

ON THE PARAGUAYAN ECONOMY'S INTERNATIONAL POSITION IN THE SECOND HALF OF THE 19TH CENTURY*

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Resumen

La finalidad de esta nota de investigación es, en primer lugar, averiguar cuál era el grado de inserción externa de la economía paraguaya antes y después de la Guerra de la Triple Alianza, en cuanto a la composición y el volumen absoluto de las mercancías importadas y exportadas por Paraguay; con esta imagen construida, fue hecha una discusión sobre el rol del país en las cadenas económicas regional y global, y como este evoluciona con el tiempo, a la luz de Wallerstein. Se demuestra que en ningún punto del siglo XIX el Paraguay puede ser considerado un país central, en relación a su inserción externa y su participación en las cadenas regionales de valor, según los criterios de Wallerstein.

Abstract

The goal of this research note is to evaluate the extent to which the Paraguayan economy was externally inserted, before and after the Triple Alliance War, by looking at the composition and absolute volume of goods exported and imported by Paraguay. With this image built, a discussion was held on the country's role in the regional and global economic value chains, and how it evolves through time, through use of the Wallersteinian conceptual framework. It is demonstrated that at no point of the 19th century can Paraguay be considered a central country regarding its international insertion and its participation in the regional value chains, according to Wallerstein's criteria.

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1.- Introduction

This research note, when originally written, was done so in Portuguese, for some coursework regarding the author's dissertation. It is meant to act as a comparison between the two Paraguays, the one before and the one after the war. If the reader should seek more depth to the arguments presented regarding post-war Paraguay, the dissertation is available through the University of São Paulo's database, but only in Portuguese for the moment.

Paraguay, throughout the last half of the 19th century, lived through important changes regarding its economy as it achieved breakthroughs in modernizing and diversifying its productive structure; these achievements were obtained mostly through efforts from the López governments (1841-1869)¹. However, the Triple Alliance War (1864-1870) unseated the country's previous economic and political positions, and paved the way for an arduous time of reconstruction.

Nowadays there stands a controversy regarding the level of economic development Paraguay had achieved before the War and what role it filled in the local value chains. While there are historians who defend that pre-war Paraguay was a capitalist power, boasting more advanced productive capabilities than its neighbors, able to satisfy the country's own demands of manufactured goods and also compete with British products in the region², other authors affirm that such a view is the product of historical revisionism conducted by authoritarian Paraguayan governments and marxist intellectuals in the second half of the 20th century, and that Paraguay was dependent on imports to supply itself with manufactured goods during the timeframe under scrutiny³.

The analysis' focus is on the period between the years 1852 and 1864, in which lies the biggest advances and changes in the country's economic reality, and also most of the historiographical controversy previously mentioned. The decades posterior to the War were also analyzed, though less deeply, as the Paraguayan economy's international position in these is less controversial.

This study is organized under the following structure: in the first section, there is an analysis of pre-war Paraguay's economy, mainly regarding the degree to which said economy participated in the regional value chains and the composition of its imports and exports, aiming to comprehend what role it played in the regional economy.

In the second section lies a similar analysis for the country after the War, up to the end of the 19th century. Considering that the Paraguayan economic recovery is slow until then (and afterwards), the study of this relatively large period of time brings few issues.

The third section brings an analysis of the role played by the Paraguayan economy in the regional and global value chains, through use of wallersteinian concepts, in the two previously mentioned subperiods. Wrapping up the text, there is a brief conclusion which consolidates the discoveries and results obtained through the study.

2.- Assessment of the economic conditions between 1852 and 1864

In 1852 Paraguay was a nation set apart, economically, from its neighbors and from the commercial bonds that by this year already connected Brazil and Argentina between themselves and to the rest of the world, bonds which were by then decades-old. The upheavals brought by the Napoleonic Wars had paved the road for the independence of the three Latin American countries mentioned; however, Paraguay's lack of direct access to the Atlantic, together with the deliberately isolationist policies of its first post-independence governments⁴ had delayed the country's entrance into the international markets by close to forty years.

1 Pastore, Mario. *State-led Industrialisation: the Evidence on Paraguay, 1852-1870*, 1994, p. 308-321. Between 1841 and 1843, López was co-consul, along with Mariano Roque Alonso, an officer in the army who helped him achieve power.

2 For example, Bernardo Coronel and Domingo Laino.

3 As in, for example, Doratioto, in "Maldita Guerra: Nova História da Guerra do Paraguai".

4 Should the reader be unfamiliar with the evolution of the Paraguayan economy under Francia, we would recommend that the first few chapters of Whigham's *The politics of river trade: tradition and development in the Upper Plata, 1780-1870*, and chapter 3 of Ronald Núñez's *El pensamiento político y económico de José Gaspar Rodríguez de Francia* be read.

Paraguay's geographical position is unfavorable for external commerce, for the country's only access to the Atlantic is through the Paraná river, whose mouth was controlled by Argentina. In Argentina there was opposition to Paraguayan independence ever since it was declared (in 1811), with Argentine politics regarding Paraguay as a province, given that during colonial times it was, as was Argentina, part of the Viceroyalty of the Río de la Plata. As a consequence of this, Paraguay was only able to achieve, with Brazilian diplomatic support, access to wider external markets in 1852, when a pact was signed with Argentina that allowed for the use of the Paraná river as a trade route⁵.

When Carlos Antonio López took power shortly after Francia's death (in 1841), he had a backwards country to rule, one with a traumatized elite, mysterious to the outside world. His government adopted a project of industrialization and economic openness, supported by a wide use of skilled foreign workers and contractors, but with the same goal as before: autarky, something that was considered vital given the country's tenuous position in the region's ever-shifting geopolitics. López's son, Francisco Solano, was sent on a mission to Europe, with the objective of straightening relations with the industrial nations of the Old Continent.

In England, the company Blyth Brothers agreed to serve as intermediary for the Paraguayan government, and in the following years would work to send to Paraguay steam boats, cannons and engineers⁶. Solano's mission is thus a success; one example of its importance is the fact that the ironworks of Ybycui, symbol of Paraguayan advancement at the time, were ran, planned and built by Europeans working for the Paraguayan government.

The ironworks were indeed an important step, being able to supply all of Paraguay's public works with steel from 1858 (its construction had began in 1850), as well as providing tools, nails and other metallic implements to stores all over the country, reaching a daily production of a little short of a ton of steel. In 1862, its focus changes to the production of weapons, and, despite the lack of experience of the foreign engineers in this realm, from 1865 onwards the foundries produced large artillery pieces with success, including the massive El Cristiano, made with iron and bronze from the bells of the Paraguayan churches, weighing more than 11 tonnes⁷.

Relatively ambitious projects such as said foundries were executed by Paraguay with a somewhat light usage of foreign credit⁸, something worth of note, mainly when compared to the degree of external indebtedness of Paraguay's neighbors at the time⁹. This can be attributed mostly to the great concentration of land and other resources in the government's hands, an inheritance from the Francia times. Besides that, all external trade was conducted by the government, which gave it a constant supply of income with which it could handle all necessary transactions with Europe.

Brazil, in 1860, had an external debt in the amount of 5,5 million pounds¹⁰, which corresponded to approximately 11,9% of that year's GDP, and which demanded an annual service of 10,3% of the State's annual income¹¹. Argentina had taken a large loan of a million pounds from the United Kingdom at its independence, in 1824; in 1860, that loan was for the most part unpaid, its payment being concluded only in 1904, and being the source of various problems for Argentina, which had to default twice in the 19th century¹².

Bernardo Coronel, a Paraguayan historian, in his article Paraguay, "La vanguardia capitalista del siglo XIX", published in 2012, defends the thesis that Paraguay, in the years before the War, had an economy that "se ponía a la misma altura que los países europeos más desarrollados de la época [...], convirtiéndose en un referente capitalista continental", and which advanced in a rapid march towards industrialization.

On the other hand, Mario Pastore, one of the foremost scholars on Paraguayan economic history of the 19th century, presents in articles a vision of the pre-war Paraguayan economy as not very distinct

5 Doratioto, Francisco. *Maldita Guerra: Nova História da Guerra do Paraguai*, 2002, p. 32-33.

6 Williams, John. *Foreign Tecnicos and the Modernization of Paraguay, 1840-1870*, 1977, p. 239.

7 Whigham, Thomas. *The Iron Works of Ybycui: Paraguayan industrial development in the mid-nineteenth century*, 1978, p. 213.

8 Pastore, Mario. *State-led Industrialisation: the Evidence on Paraguay, 1852-1870*, 1994, p. 306.

9 Coronel, Bernardo. *Paraguay, la vanguardia capitalista del siglo XIX*, 2012, p. 199-201.

10 Coronel, Bernardo. *Paraguay, la vanguardia capitalista del siglo XIX*, 2012, p. 199-201.

11 Tombolo, Guilherme; Sampaio, Armando. *O PIB brasileiro nos séculos XIX e XX: duzentos anos de flutuações econômicas*, 2013, p. 186-198; FILHO, Heitor. *Câmbio de longo prazo do mil-réis: uma abordagem empírica referente às taxas contra a libra esterlina e o dólar (1795-1913)*, 2010, p. 19-25.

12 Bruno, Cayetano. *Historia Argentina*, 1977, p. 422; the defaults were in 1827 and in 1890.

from the other economies of the region, and the Lópezes' innovations being primarily military in nature, with the country's agriculture, the most important sector of the economy, lagging behind the neighboring countries's. No industrialization on any significant scale would have happened¹³.

To obtain a real notion, then, of the degree of autarky and development of the Paraguayan economy in the period under scrutiny, it is necessary to embark in the realm of quantitative analysis; that is possible with the data of Tables 1 and 2.

It is visible that while trade produced important resources for Paraguay, the volume of commerce wasn't large enough for anything like a "Big Push" towards industrialization; advances achieved were limited to some strategic government initiatives, such as the 90-km railroad or the arsenal that were built between 1850 and 1864. On average, according to Table 1.2, tobacco and yerba were responsible for 73,6% of exports in terms of value; most of the rest of exports were almost certainly other agricultural or animal products.

Table 1. Value of Paraguayan, Argentinian and Uruguayan external commerce between 1852 and 1864, in millions of dollars of the time

Year	Paraguay		Argentina		Uruguay	
	Imports	Exports	Imports	Exports	Imports	Exports
1852	0,7	0,67	8,28	12,82	5,97	6,13
1853	0,62	0,69	6,57	10,18	6,17	6,35
1854	0,63	0,75	10,38	16,08	6,36	6,59
1855	0,61	0,86	8,85	13,7	6,57	10,46
1856	0,67	0,9	12,46	19,3	6,78	5,18
1857	0,89	1,08	18,3	28,35	7	5,89
1858	0,89	0,87	12,75	19,75	7,22	6,69
1859	0,84	0,94	16,32	25,28	7,46	7,6
1860	0,73	0,97	19,74	30,58	7,7	8,64
1861	0,82	1,08	15,99	24,76	7,94	9,82
1862	0,73	1,05	16,6	25,71	8,2	12,01
1863	0,67	1,1	22,92	35,5	8,3	12,71
1864	0,88	1,22	22,33	34,59	8,4	9,59

Source: Federico & Tena-Junguito, 2016.

Table 2. Value of Paraguayan exports of yerba and tobacco between 1852 and 1864, in pesos fortes, and how much they represented of the total exported value.

Year	Tobacco	Yerba	% of total exported ⁽¹⁾
1852	165.292	157.108	68,59%
1853	163.461	304.378	67,76%
1854	160.745	282.485	56,98%
1855	436.920	336.000	76,84%
1856	366.510	508.115	76,51%
1857	603.690	749.820	79,58%
1858	516.770	574.040	90,46%
1859	605.791	781.210	63,05%
1860	292.830	1.093.860	81,86%
1861	327.943	674.367	74,55%
1862	913.885	706.204	-
1863	528.034	965.435	-
1864	852.824	1.231.998	-

1: Utilizing Whigham's data, which is slightly different from that in Table 1.

Source: Whigham, 1991.

13 Pastore, Mario. State-led Industrialisation: the Evidence on Paraguay, 1852-1870, 1994, p. 321-322; Idem, Comercio, renta, recaudaciones y guerra: análisis de las causas económicas de la Guerra del Paraguay o de la Triple Alianza, 2002, p. 22-30.

The small size of the Paraguayan external economy is noticeable; Uruguay, even though it had a population which was circa half the size of Paraguay's (as can be seen in Table 3), exported many times the value Paraguay exported, with the Oriental Republic's connection to Europe much deeper than its landlocked neighbor's.

Another point to be noted is that English basic industrial goods, such as cotton clothes, were imported through all the period; the loss of this flow of merchandise during the War resulted in, for example, a great lack of clothing for the population, something which is reflected on the efforts made to promote local weaving of clothes with the heavy fibers of the caraguatá plant. Other goods, such as paper, also had to be imported, and were substituted only with difficulty¹⁴.

Table 3. Estimated population for the countries involved in the Triple Alliance War in 1864.

Country	Paraguay	Argentina	Uruguay	Brazil
Population	440.000	1.736.000 ⁽¹⁾	265.087	9.100.000

1: Value in 1869.

Sources: Cooney, 2004; Bertino & Millot, 1996; Doratioto, 2002; Maeder, 1969.

All this was determined by the country's small population, in absolute terms; by the backwardness of agricultural techniques employed (an example being tobacco, which was harvested and treated in the same way as in colonial times¹⁵); and by the persisting (even though lessened) isolation that plagued the country, in geographical and economic terms, perceivable, for example, in the country's difficulty to obtain a loan during Solano López's government¹⁶. Besides these factors, by 1863 Paraguay had a national herd of circa two million heads of cattle¹⁷, much smaller than the, for example, Uruguayan herd of 8,1 million heads in 1862¹⁸, something that also limited, naturally, the scale of Paraguayan commercial relations with Europe. It was, after all, the trade of leather that brought so many riches to Uruguay, and Paraguay's most important products, yerba and tobacco, weren't feasible exports to the Old Continent: tobacco was produced by the southern states of the U.S. and Cuba, both of which were much closer to Europe, and yerba wasn't part of the Europeans' diet.

3. Analysis of the economic conditions in the post-war period

After the war, the Paraguayan economic situation is less controversial, there existing a close to consensual notion between works on post-war Paraguay regarding the catastrophe that the Triple Alliance War represented for the country. Recent studies claim that the population loss due to the conflict may have reached 69%¹⁹ of the pre-war population, a figure with few parallels in recent history. The remaining population was composed mostly of women, children and the elderly, and was concentrated in Asunción, incapable of sowing the earth and dependent on charity to survive²⁰. This situation reflects itself on the data from Tables 4 and 5, which show, respectively, that agricultural production in 1896, more than 25 years after the end of the war, had yet to recover to pre-war levels when population levels most likely already had.

14 Cooney, Jerry. Economy and Manpower: Paraguay at War, 1864-69. In: I die with my country: perspectives on the Paraguayan War, 1864-1870, 2004, p. 27-29.

15 Whigham, Thomas. The politics of river trade: tradition and development in the Upper Plata, 1780-1870, 1991, p. 133-135.

16 Cooney, Jerry. Economy and Manpower: Paraguay at War, 1864-69. In: I die with my country: perspectives on the Paraguayan War, 1864-1870, 2004, p. 23-24.

17 There is some controversy surrounding this, as can be seen in PRADO, Mário. O processo de recuperação econômica do Paraguai após a Guerra da Tríplice Aliança (1870 - 1890), 2022, p. 59; the relation between the size of the Uruguayan and Paraguayan herds is, most likely, similar, to most of the recent authors to have written on the subject.

18 Moraes, María. El capitalismo pastor. Dinámica tecnológica e institucional de la ganadería uruguaya entre 1870-1930, 2003, p. 21.

19 Whigham, Thomas; Potthast, Barbara. The Paraguayan Rosetta Stone: New Insights into the Demographics of the Paraguayan War, 1864-1870, 1999, p. 184-185.

20 Aquino, Ricardo. La segunda república paraguaya: 1869-1906: política, economía y sociedad, 1985, p. 95.

The country's post-war economy initially relied upon the salary paid to the foreign occupying armies (mainly the larger Brazilian force) to function; these left the country only in 1876, six years after the war's end. A happening in the 1870s that sharply influenced Paraguayan economic policy for many of the following decades is the taking of loans with England between 1871 and 1872, in a total amount of three million pounds²¹, of which only a fraction ever managed to enter the government's vaults²². These loans had little short-term positive impact on the country's economic recovery, and their payment wound up being the source of many problems for Paraguay, despite a positive debt renegotiation done in 1885.

Table 4. Amount harvested of some crops in Paraguay in 1863, 1886 and 1896

Crop	1863	1886	1896	Unit ⁽¹⁾	Harvest in 1886 in relation to 1863 (%)	Harvest in 1896 in relation to 1863 (%)
Maize	11.969.191	3.233.708	4.767.151	lines	27	39,8
Beans	3.772.622	1.227.587	1.833.800	lines	32,5	48,6
Cotton	1.509.811	190.624	159.358	plants	12,6	10,5
Tobacco	1.413.977	912.854	782.960	lines	64,6	55,4
Sugarcane	1.254.373	387.686	921.859	lines	30,9	73,5
Manioc	1.254.373	2.279.634	3.960.068	lines	181,7	315,7
Rice	248.466	186.324	282.315	lines	75	113,6
Potato	206.027	62.021	273.520	lines	30,1	132,7
Garlic and onion	180.254	47.120	93.621	lines	26,1	51,9
Barley	140.334	5.618	-	lines	4	-
Peanut	-	345.521	568.778	lines	-	-
Coffee	-	26.116	120.965	plants	-	-

1: "lines" refer to the quantity of 81 meter long lines in existence of the crop. This, seemingly, was a traditional Paraguayan way of measurement.

Source: PRADO, 2021.

Table 5. Paraguayan population through three censuses, 1870-1900

-	1870		1886		1900	
Gender	Number	%	Number	%	Number	%
Men	34.051	32,34	94.868	40,9	230.065	46,9
Women	71.224	67,7	137.010	59,1	260.654	53,1
Total	141.351-166.351 ⁽¹⁾	100,0	231.878	100,0	490.714	100,0

1: These numbers are Whigham and Potthast's estimates for the whole population, for some Departments didn't have their data included in the files for the 1870 Census. The numbers in the first two lines for this column correspond to the citizens who actually stand in the Census' consolidated data.

Sources: Whigham & Potthast, 1999; CICRED, 1974; Carrasco, 1905.

National politics, after a series of attempted and successful coups and rebellions, eventually stabilized somewhat, as government and opposition eventually coalesced into two parties in the late 1880s, respectively the Colorado and Liberal parties. Power in the post-war era (barring some confusing years immediately after peace) rested almost solely in the Colorados' hands, and they held onto power until 1904. Given this, this section studies a period which is homogenous politically. However, it is important

21 Almeida, Francisco. Os empréstimos estrangeiros e o aparelhamento das economias sul-americanas (1860-1935), 2016, p. 173-174.

22 Prado, Mário. O processo de recuperação econômica do Paraguai após a Guerra da Tríplice Aliança (1870 - 1890), 2021, p. 44.

to note that there was, throughout the decades in question, a power struggle in Asunción between Brazil and Argentina, with both countries influencing local politics to a great extent²³.

In 1880 Paraguay was already a more stable country; in this year, general Bernardino Caballero would take the presidency, and by his term's end, in 1886, Paraguay had recovered meaningfully from the worst of the destruction wrought by the war. Caballero is a controversial president, however, for it was during his presidency that public lands began to be sold, in large scale, to private investors, with a main goal of stabilizing the government's finances.

Even with these sales the government's revenue stream was limited, something which is clear by comparison with the neighboring countries's resources. Taking the year of 1890, when the Baring Crisis struck, we have an annual income of 1.737.764 \$f for the Paraguayan State²⁴; most of that number comes from import/export duties. In the same year the budget deficit was 86,8%. However, Uruguay, in this troubled year, had a State revenue close to 17.400.000 pesos²⁵, circa ten times Paraguay's. This disparity in resources is constant throughout the post-war period, and it makes Paraguay's government incapable of reacting to any economic challenges, of building bridges or roads, of repairing the railroad or even of supplying shoes to the army; this, when the pre-war governments were the economy's driving force, is devastating.

The degree to which the Paraguayan economy was inserted in the regional value chains in the post-war era was deeper than before the conflict; with this, it ended up depending economically on its neighbors to a greater extent than before. Processed foods, such as flour, cheese and sugar had to be imported, as the internal production was insufficient; in all, food corresponded to approximately 20% of imports in the 1880s. Besides that, all sorts of manufactured goods were imported, as was cattle, in scale.

Anibal Miranda, one of the foremost researchers on Paraguayan historical development, estimates, based on duty station revenues and government income, that the Paraguayan GDP in 1886 was made up of 83% agricultural production, 5% industrial and 12% by services, in his *Apuntes sobre el desarrollo paraguayo*²⁶.

Small scale agriculture had a restricted economic impact, and larger properties generally focused on cattle-raising. From this, and the numbers shown on Table 4 regarding the country's agricultural production during the period, it is possible to have a concrete notion of the fluctuations in the level of economic activity in Paraguay during the period being analyzed. What is clearest is how Paraguay, before in conditions of defying both the continent's foremost powers, now could only fight to keep its autonomy in the post-war period.

Table 6. Heads of cattle in the Paraguayan national herd, 1864-1900.

Year	Heads of cattle
1864	2.000.000
1872	15.000
1880	379.000
1888	1.000.000
1900	2.200.000

Sources: Krauer, 2011; La Dardye, 1892; Prado, 2021.

4. Assessment of Paraguay's role in the international division of labor

Paraguay passes through two somewhat different phases during the latter half of the 19th century in regards to its geopolitical and economic role in the region, in a wider context of national consolidation in the Plata basin, where it, as well as Argentina and Uruguay go through deep changes and constitute themselves as countries.

To achieve a clearer view of Paraguay's position in the region, we shall look at it through Wallerstein's

23 Doratioto, Francisco. *A ocupação político-militar brasileira do Paraguai (1869-76)*, 2004, p. 219-229.

24 Prado, Mário. *O processo de recuperação econômica do Paraguai após a Guerra da Tríplice Aliança (1870 - 1890)*, 2021, p. 132.

25 Bertino, Magdalena; Millot, Julio. *Historia económica del Uruguay*, Tomo II - 1860-1910, 1996, p. 364.

26 Miranda, Anibal. *Apuntes sobre el desarrollo paraguayo*, 1979, p. 146, apud Molinier, Lila. *La economía paraguaya de entreguerras*, 2012, p. 222.

lenses. This author distinguishes countries in his World System in peripheric, semiperipheric and central; the definition for these concepts are the first topic of discussion.

In his *The Modern World-System* from 1974, Wallerstein defines “periphery” in the following manner:

“The periphery of a world-economy is that geographical sector of it wherein production is primarily of lower-ranking goods (that is, goods whose labor is less well rewarded) but which is an integral part of the overall system of the division of labor, because the commodities involved are essential for daily use²⁷”.

For the more complex concept of “semiperiphery”, we shall adopt the definition utilized by Arrighi and Drangel in their 1986 article *The Stratification of the World-Economy: an Exploration of the Semi-peripheral Zone*; this concept is ambiguously defined in Wallerstein’s original works.

Arrighi and Drangel define semiperipheral nations also through their position in the international division of labor. The semiperiphery would execute a mixture more or less equivalent of economic activities correspondent to the center (for example advanced manufacturing, which has a high aggregate value) and to the periphery (as in mining, cash crop farming, etc.), and also would have the capacity to keep their economy’s sectoral composition from decaying (in the sense of peripheral economic activities gaining importance in relation to central activities). They would, however, also lack the capacity to improve their economy’s sectoral composition on their own, lacking the center’s capital.

The concept of center is naturally defined by the predominance of productive processes natural to the center, as would be expected of the nations that lie opposite to the periphery. These processes are defined by the degree to which they are monopolized or freely embarked into, the monopolized processes having a much higher profit margin than the free ones, allowing for the countries who concentrate these processes to be richer, as their superior profit margins transfer resources from the periphery to them, the center²⁸.

The definitions above aren’t (and aren’t meant to be) either objective or absolute. The descriptions utilized for the concepts tend to vary according to the Wallerstein/Arrighi/others’ work consulted. What we have here are subjectively picked concepts that aim to bring the ideas present in *The Modern World-System* to the reality of this study.

In the first phase (1852-1864), Paraguay is a nation going on a diverging way in relation to its neighbors; the peculiar decades of dr. Francia’s rule ensured Paraguayan independence, at the cost of a great economic isolation and an excessive weakness of the economical/political elites²⁹, something which had important long-term repercussions.

Ruled throughout the mentioned period by the López, father and son, Paraguay went through an interesting process of modernization; amongst other achievements, the ironworks of Ybycui were built, along with a shipyard and the country’s first railroad. This was possible through the import of foreign engineers and technicians, which allowed for the incorporation of foreign technology to the country’s economic structure, with the goal generally being that of autarky.

Simultaneously, the country’s exports grew at a remarkable rate, as it managed to integrate itself to the region’s economy in a positive manner, taking an important share of the yerba and tobacco markets as well as maintaining itself mostly independent from foreign capital.

The great concentration of economic and political power in the government’s hands allowed for this modernization project based on native capital; at the same time, the lack of a mercantile or agrarian elite of significant size made the constitution of a native capitalist class in the country impossible, something which necessarily limited the size of that modernization project (specifically, industrialization). Throughout the 19th century, no country in the world went through industrialization at a respectable rate without a native capitalist class to motivate and finance it.

From this context, the conclusion to be obtained through Wallerstein’s conceptual mark is that Paraguay was peripheral in its position in the international division of labor for all of the later half of the

27 Wallerstein, Immanuel. *The Modern World-System*, volume 1, 1974, p. 301-302.

28 Idem, *World-Systems Analysis, An Introduction*, 2002, p. 17-18.

29 Whigham, Thomas. *The politics of river trade: tradition and development in the Upper Plata, 1780-1870*, 1991, p. 49-50.

19th century. To try to treat Paraguay as a central or semi-peripheral nation is to ignore its reality, for though it underwent an important modernization process before the war, its economy was unequivocally geared towards the export of raw goods; it also lacked the capital with which to widen the scope of the modernization process. For the most part, the country's achievements were geared towards military and not economic advancement, and the general population's lives changed little through the period.

This makes up a peculiar state of affairs for the country, which, however, makes sense when the search for autonomy from both Francia and the López' governments is taken into consideration. Initially, the key point is autonomy in relation to Buenos Aires, and then later autonomy in a wider sense, which led to the unique Paraguayan situation.

Caio Prado Júnior, in his *História Econômica do Brasil*, has the following to say about Paraguay during the period, as he discusses the allied victory over it:

“[...] nothing could be won from the defeat of a neighbor who while militarily powerful and well equipped, was economically weak, and was reduced by the war to an extreme situation.”³⁰

Taking these words into consideration, Paraguay in the second phase (1870-1900) of the analysis is a haggard country, highly dependent upon foreign capitals for its survival; a fiscal equilibrium was achieved only in the 1880s, with the short-term focused decision to sell most of the publicly owned lands, which proves unsustainable in the next decade, as a big budget deficit already showed itself in 1890³¹.

Paraguay's political independence was maintained mostly due to a game of interests being played by Brazil and Argentina, both of which didn't want the other to annex what remained of the ruined country. The little army which was left to it was only capable of, with great difficulty, suppressing revolts from the government's adversaries, which were frequently supplied by one or the other of the regional powers³².

Paraguayan exports, composed almost exclusively of raw goods such as yerba, tobacco and tanin, went almost exclusively to Argentina, where most were re-exported, with the lion's share of profits remaining in that country³³.

Having all this in mind, Paraguay in this phase is definitely peripheral according to Wallerstein's definition of periphery. Its industry was almost nonexistent, composed quasi-exclusively of basic activities such as the milling of flour and leather tanning. The country's role in the regional economy was that of an exporter of raw goods, as it lacked the capital to start any somewhat ambitious industrialization/modernization projects.

British diplomacy didn't show significant interest in Paraguay, before or after the war; Brazil and Argentina, however, exerted great influence over post-war Paraguayan politics. Economically speaking, there was, however, great participation by European capital in the country's property structure after the conflict. This is something that was precipitated by the sale of public lands in the 1880s, where a sizable fraction of the country ended up in the hands of mostly British or French conglomerates³⁴. After that, many of the country's other strategic assets wound up in British hands, such as the railroad and Asunción's trams³⁵.

5. Conclusion

Paraguay went through intense changes during the second half of the 19th century. From a highly isolationist and autocratic regime, to a government capable of promoting growth and modernization at a good pace, and then the War. By its end, little remained in Paraguay besides ashes.

It is impossible to characterize pre-war Paraguay's role in the regional value chains as being similar

30 Prado, Caio. *História Econômica do Brasil*, 1981. Translated by the author.

31 La Dardye, Emmanuel. *Paraguay: The land and the people, natural wealth and commercial capabilities*, 1892, p. 235.

32 Prado, Mário. *O processo de recuperação econômica do Paraguai após a Guerra da Tríplice Aliança (1870 - 1890)*, 2021, p. 39-42.

33 La Dardye, Emmanuel. *Paraguay: The land and the people, natural wealth and commercial capabilities*, 1892, p. 137-138.

34 Prado, Mário. *O processo de recuperação econômica do Paraguai após a Guerra da Tríplice Aliança (1870 - 1890)*, 2021, p. 117-118.

35 Warren, Harris. *Rebirth of the Paraguayan Republic: The First Colorado Era, 1878-1904*, 1985, p. 120.

to one a central country would play, as some marxist/revisionist interpreters still do. A brief look at the country's exports in the timeframe will show this, as tobacco and yerba together came to represent 90% of the value exported by Paraguay in 1858.

On the other hand, it is hard to deny that the country was advancing at a steady pace towards a somewhat higher plane of development, given what was achieved between 1850 and 1864. Who can tell what would have happened had there been peace, though?

6. Future studies

Current literature on Paraguayan economic history doesn't go much further than what was displayed here, definitely so regarding post-war Paraguay, and to a lesser extent the country under the López. Works in English mostly belong to Thomas Whigham and Harris Warren, and the most recent of these authors' books on the subject have already had 30 years to age under the Sun. The relatively poor state of Paraguayan historical production makes it so that these works are still amongst the best references to many fields of understanding regarding Paraguay, however.

In the future, there is definitely great room for studies regarding the Paraguayan pre-war economy, in terms of the project pursued by the López, what was achieved, and the neighboring countries' reactions to that. The National Archives at Asunción are well-endowed and deserve far more attention from international historians than they have had. The National Library's newspaper archives, though for the moment still closed due to the Covid-19 pandemic, are also a rich source for both pre- and post-war Paraguay. It is known that post-war Paraguayan media had important debates on economic policy, mostly during the 1880s and 1890s, and works such as these from Bruno Segatto in the recent years serve to highlight the potential of the country's newspapers as historical sources.

In general, there is room for more interpretations on what happened to Paraguay during the 1850s and 1860s. More historians in the field will definitely result in more documents and other sources of information being unveiled, and there are still many gray areas to assess.

To give a singular example - it is known that Paraguayan migrations both to Brazil and Argentina in the post-war period were definitely severe, but few, if any, numbers exist in discussions regarding Paraguayan historical demographics. The media, namely Jose Segundo Decoud, had important debates on this question during the 1870s and 1880s. Thus, in this, as in most fields of Paraguayan economic history, there is still so much to be discovered and discussed.

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