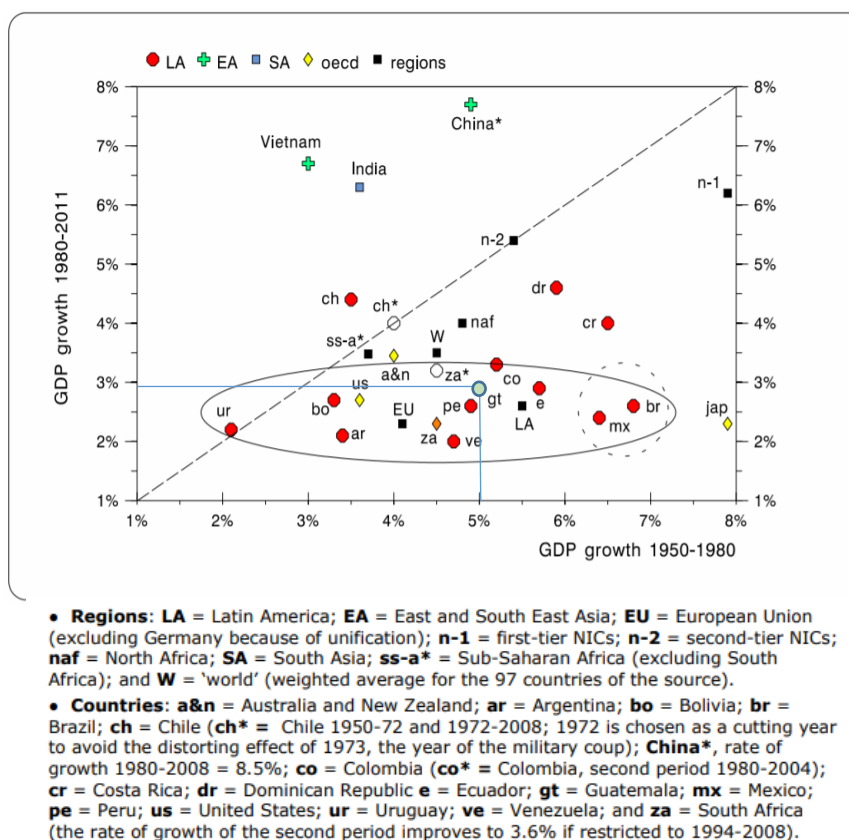
Graph 3 Value Added Industrial Sector 1954-1984 (Prices in 1970 US dollars)



Source: Víctor Bulmer-Thomas, *the Political Economy of Central America since 1920*, cited in Dosal p.184

This was the time when all Latin American countries grew faster, as shown in the next graph:

Graph 4 Latin America and other regions: GDP growth, 1950-1980 and 1980-2011



Source: GGDC, 2011 in Palma, 2012

The early neoliberal era and today

With the crisis of the CACM and the opening of markets under the influence of globalization, other sectors such as the services grew particularly the financial sector and exports of "non-traditional" products, which none was of industrial nature, the surge of the maquila that between 1986 and 1990 grew 622%. All these factors have an anti-industrial effect and could be to qualify as deindustrializing consequences of neoliberalism. As a result, the country loses but not the industrial bourgeoisie. Industrialists are considered to be the net losers in the conflict of interest that has given rise to the new neoliberal growth model. Surprisingly, neoliberalism had the effect of reuniting the elite (Dosal, 2005, p. 32).

Not only the elite according to Rubio Castañeda, former coronel of the Army of Guatemala. The author suggests that, with the new neoliberal configuration and activities

concentrated in extractive industries, the project of the army leadership has been a complex political-economic-military project in which the looting of the State is interwoven by both the elite and the corrupt military leadership. As the author summarizes the point, "behind a soldier with the rank of general, there is an oligarch" (Rubio Castañeda, 2017, p. 23).

As Chirot pointed out in the late seventies (1978) on the one hand, if neoliberal regimes are protected from outside, is it not correct that in the long run, they can develop their societies? "Of course, it may be less confusing to substitute the term 'neo-fascist' for 'neoliberal,' but it depends on one's taste."

Between November of 1970 and March of 1971 death squads, probably linked to an extreme right political party called National Liberation Movement (Movimiento de Liberación Nacional) address by Mario Sandoval Alarcón and the minister of Defense, General Laugerud, murdered more than 700 union leaders and political activists (Dosal, 2005, p. 209).

Industrial elites began to articulate a neoliberal development agenda, calling for the elimination of protectionist tariffs and vigorous promotion of non-traditional export products, in an economic system without privileges. After almost two decades performing as junior partners in the ruling coalition with the government, the Industrial oligarchs emerged as an autonomous political and ambitious actor, willing to intervene in politics and to promote the necessary reforms to prepare the industrial sector for the competition in the international market.

Universities

To sort out the neoliberal agenda, this work will divert to universities as institutions that have been in charge of propagating the ideology.

Manuel Ayau Cordón, neoliberal ideologist, founder of the Francisco Marroquín University (UFM) and member of the disappeared party National Liberation Movement (MLN), belongs according to Casaús (2010, p. 255), to the same intellectuals leaning of Batres Jáuregui.

Ideas Have Consequences: the Intellectual Origins of Anti-Statism Among Guatemalan Elite (U.S. Embassy, 2001) is a report that claims that the anti-state sentiment in Guatemala is fueled by a peculiar form of free-market ideology promoted by the Francisco Marroquín University (henceforth UFM). The university educates a large percentage of the Guatemalan business elite, parallel to the explanation of how Keynes came to America as soon as he went to Harvard by Galbraith (2001), the idea is to educate the elite to ideas spread faster.

During the 1950s Ayau became acquainted with the Austrian school of economic philosophy of Ludwig Von Mises and Friedrich Von Hayek. He also studied with Milton Friedman. Quickly Ayau found an intellectual home among conservative economist thinkers, associated with the influential Mont Pelerin society, founded by Hayek in 1947, and Ayau was president of this society in 1979-1980, a position also held by Milton Friedman, James Buchanan, George Stigler and Gary Becker among others (U.S. Embassy, 2001).

The anti-statist validity of Ayau and the UFM arguments is wicked. To begin, in Guatemala it is the wealthiest families, and not the state, who has the power to make critical economic decisions. Besides, unlike Hayek and Von Mises, who worried that the developed and relatively rich countries would fall into the trap of socialism, Ayau and his followers live in a country of immense poverty, characterized by 500 years of exclusion and oppression. Unlike the developed world, Guatemala has suffered from a fragile society with very little faith in the community. A philosophy that reinforces individual freedom above all only strengthens the atomizing tendency that has implemented favorable social policies impossible. Neither Ayau nor any of his followers were a professional economist; they were mostly businessmen and lawyers less concerned about the economic and social reality in Guatemala. Ayau also declared that the only solutions for poverty in Guatemala are the strict application of the ideas of the Austrian school (Ibid).

As a result, the struggle of Guatemala to establish democratic institutions with credibility has become considerably more difficult due to the aversion towards the State shaped by the UFM.

University Francisco Marroquín

The priest Francisco Marroquín, after whom the university is named, before being Bishop was the executor of the conqueror Pedro de Alvarado; who in turn named him the guardianship of the slaves. His duty was that free Indians were not enslaved by the conquerors and *encomendederos*, besides that the already slaves were not mistreated. Marroquin preferred to collaborate with the system and in a way 'bless' the right to slavery and in parallel to develop educational tasks (Perez de Antón, 2006).

In that context of the struggle against communism on the part of the State and the elites Guatemalan, is that the UFM, invoking promote the struggle for freedom and the free market at a time when the University of San was supposed to Carlos (USAC), focused his teachings on Marxism or developmentalism from ECLAC. For the military sectors that held power at that

moment, the creation of a Private University that would show anticommunist features and at the same time, less critical as the Jesuit university (the other private university of the time) came in handy to the counter-insurgency purposes of the apparatus of domination (Velásquez, 2014).

The original faculties where Economy and Law, and still is where the student is fully formed in the Austrian School of Economics are trained. For the rest of the faculties, no one can graduate if he does not satisfactorily complete basic courses on the Austrian thought: Economic process; Rhetoric of the Austrian School and Logic of Social Cooperation.

According to Velásquez from the analysis of the writings of Ayau, at least three stages of interest in the ideological debate of the Guatemalan libertarian, who was adjusting to the economic and political changes happening in Guatemala as follows:

1. Implantation and anti-communist ideological controversy (1970-1979)
2. Internal consolidation and liberal discussion (1980-1995)
3. Limited external triumph and "the interventionist rebirth" (1996-2010)

Lastly, as a former military tells in his book, the oligarchic control of superior military education, through elite political operators in the Francisco Marroquín and Galileo universities, is the way in which the "common sense" is established. As a result, ends up aligning the officers with the interests of the elite (Rubio Castañeda, 2017, pp. 279–288).

Other universities

The rest of universities, such as Universidad Rafael Landívar belongs to Jesuits. However, Ricardo Falla, S.J. a Guatemalan Jesuit with an exemplary and international career, on March 15 in the auditorium of the University was born conservative, to the right of the USAC and has always looked conservative to other Jesuit universities.

Smaller universities, such as Universidad de Occidente, fully endorses the principles of the Austrian School, its vision states: "to become the best university in the teaching and dissemination of the Philosophy of Liberty with the line of the Austrian School of Economics and thus contribute to the material and spiritual progress of the human person". There are other Guatemalan private universities adhere to these purposes, and in part, it is because their founders have previously been linked to UFM. Such is the case the Universidad San Pablo founded by the Neo-Pentecostal pastor and former presidential candidate and confessed libertarian graduated from the UFM, Harold Caballeros. Founded in 2006, whose motto is "success stories," they are built by successful people: "San Pablo University is an invitation to

reach a prosperous and developed society that starts from the transformation of the individual and achieves the transformation of his nation.” Likewise, the Galileo University, founded by the also confessed libertarian and former presidential candidate Eduardo Suger Cofiño, founded in the year 2000, as a product of a division between its founder and the UFM board, due to the administration of technological careers. Lastly, the conservative Universidad del Istmo, founded by the Opus Dei (Velásquez, 2014).

RESULTS: Consequences of the ideology

An international private consultancy, based in Singapore, Wealth-X, associated with the Swiss bank UBS (Union Bank of Switzerland), published in its 2014 report where it mentions that there are 260 ultra-rich Guatemalans with a capital of US \$ 30 billion, which represents roughly 56% of GDP. Moreover, at the Central American level, 1,075 ultra-rich people accumulate USD 142 billion. Two-thirds of the size of the economy of the region in the hands of 0.002% of the population (Wealth X, 2014 cited in Nomada, 2015).

Distorted industrial policy

In regards to the industrial policy, an article published initially by Nomada, a journal media founded in 2014, and privately held company in which all its shareholders are public, released a study of 47 mega companies registers as *maquila* to pay fewer taxes. In a personal interview with the author of the article (Olmstead, 2017), pointed out where to find the information and details about the research.

The information is publicly released by the tax authority (SAT) and the conditions to apply as a manufacturer available in the Ministry of Economy website (Ministry of Economy, n.d.).

In 1989, Guatemala enacted a law to give them tax incentives to make industries competitive and enter the world market. Twenty-six years later the decree 29-89 has served so that large companies installed in the country to pretend to be exporting and demand that less be charged fewer taxes. Foreign mining companies such as Montana, the giant seed company Monsanto, Kelloggs, Procter & Gamble or Colgate Palmolive are some of the 47 mega companies that Nómada found. Nineteen out of forty-seven also sell to the state by an amount near to the 4 percent of state revenues, among them, Pepsi, linked to one faction of the Castillo family (Olmstead, 2017).

Amount received by the State In million Dollars	
Commercial Name	Rate exchange GTQ 7.50 x 1 USD
Disagro	118.8
Tigsa	64.66
Productos del Aire	26.6
Vitatrac	16.93
Foremost	6.48
Grupo Unipharm	5.28
Qualipharm	5.3
Quality Group	4.8
Aldo Nero	4.8
Pepsi	3.33
Ideal	1.45
Global Farma	1.16
Kerns	0.21
Samboro	0.17
Nestle	0.84
Vifrio	0.7
Sanofi	0.44

Source: Own elaboration with information of Guatemalan Tax Authority (SAT, 2013) and Nomada.

These companies pay fewer taxes within the law framework. The formerly law exempted from paying tariffs for imported machinery and VAT for ten years, and Income Tax exclusively to companies oriented to the production or assembly of goods that contain at least 51 percent of foreign merchandise. Only companies that exported their products outside Central America could benefit from the law. However, in reform to the law in 2004, the requirement to export outside of Central America was eliminated, and fiscal benefits were extended to bunker and gasoline imports, among others things. Thus 'export' to Central American countries is an oxymoron when it is taken into account that there is practically a customs union (Ministry of Economy, n.d.; Olmstead, 2017).

Samboro, one of the companies benefited from the law was founded by Manuel Ayau, the person who brought libertarianism and promoted neoliberalism from the UFM. The rhetoric is one of free competition in the market, and as the founder of the UFM, wrote in his column in Prensa Libre in April 2006: "the real remedy is not to distribute privileges, but rather that the authorities treat everyone in the same way." The journalist tried to interview the managers without success. Other sources in the ceramics industry said, "Samboro, like many companies, walks on the limits of the law. They have dedicated themselves to take advantage

of the benefits of that law and thus have an advantage over the rest", said a competitor who asked not to be named (Olmstead, Gladys, and Alpírez, 2015).

One of the smallest states in the world

The amount of the Guatemalan state budget in 2016 was the equivalent to 12.1% of GDP, below the 12.3% of GDP in 2015. That has been the tendency over the last fifteen years. These results ratified the position of the Government of Guatemala as one of the smallest in the world and, consequently, one that is incapable of taking care of the welfare of its population (ICEFI, 2017, p. 52).

Not only the Guatemalan state is one of the smallest, but also, a significant part of the budget goes to interest payment on the interest rates of bonds in the local market. In other words, privately held national banks receive virtually the same amount as the ministry of education (12,894) and more than two-times the budget of public health ministry (5,531) as for 2016. See annexes for the Guatemalan National Budget.

Table 1 (41) Interest payments of bonds to local banks (2016). In GTQ millions

Código	Fuente de financiamiento	Millones de quetzales
11	Ingresos corrientes	36,875
17	Ingresos derivados de la extinción de dominio	11
18	Disminución de caja y bancos de ingresos derivados por extinción de dominio	0
21	Ingresos tributarios IVA PAZ	10,510
22	Ingresos ordinarios de aporte constitucional	6,615
29	Otros recursos del tesoro con afectación específica	2,491
31	Ingresos propios	902
32	Disminución de caja y bancos de ingresos propios	372
41	Colocaciones internas	11,060
43	Disminución de caja y bancos de colocaciones internas	5
52	Préstamos externos	3,046
61	Donaciones externas	527
71	Donaciones internas	17
	Total	72,430

Source: Icefi based on the Analytical Project of the General Budget of Income and Expenditures of the State for Fiscal Year 2016.

Industrial bank as a bond seller

Concerning the bonds in the national market, the biggest holder of those bonds is the Industrial Bank (*Banco Industrial*, henceforth BI).

As part of the industrialized policies of the CACM, the State named a committee directed by Enrique Matheu, Ramiro Castillo love, and David Abularach to elaborate the statutes of the new industrial bank. Through Decree 170 on capital deposits of 1964, the state forced every company that had received tax exemptions under the Development Act of 1959 to deposit the Banco de Guatemala the equivalent to the 10% of exemption mentioned. These deposits were intended to constitute the initial capital of the Bank Industrial, formally inaugurated with a paid capital of Q3.9 million in June 1968. The Industrial Bank became the largest bank in Guatemala, and the wealth of the Castillo expanded in a corresponding magnitude (Dosal, 2005, p. 193).

In a report, Nomada (2017) found that BI is not only the biggest seller of bonds to the States but also the bank that pays fewer taxes, 6.4 percent of its profits last year as income tax, according to its annual public accounts. According to the tax code, large companies are subject to an income tax (ISR) of 25 percent, while individuals who are professionals and workers and more than USD500 tax code is between 5 and 7 percent of their salary.

The financial group as a whole, which includes the insurer and the credit card company, among other companies, contributed 12.6 percent of its profits. However, the bank itself, which earned more than USD 165 million, paid USD 11.41million in income taxes. The figures are very similar for the country's third-largest bank, G & T Continental, which paid 6.6 percent of its tax revenue. In other words, two of the largest companies in the country contributed to public finances in a percentage very similar to that of a professional with a salary of USD 2,700 (Nomada, 2017). See annexes for more details.

State capture

As a conclusion, the state has been captured by family networks since 1531. In *The Politics of Public Policy* (2006) of the Inter-American Development Bank and Harvard University, published that:

“The business sector influences the formulation of policies throughout Latin America, but nowhere as much as in Guatemala. Its influence reflects not only the strength of the private sector but also the relative weakness of the other institutions in the country. Business organizations have proven to be

powerful enough to alter the course of important economic policies, such as the tax regime” (Stein et al., 2006, p. 104)

To describe this form of organization, some theorists of political science talk about corporatism. The study continues by explaining the ability of Guatemalan companies to influence the policy formulation process is because it is the best-organized sector, better than unions. Minorities and the state itself. The explanation lies in a country that has been in the same hands since the colonial era (Ibid).

In an investigation by Plaza Pública, the news media of the Jesuit University in Guatemala determined that the organized corporate sector of Guatemala has real influence on the decisions of the State. With the support of the political power Congress and Executive, the private sector has ensured to occupy a chair, with voice and vote, in at least 58 boards, commissions, and committees of different ranks in state institutions. As a consequence, that allows them to shape the system of rules and regulations that they govern a multitude of transactions and decisions, in addition to accessing information in an urgent or privileged manner. Laws, agreements, and regulations approved by the Congress, the Presidency of the Republic or the Ministries, legalize the participation of the Cacif or the business chambers in the instances in which the public policies of the country are designed. (Plaza Pública, 2018)

The participation of the business sector in different State offices allows them to have access to privileged information and the ability to make essential decisions in almost all sectors of their interest: trade, economy, macroeconomics (exchange rate), levels of indebtedness, construction and maintenance of roads and Development Councils. As well as in port services, energy, education, health, loans in the area of construction, discussion and definition of salary, environmental issues, work, education, health, science and technology, purchase of medicines or medical services, climate change, regulation of imports and exports, among others (Ibid).

The situation is designed by law, the Constitution of 1986 established that the organized business sector had direct participation in the board of directors of the Monetary Board in Central Bank, that is in charge of designing the country's monetary and credit policy, monitoring the circulation of money, public debt, the interest rates that are handled in the banking system and the exchange rate, among others. Article 132 of the Magna Carta mandates that two of the nine chairs that make up this instance be for businessmen: a representative of the business associations, industry and agriculture, and one of the country's private banks. The Constitution also establishes that a representative of employers is part of the Board of Directors of the in the

Guatemalan Social Security Institute (IGSS). These two representations are Constitutional, and cannot be modified with agreements, only through a popular consultation. See annexes for a complete graph with the positions.

Other conclusions:

The Austrian school might make sense as rhetoric in a country like Guatemala, and not by success track record in developing nations. It can find hears in a divided society, with semi-feudal practices because as wrote Samuel Freeman wrote on the reasons he believed the world has already been libertarian, only that with a different name, feudalism (Freeman, 2001).

In the case of Guatemala, the interrelation between conquest, dispossession, domination, colonization, and racism, is a fact evident throughout the history and at present. From there it can be said that racism is a historical-structure element of Guatemalan society and represents the common thread of the ideology of the ruling class.

The purity of the blood, purely imaginary became an object to hierarchize in a way that consolidated their status and power through to matrimonial alliances

Family networks integrated intellectuals representing their worldview, and that have dealt with an indigenous population with certain variations. Batres Jáuregui, labeling the Indian people as lazy is the most important regarding his line of thought present today. Prejudices against the indigenous play a double game since in the end it is known that him together with the Ladino peasant, are the primary producer of the country's wealth. Thus, on the one hand, he is accused of being lazy and on the other hand, exploiting them for their industriousness. Viable alternatives such as José Cecilio del Valle were uncomfortable for the elites, and his ideas were discarded.

José Cecilio del Valle first, and later a generation headed by Masferrer provided the intellectual grounds for the 'ten years of democratic spring' in Guatemala. Both authors have exciting viewpoints still in handy for today. Valle as liberal as he was, has some nuances with continental approaches.

The mentality in Guatemala, one of extreme individualism and racism has become naturalized, in part because both only serve to justify exploitation and domination, also serves to unite the ruling class and the middle classes that want to "whiten," to be part of the ruling class.

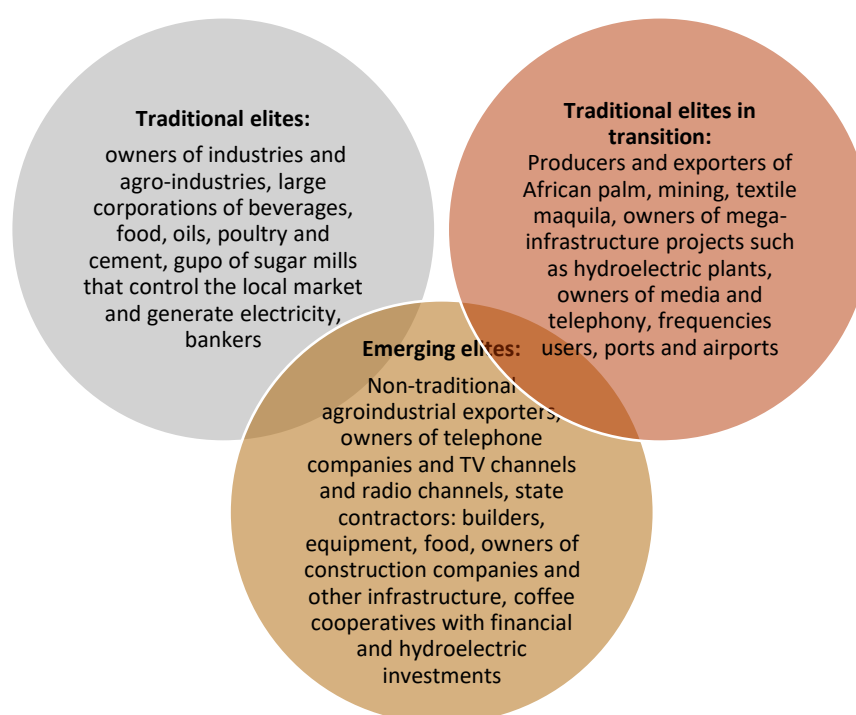
The tax ideology of colonial times, receiving without any activity embodied in the *encomiendas*, the slight search for new production spaces since the colony to the conservative regime, determined the static and parasitic position of the economic groups. It is not until the liberal state-led industrialization that the elites began to diversify and were successful in shifting from cochineal to coffee and bananas, to banks and telecommunications.

The elites might be not the sophisticated as industrializers, but they have been successful with a high degree of sophistication to use power mechanisms to convince the whole society that they deserve what they have and design a paraplegic State in function to their needs.

The obvious path easy to write on the paper but unlikely in practice is to reformulate the state.

ANNEXES

Graph 5 Types of elites in Guatemala



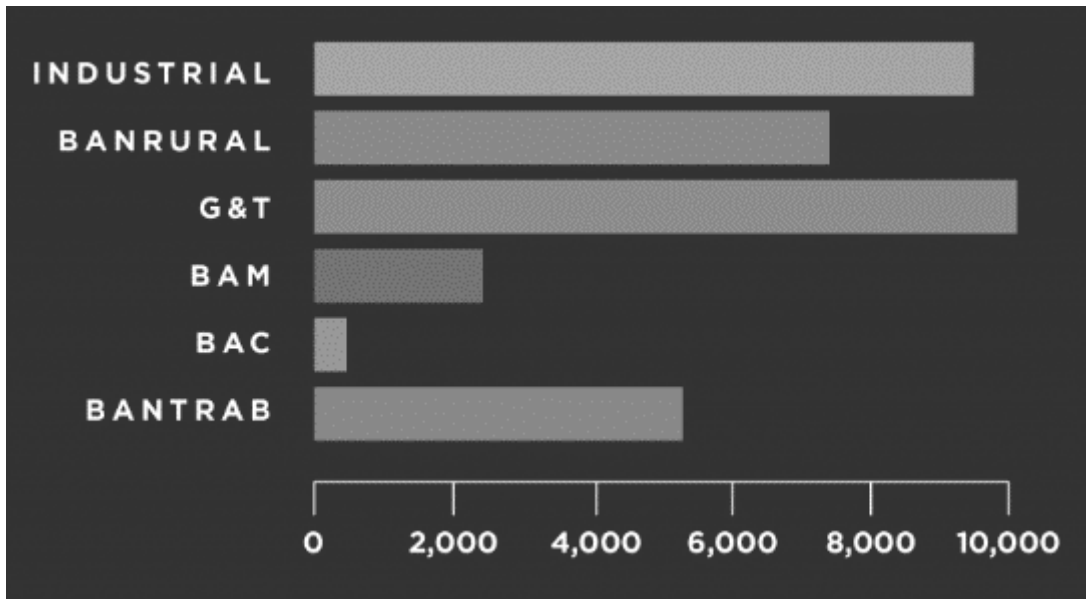
Source: Own elaboration with information in Casaús, 2005.

Table 2 National Budget 2015 - 2018 (In million GTQ)

DESCRIPCIÓN	APROBADO 2015 *	APROBADO 2016	MULTIANUAL	
			2017	2018
TOTAL:	<u>70,715.4</u>	<u>70,796.3</u>	<u>71,858.0</u>	<u>74,954.8</u>
Presidencia de la República	232.2	203.3	217.8	217.8
Ministerio de Relaciones Exteriores	402.3	399.2	400.2	401.2
Ministerio de Gobernación	4,576.5	4,473.5	4,515.2	4,701.8
Ministerio de la Defensa Nacional	2,100.3	2,061.6	2,044.2	2,183.5
Ministerio de Finanzas Públicas	333.0	317.3	292.8	296.3
Ministerio de Educación	12,295.6	12,892.3	13,607.6	14,259.3
Ministerio de Salud Pública y Asistencia Social	5,647.2	5,531.7	5,657.3	5,881.9
Ministerio de Trabajo y Previsión Social	634.3	635.8	655.8	662.8
Ministerio de Economía	326.5	306.3	409.0	336.9
Ministerio de Agricultura, Ganadería y Alimentación	1,414.0	1,265.0	1,554.1	1,563.6
Ministerio de Comunicaciones, Infraestructura y Vivienda	4,890.0	3,629.4	3,538.8	3,436.1
Ministerio de Energía y Minas	90.0	70.0	78.9	78.7
Ministerio de Cultura y Deportes	423.7	445.7	481.4	516.8
Secretarías y Otras Dependencias del Ejecutivo	1,389.8	1,115.3	1,195.0	1,098.1
Ministerio de Ambiente y Recursos Naturales	176.3	142.5	107.3	106.2
Obligaciones del Estado a Cargo del Tesoro	25,199.9	23,768.7	23,995.9	25,136.2
Servicios de la Deuda Pública	9,308.1	12,448.9	11,590.8	12,471.3
Ministerio de Desarrollo Social	1,211.0	1,025.5	1,450.8	1,541.3
Procuraduría General de la Nación	65.0	64.1	65.1	65.2

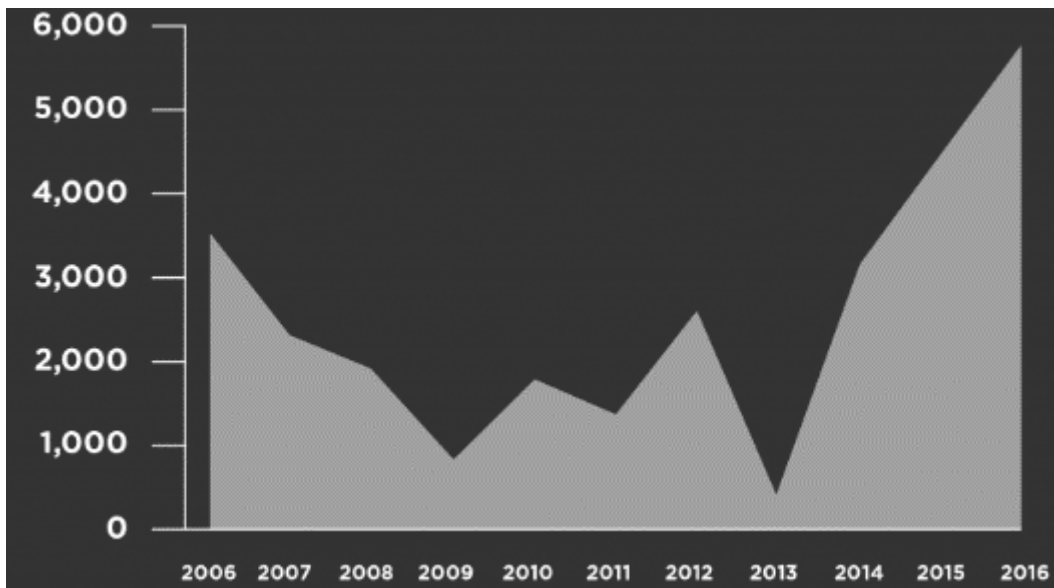
Source: (Ministry of Finance, 2018)

Graph 6 Bonuses sold by private banks 2016. In millions GTQ



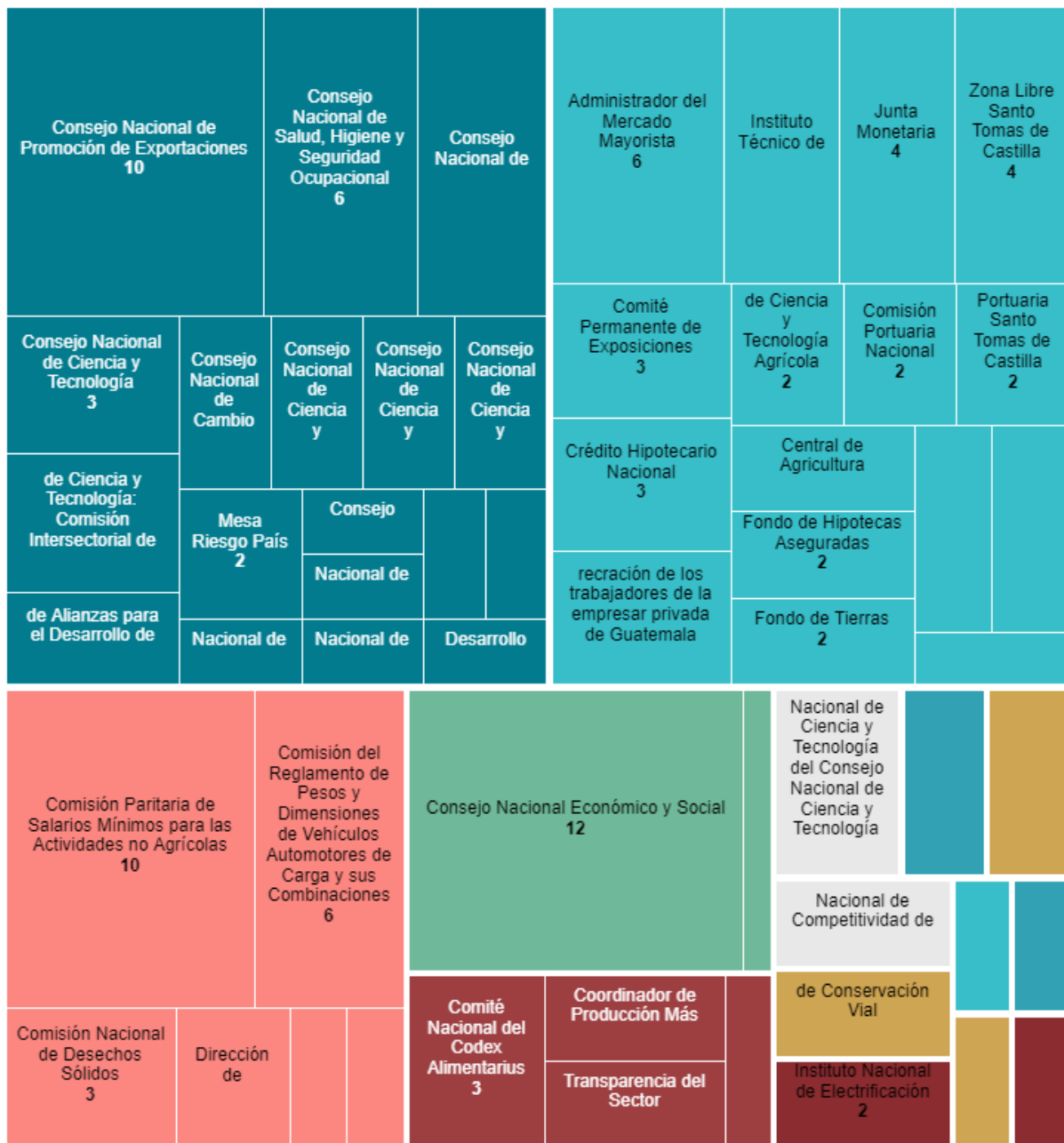
Source: Public accounts of each bank cited in Nomada, 2017

Graph 7 Bondholders ten year period. In million GTQ



Source: Ministry of Finance cited in Nomada, 2017

Graph 8 Representation of the private sector in Government Institutions



Source: Plaza Pública (2018). Chart available at:

https://public.tableau.com/views/Institucionesyrepresentacionsectorprivado/Dashboard1?:embed=y&:embed_code_version=3&:loadOrderID=0&:display_count=yes&publish=yes

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