

Independence and State Building

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Origins of independence

The sentiment (1782)

Letter of Juan Vicente Bolívar to Francisco de Miranda (1782)

. The intendant treated all Americans, no matter their class, rank, or circumstances, as if they were vile enslaved people (...) you are the first-born son of whom the motherland expects this important service

- The intendant report to Jose de Gálvez, the leader of Bourbon Reforms in Spanish America.
- Miranda was an agent of Pitt, a friend of Jefferson, a General of the French Revolution, and a lover of Catherine the Great.
- Juan Vicente Bolivar was one of the wealthiest men of Caracas, father of Simón Bolívar.
- Royal Guipuzcoan Company of Caracas (1728-1765).
- Dissatisfaction among the native-born classes with policies and changes of Spain's Bourbon reforms.

José de Gálvez (1720-1787)



Francisco de Miranda (1750-1816)



The Colombeia Project (1798)



1798
COLOMBIA

Francisco de Miranda
Según el/ According to the
'Proyecto de Constitución para las
Colonias Hispanoamericanas'
'Constitutional Project for the Spanish
American colonies'

Excluye explícitamente/Explicitly excludes:
-Brasil
-Guayanas Francesas
-EUROPA
-islas atlánticas (excepto Cuba) (Atlantic Islands (except Cuba))



1826
CONGRESO ANFICTIÓNICO DE PANAMÁ
AMPHICTYONIC CONGRESS OF PANAMA
Simón Bolívar

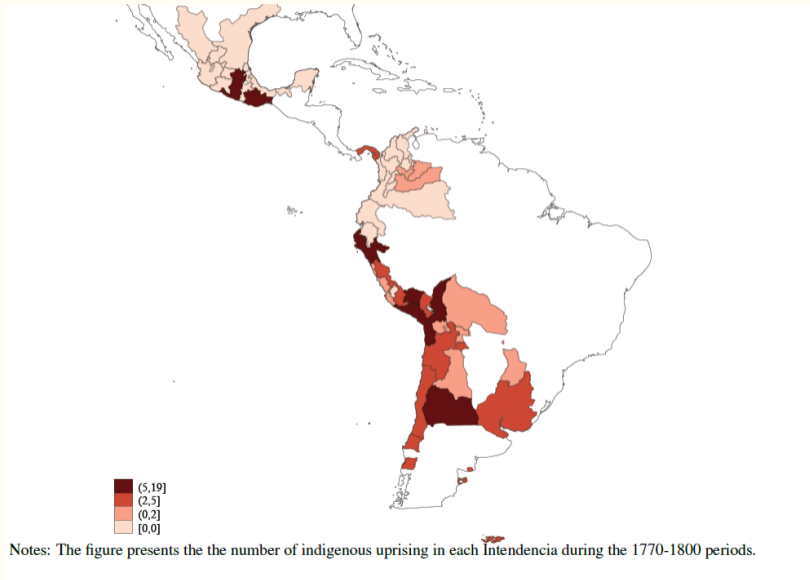
'Tratado de Unión, Liga, y Confederación Perpetua'
'Treaty of Union, League, and Perpetual Confederation'

- | | |
|---|---|
| ■ Acude al Congreso, firma el Tratado
Attends the Congress, signs the Treaty | ■ Rechaza la invitación
Rejects the invitation |
| ■ Acude al Congreso, no firma el Tratado
Attends the Congress, does not sign the Treaty | ■ No invitado
Not invited |
| ■ Decide acudir, ausente debido a accidentes
Chooses to attend the Congress, absent due to accidents | ■ Territorios a ser liberados
To be liberated territories |
| ■ Decide acudir, cambia de decisión en el último momento
Chooses to attend the Congress, changes decision at the last moment | |

Origins of independence

- Tupac Amaru and “Los Comuneros”: taxes conflicts and racial connotations.
- American, French Revolution, and Haiti Revolution
- Enlightenment, encyclopedists, and philosophes: Miranda, Belgrano, Narino, Gual y Espana.
- The Wealth of Nations by **Adam Smith (1776)** and the promotion of free trade.

Indigenous rebellions (1700-1800)



The Wars of Independence (1808-1826), I

- The Habsburg period (1524-1700): high decentralization and autonomy.
- The Bourbon reforms (18th century).
- Local elite: cabildos (local government), consulados (guilds), and trade routes.
- The trigger: Napoleonic wars (1803-1815).
- Restoration or revolution?

The Wars of Independence (1808-1826), II

Political independence, but also:

- Long-lasting wars and large political (and fiscal) fragmentation during the 19th century.
- The rise of caudillos ([Lynch, 1986](#)).
- Constraints to taxation: persistent fiscal deficits.
- External debt crises.

The United States and the independence

- Special permission to trade with neutrals: Cuba and Venezuela (1801).
- Trade of the United States with the Spanish colonies was booming (1801)
- The works of Thomas Paine and the speeches of Adams, Jefferson, and Washington all circulated in the continent.
- United States trade with Spanish America was a channel for goods and services and books and ideas.
- The model of revolution offered by France had less appeal.

Miranda (1799)

'We have before our eyes two great examples, the American and the French Revolutions. Let us prudently imitate the first and carefully shun the second.'



Sustaining Empire

VENEZUELA'S TRADE WITH THE UNITED STATES
DURING THE AGE OF REVOLUTIONS,
1797-1828

EDWARD P. POMPEIAN

Independence in South America



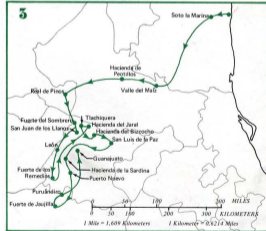
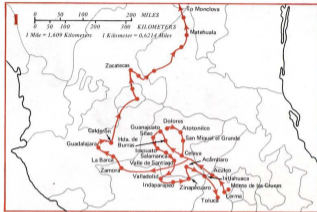
Simón Bolívar (1783-1830)



José de San Martín (1778-1850)



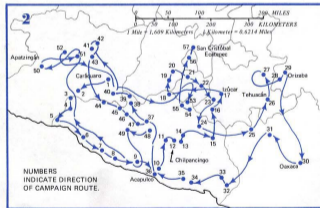
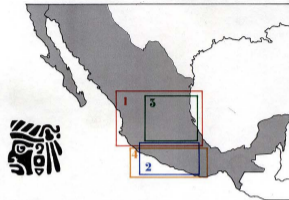
Independence in Mexico



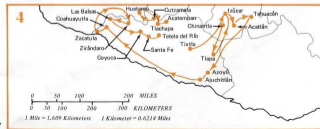
PRINCIPAL INDEPENDENCE CAMPAIGNS
1810-1821

- Campaign of Hidalgo y Allende (1810-1811)
- Campaign of José María Morelos (1810-1815)
- Campaign of Francisco Javier Mina (April 15th to October 27, 1817)
- Campaign of Vicente Guerrero (1816-1821)
- Current State Boundaries

Source: Adapted from Santiago García de Múzquiz and Zaida Padua de Gyron, *Nuevas Actas Funda de la República Mexicana*, Editorial Porrúa, S. A., 1975.



NUMBERS
INDICATE DIRECTION
OF CAMPAIGN ROUTE.



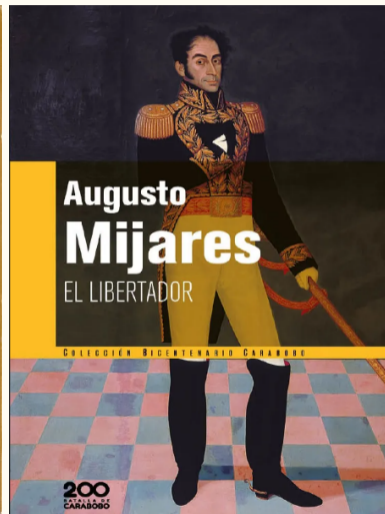
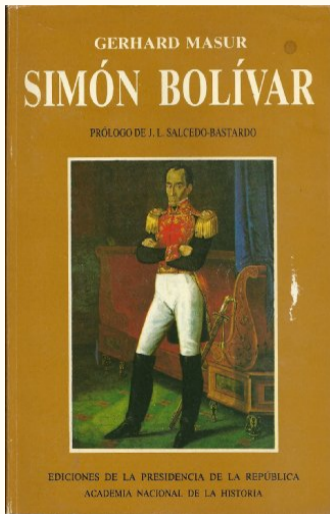
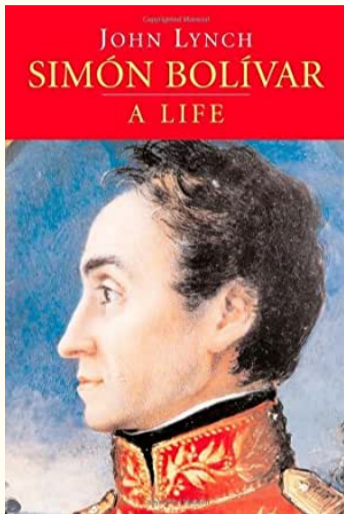
Miguel Hidalgo (1753-1811)



Agustín de Iturbide (1783-1824)



Biographies of Bolívar



The political economy of independence

- Spain as a bargaining Empire? (Irigoin and Grafe, 2008).
- Romantic view: freedom from oppressive colonial regimes.
- Historical conjunctions:
 1. Bourbon fiscal and governmental reforms.
 2. Napoleon's invasion of Spain creates a vacuum of power.
 3. American intra-elite competition (merchant guilds, Church, landowners, etc.).

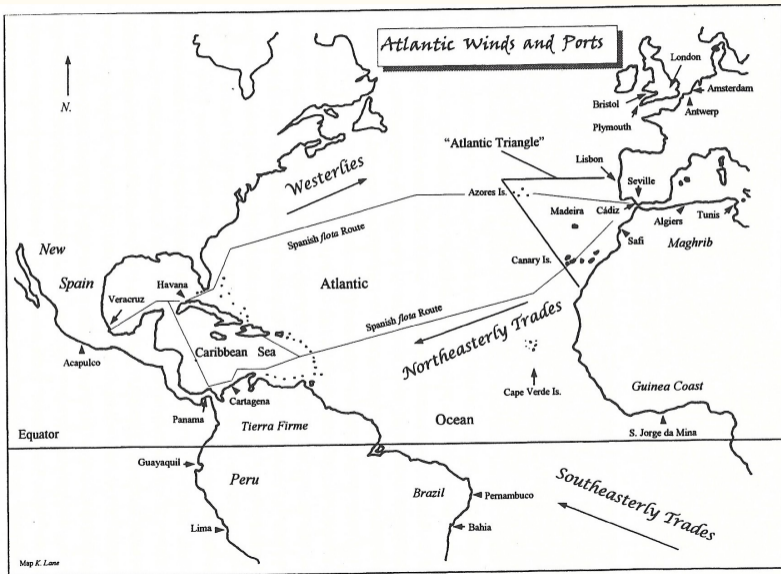
Activities and agents

- Two activities:
 1. Mining: Source of income.
 2. Trading: Source of rents.
- Three agents:
 1. Miners.
 2. Traders.
 3. Crown.
 4. Balance of power groups — the administration, the Church, and the local elite.

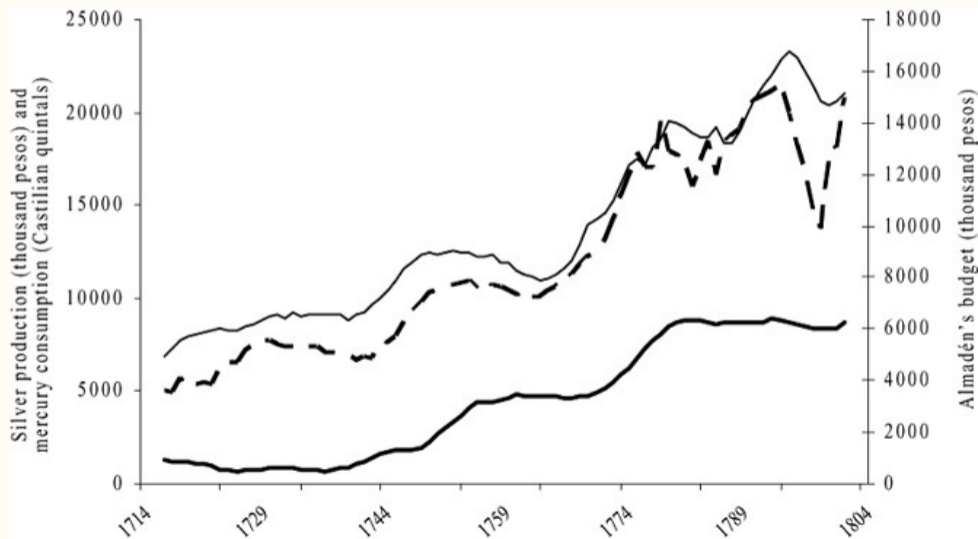
Pre-1763 equilibrium

- Spanish-trading network was relatively safe.
 - Pirates were a minor concern because of centralized trade around sea routes.
- Mining was a thriving competitive industry, subsidized by the Crown (Dobado and Marrero, 2011) .
- Trade was monopolized around three merchant guilds that acted as wholesalers:
 1. Seville (Spain).
 2. Mexico City (New Spain).
 3. Lima (Peru).

Atlantic trade routes



The role of the Spanish imperial state in the mining-led growth of Bourbon Mexico



- Seven Year's War (1756-1763).
 - England becomes the prime maritime power.
- French Revolutionary Wars (1792-1802).
- Napoleonic turmoil.
 - In 1808 Spain is invaded by Napoleon..
- Wars of Independence in Latin America started in 1810.

*The Spanish Atlantic World
in the Eighteenth Century*

WAR AND THE BOURBON REFORMS,
1713–1796

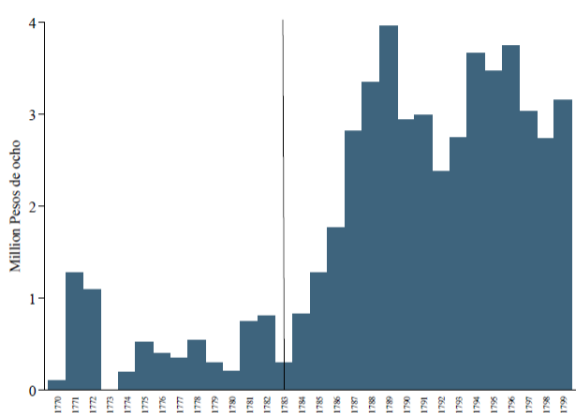


Allan J. Kuethe • Kenneth J. Andrien

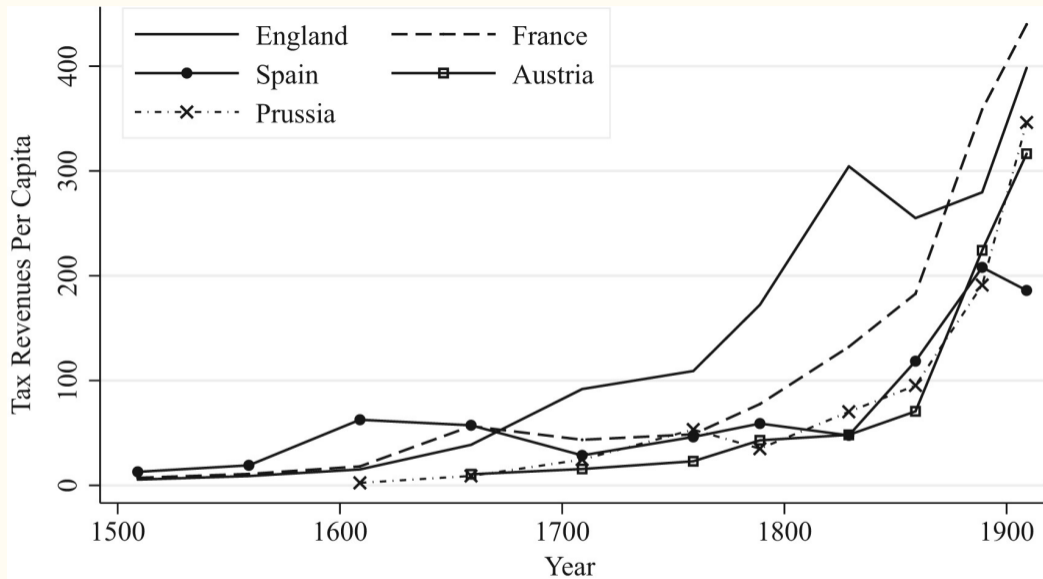
Bourbon reforms

- New Bourbon dynasty in Spain in 1700.
- Attempts to modernize/centralize government:
 - 1754: Crown acquires tax collection prerogative in Mexico City.
 - 1765: Crown “nationalizes” tobacco industry.
 - 1771/1776: Political reforms that gave those born in Spain political privileges.
 - 1786: Intendente regime was instituted to overhaul the Colonies’ administration.
- But...
 - 1777/1789: “Free trade” reform.
 - 1786: mining guild created.
 - 1780s-1790s: Alternative competing merchant guilds created all around the Americas.

Figure B8: Net Revenue During the Late Spanish Empire



Notes: The figure presents the evolution of net revenue (revenue without remittances minus expenditure without remittances) for the 85 royal treasuries across the Spanish Empire between 1770 and 1800.



Source. Dincecco (2011).

Dates of Limited Government

	Year	Event
Netherlands	1572	Establishment of Dutch Republic (1572–1795) after revolt from Spain
	1848	Implementation of new constitution during Year of Revolutions
England	1688	Establishment of constitutional monarchy during Glorious Revolution
Belgium	1831	Founded as constitutional monarchy after Revolution of 1830
Denmark	1848	Establishment of constitutional monarchy during Year of Revolutions
Piedmont	1848	Establishment of constitutional monarchy during Year of Revolutions
Prussia	1848	Establishment of constitutional monarchy during Year of Revolutions
Portugal	1851	Establishment of constitutional monarchy after Revolutionary Era
Sweden	1866	Introduction of bicameral legislature
Austria	1867	Establishment of constitutional monarchy after defeat by Prussia
France	1870	Formation of constitutional regime during war with Prussia
Spain	1876	Establishment of constitutional monarchy after civil war

- North's maxim turned upside down for Spain (**North, 1958**).
- The traditional centralized 'flota' system was inadequate to deal with the British Navy.
- Route decentralization was a solution for maintaining trade networks...
- ...but it created tensions between the American elites.

Empire's collapse 1790s-1810s

- The Spanish Crown became engaged in wars against France and England.
- Bankruptcy changed the Crown's discount rate and made it more predatory.
- Independence in Spanish America also meant the disintegration of the largest fiscal and monetary union known to that date.

- Trade rents were the source of political stability. Mining was the source of economic well-being.
- The empire imploded due to a breakdown of trade opportunities.
- Bourbon reforms failed to reconfigure the empire's economic structure.
- The European wars of the late 18th Century changed the Crown's perspective and made it more predatory towards its colonies.

The particular case of Brazil

- Not a revolution, but the continuity of the imperial government
- Napoleonic wars: In 1807 Portuguese king (Joao VI) fled to Brazil.
- Empire's core moved to Rio de Janeiro and peaceful independence in 1821.
- Slavery until 1888/89.

After independence



GEOGRAPHY SKILLBUILDER: Interpreting Maps

1. Region What two European countries held the largest colonial empires in Latin America in 1800?
2. Region Comparing the two maps, which independent countries had emerged by 1830 from Spanish territory in the Americas?

- Abolition of slavery
- Liberal reforms: expropriation of land held by the Church, privatization of public and indigenous communities' lands.
- Move into the frontier areas.
- Free trade, freight ship cost, taxes.

Table 2.6. Abolition of slave trade, Free Wombs laws, and slavery in Latin America, 1810–88

	Abolition of slave trade	Free Wombs laws	Abolition of slavery
Dominican Republic	1822	-	1822
Chile	1811	1811	1823
Central America	1824	-	1824
Mexico	1824	-	1829
Uruguay	1825 (1838)	1825	1842
Ecuador	1821	1821	1851
Colombia	1821	1821	1852
Argentina	1813 (1838)	1813	1853
Peru	1821	1821	1854
Venezuela	1821	1821	1854
Bolivia	1840	1831	1861
Paraguay	1842	1842	1869
Puerto Rico	1820, 1835 (1842)	1870	1873
Cuba	1820, 1835 (1866)	1870	1886
Brazil	1830, 1850 (1852)	1871	1888

Note: Each year refers to the date in which slave trade and slavery were legally abolished.

The years in parentheses indicate the end of slave trade, in those cases in which it happened after legal suspension.

Source: Andrews (2004: table 2.1)

Fragmentation

- The Wars of Independence opened the Pandora Box in the region.
- If Caracas could become independent of Madrid, why could Quito not become independent of Caracas?
- Example of Great Colombia.
- Big exception: Brazil. Why?

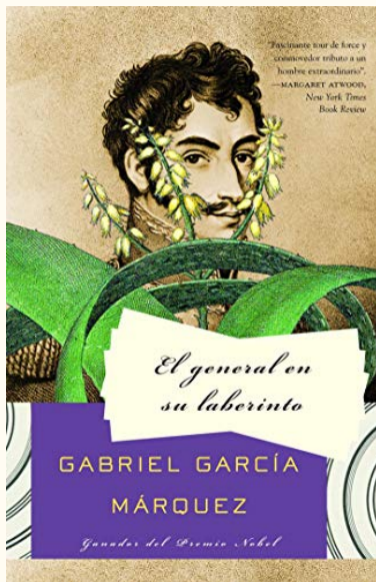
Great Colombia (1819-31)



Simón Bolívar after failing to unify South America

You know that I have ruled for twenty years, and from these, I have derived only a few certainties: (1) [Spanish] America is ungovernable, for us; (2) Those who serve a revolution plow the sea; (3) The only thing you can do in [Spanish] America is emigrate; (4) This country will fall inevitably in the hands of the unbridled masses and then pass almost imperceptibly into the hands of petty tyrants, of all colors and races; (5) Once we have been devoured by every crime and extinguished by utter ferocity, the Europeans will not even regard us as worth conquering; (6) If it were possible for any part of the world to revert to primitive chaos, it would be [Spanish] America her final hour

A great novel



Political order (North et al., 2000)

- Political order is a public good that must be carefully constructed and is not automatic
- State Capacity and credible commitments.
- Pronunciamientos, caudillismo and disorder
- Destructive conflicts and state building.
- Predatory economy, property rights and lack of commitments
- Lack of experience in autonomous decision-making and government.
- High stakes, centralism and rent-seeking

Economic performance: When did Latin America fall behind?

The economic consequences of the Independence

- The prospect of free trade excited non-Iberian powers.
- The end of the custom and monetary unions.
- The physical capital of the mines and haciendas was not maintained.
- The collapse of the fiscal system, royal taxes, and legitimacy.

- The colonial period: Coastworth (1993), Engerman and Sokoloff (2002), Allen, Murphy, and Schneider (2012).
- The post-independence period: Amaral and Prados (1993), North, Summerhill, and Weingast (1999), Bulmer-Thomas (2003), Williamson (2009), Cardenas (2010), Abad and Van Zanden (2016).

Export at the end of the colonial period

Table 2.3. *Latin America: extraregional and intraregional trade at the end of the colonial era*

Area	Region	Products	Market	
			Extraregional	Intraregional
Mexico	Central	Sugar, textiles		✓
	Oaxaca	Grain	✓	✓
	Yucatán	Indigo	✓	✓
	North	Cattle, textiles		✓
Central America and the Caribbean	North	Silver	✓	
	El Salvador	Indigo	✓	✓
	Honduras	Silver	✓	
	Costa Rica	Tobacco		✓
Venezuela	Antilles	Sugar	✓	
	Coast	Cacao	✓	✓
	Plains	Hides	✓	✓
Colombia	Eastern highlands	Gold, silver	✓	
Ecuador	Highlands	Textiles		✓
	Coast	Cacao	✓	✓
Peru and Bolivia	Highlands	Silver	✓	
	Highlands	Mercury		✓
	North coast	Sugar		✓
	South coast	Cotton		✓
Chile	North	Silver	✓	
	Central	Wheat	✓	✓
Argentina, Paraguay, and Uruguay	North and Central	Artisan products		✓
	Cuyo	Wine		✓
	Northeast	Yerba maté, cattle		✓
	Northeast	Sugar	✓	
Brazil	Río de la Plata	Tallow, hides	✓	
	Central	Gold, diamonds	✓	
	South	Cattle		✓
	Amazonia	Forestry	✓	

Source: Cardoso and Brignoli (1979a), pp. 218–20.

Terms of trade (1820-1950)

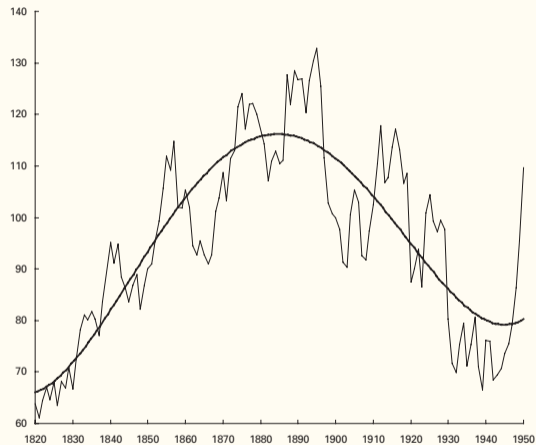


Fig. 6. *Latin America's Terms of Trade 1820-1950.*

Source: Coatsworth and Williamson (2006)

Real GDP per capita (2011 \$)

Year	Argentina	Canada	Chile	Colombia	Mexico	Peru	USA	UK	Venezuela
1800	1,484	-	853	942	1,305	1,058	2,545	3,343	1,073
1850	1,994	2,120	1,352	784	1,054	945	3,632	4,332	1,884
1870	2,340	2,702	1,868	1,078	1,046	1,675	4,803	5,829	1,769
1900	4,583	4,640	3,386	1,089	1,822	1,084	8,038	7,594	1,846

Source: Maddison dataset

Ratio to US of GDP per head

TABLE 2.5. *Ratio to US of GDP Per Head (US = 100): 1821, 1830, 1840, and 1850*

	Argentina	Brazil	Chile	Colombia	Cuba	Mexico	Peru	Venezuela	Latin America
1821	50.1	34.5	22.4	30.4	122.0	39.5	48.2	20.0	40.1
1830	46.8	23.5	21.0	24.0	128.9	28.4	47.9	20.9	32.1
1840	35.0	36.0	21.9	23.2	130.8	28.0	46.3	33.3	35.9
1850	51.9	29.8	25.4	19.4	139.5	23.7	50.8	32.6	34.5

Note: Three-year averages.

Source: Appendix 3.

GDP and per capita GDP of Latin American Countries (1820-1870)

Table 2.4. GDP and per capita GDP of Latin American countries, 1820–70

	Value		Growth Rate 1820–1870			Population	Per capita growth rate			Exports as % GDP			
	GDP	Per capita GDP	GDP	Exports	Domestic market		GDP	Exports	Domestic market	1830	1870		
	1820	1870	1820	1870									
Group 1	8,573	12,740	713	656	0.8	2.2	0.7	0.8	0.0	1.4	-0.1	3%	5%
Colombia	849	1,740	607	676	1.4	1.8	1.4	1.4	0.1	0.4	0.1	2%	3%
Mexico	4,752	5,906	733	651	0.4	1.7	0.4	0.7	-0.2	1.0	-0.3	3%	6%
Group 2	3,531	9,428	590	716	2.0	3.5	1.9	1.6	0.4	2.0	0.3	6%	12%
Brazil	2,743	6,935	597	694	1.9	3.5	1.7	1.6	0.3	1.9	0.1	7%	15%
Cuba	406	1,418	695	1,065	2.5	3.7	2.5	1.6	0.9	2.1	0.9	5%	9%
Venezuela	329	942	460	570	2.1	3.4	2.0	1.7	0.4	1.7	0.3	10%	18%
Group 3	1,126	5,681	828	1,391	3.3	4.6	3.0	2.1	1.2	2.5	0.9	13%	24%
Argentina	540	2,673	998	1,468	3.2	4.4	3.1	2.5	0.8	1.9	0.6	12%	20%
Chile	545	2,554	710	1,320	3.1	5.1	2.7	1.9	1.3	3.2	0.8	12%	31%
Total	13,229	27,849	683	795	1.5	3.3	1.4	1.3	0.2	2.0	0.1	5%	13%

Note: GDP is measured as the value added for the domestic market and exports. The values are presented in constant 1990 Geary-Khamis dollars.

Sources: Authors' estimations based on Table A.1 for GDP and GDP per capita 1870. The figures for 1820 are based on Prados de la Escosura (2009: table 6) for Argentina; Maddison (2007) for Brazil; Díaz, Lüders, and Wagner (2007) for Chile; Kalmanovitz and López (2009) for Colombia; Santamaria (2009) for Cuba; Maddison (2007) for Mexico; and Baptista (1997) for Venezuela.

The figures for exports are deflated using Rousseaux's commodities price index (Mitchell 1962: 471–3), except for countries in Group 1, in which the deflator was constructed as 75% of gold and silver and 25% of Rousseaux's index. The growth rate of exports for 1800–30 is used for 1820–30 and then mixed with that of 1830–70 to estimate the 1820–70 period; both nominal export growth rates are taken from Table 2.3.

The figures of exports as a share of GDP for 1870 are based on Table 3.10. The figures for 1820 are based on backward estimates based on data presented in this table.

The domestic market is calculated as the residual assuming that exports contain 90% of value added.

Totals are expanded based on Table 2.1. Averages higher than its GDP and market components in Group 3 are explained by the fastest growing population in the country that expands the sample (Uruguay).

Latin America vs. rest of the world (1820-1870)

	1820	1870	Annual Growth (%)		
			1820-1870	1820	1870
	(U.S. = 1)				
Argentina	1249	1837	0.8	0.99	0.75
Brazil	652	680	0.1	0.52	0.28
Chile	607	1295	1.5	0.48	0.53
Colombia	425	539	0.5	0.34	0.22
Cuba	583	838	0.7	0.46	0.34
Mexico	693	720	0.1	0.55	0.29
Uruguay	1004	1880	1.3	0.80	0.77
Venezuela	347	529	0.8	0.28	0.22
Latin America (average) (8)	648	813	0.5	0.52	0.33
Africa	420	500	0.3	0.33	0.20
China	600	530	-0.2	0.48	0.22
India	533	533	0.0	0.42	0.22
Japan	669	737	0.2	0.53	0.30
East Asia (11)	599	647	0.2	0.48	0.26
Eastern Europe	683	937	0.6	0.54	0.38
Former USSR	688	943	0.6	0.55	0.39
Western Europe (12)	1245	2088	1.0	0.99	0.85
West European Periphery (4)	925	1237	0.6	0.74	0.51
United States	1257	2445	1.3	1.00	1.00
World	687	910	0.6	0.55	0.37

Lost decades?

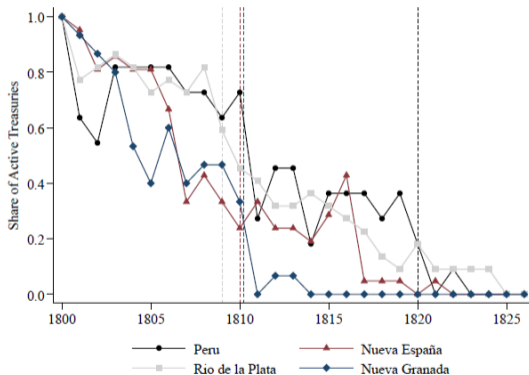
- On average, per capita income grew and fell behind compared with the United States and Western Europe.
- Improved or maintained its position relative to the rest of the world.
- Thus, the term 'lost decades' appears to be an unwarranted depiction of the period between 1820 and 1870.
- Rights and privileges are up for grabs: constant disruptions in both economic and political markets.
- Conformity disappears due to either norms disintegration or enforcement changes.
- Inflation (debasement) and recurrent debt defaults: constraints for financial development (low investment and saving rates).
- In an inflationary context: the land is a safe asset.

Debt

- The fiscal reforms of the 1820s in Latin America failed to establish direct taxation, increase revenue collection, and build fiscal capacity
- Opportunity to raise capital in the international market.
- Original Sin, Defaults (preventing foreign investment), and the impossibility of raising debt because they were no credible payers.
- Poor state capacity: the persistent fiscal deficit.
- Tariffs in the hands of central governments continuously increased throughout.
- Regional inequalities and high tariff (70 percent revenues of Treasury).

Independence wars and fiscal capacity

Figure 9: Shutdown of Treasuries During the Early 1800s, by Viceroyalty



Notes: The figure presents the share of active treasuries in each viceroyalty. The share is calculated relative to active treasuries in each viceroyalty in 1800. Dashed lines indicate corresponding independence first attempts.

Cuadro I.1. Préstamos externos a gobiernos latinoamericanos emitidos en Inglaterra, 1822-1825

Fecha y prestatario	Valor nominal (£)	Precio	Tasa de interés		Banqueros
			Nominal	"Real"*	
1822					
Colombia	2 000 000	84	6	7.1	Herring, Graham & Powles
Chile	1 000 000	70	6	8.6	Hullet Brothers
Perú	450 000	88	6	6.8	Thomas Kinder & Co.
1824					
Perú	750 000	82	6	7.3	Fry & Chapman
Buenos Aires	1 000 000	85	6	7	Baring Brothers
Colombia	4 750 000	88.5	6	6.8	B.A. Goldschmidt & Co. Fletcher, Alexander & Co.
Brasil	1 200 000	75	5	6.7	Thomas Wilson & Co.
México	3 200 000	58	5	8.6	B.A. Goldschmidt & Co.
1825					
Brasil	2 000 000	85	5	5.9	N.M. Rothschild & Sons
México	3 200 000	88	6	6.7	Barclay, Herring & Co.
Perú	616 000	78	6	7.7	Thomas Kinder & Co.
Federación					
Centroamericana	1 630 000	73	6	8.2	Barclay, Herring & Co.

* El interés nominal se establece por el contrato, pero el "real" se calcula con base en el precio de colocación.
 FUENTES: Charles Fenn, *A Compendium of the English and Foreign Funds*, Londres, 1838-1883; J.F. Rippey, *British Investments in Latin America, 1822-1949*, Minneapolis, 1959; Irving Stone, "The Composition and Distribution of British Investment in Latin America, 1865-1913", tesis doctoral, Columbia University, 1962; *London Times*, 1822, 1824, 1825; *Annual Register*, 1822, 1824, 1825.

Cuadro 2.1. Moratorias y renegociaciones de las deudas latinoamericanas de la década de 1820

<i>País</i>	<i>Valor nominal (£)</i>	<i>Suspensión de pagos</i>	<i>Renegociación y ajuste</i>
Argentina	1 000 000	Julio, 1827	1857 - servicio reanudado y emisión de £1 500 000 a 3% por atrasos
Chile	1 000 000	Septiembre, 1826	1842 - servicio reanudado y emisión de £756 000 a 3% atrasos
México	6 400 000	Octubre 1827	1831 y 1836 - arreglos incumplidos; 1850 - deuda e intereses reconocidos en £10 200 000; 1854-1863 - suspensión de servicio, parcialmente renovado en 1863-1867; arreglo final en 1888
Perú	1 816 000	Abril, 1826	1849 - servicio renovado y £1 800 000 a 3% por atrasos
Gran Colombia	6 750 000	Septiembre, 1826	
Colombia	50% del total		1849 - arreglos no ejecutados; 1861 - £775 000 a 3% por atrasos; 1872 - reducción de la deuda a £2 000 000
Ecuador	22% del total		1856 - £1 800 000 en bonos nuevos; intereses pagados con tierras
Venezuela	28% del total		1839 - £1 700 000 en bonos nuevos y £770 000 libras a 3% por atrasos
Federación de Centroamérica	163 000	Febrero, 1828	
Costa Rica	8.3% del total		1844 - liquidación de la deuda
Guatemala	42.0% del total		1856 - emisión de £150 000
Honduras	16.5% del total		1867 - emisión de £90 075
Nicaragua	16.5% del total		1874 - liquidación de la deuda
El Salvador	16.5% del total		1860 - liquidación de la deuda

FUENTES: Corporation of Foreign Bondholders, *Annual Reports, 1873-1885*; Charles Ferns, *A Compendium of the English and Foreign Funds*; J.B. Rippey, *British Investments in Latin America, 1822-1849*; otras fuentes son: H. Ferns, *Gran Bretaña y Argentina en el siglo XIX*, Buenos Aires, 1968, caps. 5-6; W. M. Mathew, "The First Anglo-Pennsylvanian Debt and its Settlement, 1822-1849", *Journal of Latin American Studies*, 2, mayo de 1970, pp. 81-98; Robert Smith, "Financing the Central American Federation, 1821-1838", *Hispanic American Historical Review*, noviembre de 1963, pp. 483-510; Jan Bazant, *Historia de la deuda exterior de México*, México, 1968.

Where is Poyais?



External debt and defaults

Figure 4
Default, 1825–1940



Notes: Fraction of years in default shown in parentheses. Poyais is omitted.

Source: Taylor (2003). Default data from Tomz (2001), issue dates from Marichal (1989).

Sovereign bond yield, 1824-1914

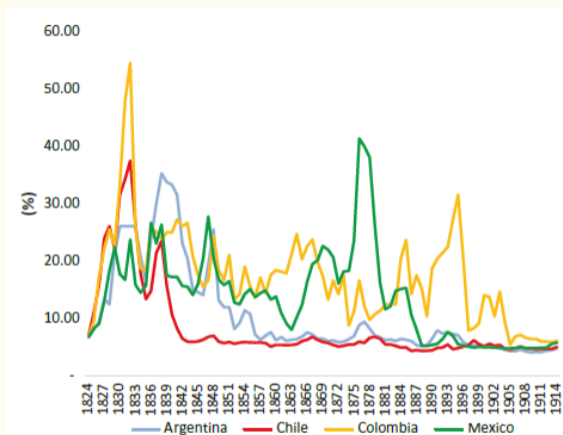
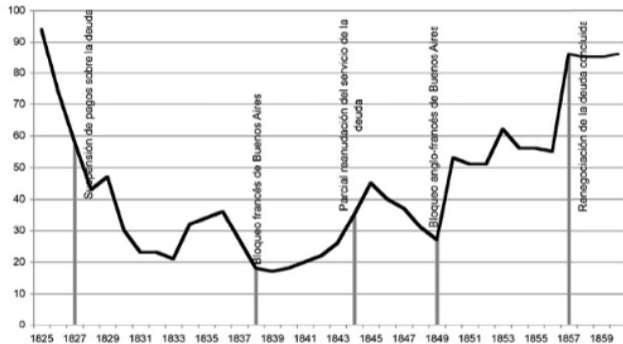


Fig. 2.2 Sovereign bond yields, 1824–1914 (Source: Global Financial Data Finacon, n.d.)

Argentina's debt, 1825-1859

Gráfica 2.1. Cotizaciones de bonos externos argentinos en la Bolsa de Londres, 1825-1860



FUENTE: Pedro Argote, *Informe del Presidente del Crédito Público...*, vol. IV, Buenos Aires, 1887, pp. 96-98.

Cuadro 3.1. Préstamos externos a gobiernos latinoamericanos, 1850-1873

Nación	Número de préstamos	Valor nominal total (miles de £)	Objetivos		
			Militares (porcentaje)	Obras públicas (porcentaje)	Refinanciamiento (porcentaje)
Argentina	7	13488	20	68	11
Bolivia	1	17000	—	100	—
Brasil	8	23467	30	13	57
Chile	7	8552	37	51	12
Colombia	2	2200	—	9	91
Costa Rica	3	3400	—	100	—
Ecuador	1	1824	—	—	100
Guatemala	2	650	—	77	23
Haití	1	1458	—	—	100
Honduras	4	5590	—	98	2
México	2	16960	70	—	30
Paraguay	2	3000	—	80	20
Perú	7	51840	10	45	45
Santo Domingo	1	757	—	100	—
Uruguay	1	3500	—	—	100
Venezuela	2	2500	—	30	70

Totales de las deudas externas latinoamericanas por subperiodos

Años	Total de Empréstitos	Total valores nominales (miles de £)	Objetivos		
			Militares (porcentaje)	Obras públicas (porcentaje)	Refinanciamiento (porcentaje)
1850-1859	9	10862	—	32	68
1860-1869	20	56705	41	12	47
1870-1875	22	73270	—	60	40

FUENTES: Corporation of Foreign Bondholders, *Annual Reports*, 1873-1880; C. Fenn, *A Compendium of the English and Foreign Funds*; Irving Stone, "The composition and distribution of British Investments in Latin America, 1865-1913".

Local government in America and the federal system

- The fiscal burden was low in the British colonies.
- But the local and provincial governments set up by the colonists raised more revenues from their populations.
- These taxes allowed local or colonial governments greater operation autonomy.
- Local/municipal governments in Latin American countries never grew very large, especially in rural areas where Native Americans composed larger proportions of the population.

Capital-elites and federalism

- Elites in the capital cities increasingly restricted political representation of territories and individuals.
- In the federal United States, some states even invested in banks, turnpikes, and canal construction through private-public partnerships and taxed profits from companies.
- In Spanish America, a substantial provision of public goods was taken care of by private sources like the church and charities, and so was not perceived as a return for taxation.
- The median voter would dissociate the identity between revenue and expenditure and prefer lower taxation to fund lower expenditure, given that there are no real redistributive effects.

Progressivism, direct taxation, and representation

- During the 19th century, the overall tax structures in the United States and Canada were likely more progressive than in Latin America.
- Latin America relied much less on the property tax than did their counterparts in the United States and Canada.
- They used the revenues to support investments in quasi-public or public goods and services such as schools and roads.
- Representation came at a cost to the independent United States: from 1792 to 1811, the per capita tax take increased ten times.
- Indirect taxation without representation was the means that republican governments had to establish their authority center at the top of the polity in Spanish America.

State building

Miranda betrayed by Bolivar (1812)

'Bochinche, bochinche! Esta gente no es capaz de hacer sino bochinche'

State capacity

- State capacity describes the ability of a state to collect taxes, enforce law and order, and provide public goods.
- States can facilitate economic activity in several ways, the provision of secure property rights, basic market regulations, and dispute resolution through courts.
- To erect the administrative infrastructure that facilitates this activity, states require sufficient revenues.
- Fiscal centralization (uniformed tax system)+limited government (parliaments) = revenues (state capacity)
- Economies governed by strong, cohesive, and constrained can better overcome vested interests and avoid disastrous economic policies. At the same time, societies ruled by weak states are prone to rent-seeking, corruption, and civil war.

- The state's ability to perform essential functions is a major contributor to long-run development (Besley and Persson, 2011).
- State as an active participant in developing modern capitalist systems (Gerschenkron, 1966; Magnusson, 2009; O'Brien, 2011) and the Industrial Revolution (Mokyr, 2008).
- Economic growth and centralized political institutions (Bockstette et al., 2002, Chanda and Putterman, 2007, Borcan et al., 2014, Besley and Persson, 2009, Besley and Persson, 2011, Besley and Persson, 2013, Dincecco and Kat, 2014).
- Poverty and lack of a history of centralized government (Herbst, 2000, Gennaioli and Rainer, 2007, Michalopoulos and Papaioannou, 2013).
- Internally fragmentation and Economic Growth (Michalopoulos and Papaioannou, 2014).
- Weak state capacities are particularly vulnerable to civil war and internal conflict (Blattman and Miguel, 2010, Besley and Persson, 2011).

State weakness in Latin America

- That problem persist in a favela, barrio, colonia popular, or villa miseria.
- Latin American States failed to provide essential functions: public goods and control of internal violence.
- Violence inside the States: intra-class conflict ([Kronick and Rodriguez, 2022](#)) and rival regions.
- No war, no states: Europe ([Tilly, 1990](#)).
- Local elites had strong incentives to oppose national-level fiscal reforms threatening their traditional tax rights.
- Issue debt or collect taxes: no conflicts with the elites and the origins of protectionism.



Conflicts in Latin America, 19th Century

War/conflict	Dates	Countries involved
Brazilian—Argentinean War	1825–1828	Argentina and Brasil
Colombian—Peruvian War	1828–1829	Colombia and Peru
Falkland War	1833	Argentina and Great Britain.
Peru—Bolivian Confederation—Argentinean War	1837–1839	Peru, Bolivia and Argentina
Peru—Bolivian Confederation—Chilean War	1837–1839	Peru, Bolivia and Chile
French Blocade of Rio de la Plata	1838	Argentina and France
Pastry war	1838	France and Mexico
Peruvian—Bolivian War	1840	Peru and Bolivia.
Mexican—American War	1846	United States and Mexico
Peruvian—Ecuadorian War	1859	Peru and Ecuador
French intervention in Mexico	1861–1867	Mexico and France
Guatemala—Salvadoran War	1863	Guatemala and El Salvador
Ecuadorian—Colombian Conflict	1863	Ecuador and Colombia
Hispano-Sudamérica War	1864–1866	Peru, Chile, Spain, Bolivia and Ecuador
Triple Alliance War	1865–1870	Brasil, Uruguay, Argentina and Argentina, Brazil, Paraguay and Uruguay
Cuban—Spanish War	1868–1878	Cuba and Spain
Guatemala—Salvadoran War II	1876	Guatemala and El Salvador
War of the Pacific	1879–1883	Chile, Peru and Bolivia.
Guatemala—Salvadoran War III	1885	Guatemala and El Salvador

Conflicts in Latin America, 19th Century

	Total	Conflicts Internati onal	Civil	Total	Deaths Internati onal	Civil	Changes in Constitutions
1810-19	4	4	0	474,360	474,360		15
1820-29	11	7	4	307,349	307,349		20
1830-39	12	5	7	8,565	2,565	6,000	18
1840-49	11	3	8	147,680	18,000	129,680	15
1850-59	15	2	13	220,688	1,300	219,388	17
1860-69	15	5	10	357,141	332,000	25,141	15
1870-79	10	4	6	18,500	14,000	4,500	

Source: Bates et al (2007), Dye(2006)

Major Latin American wars

MAJOR LATIN AMERICAN WARS



- Free trade and new markets.
- Britain's purpose was not to replace Spain as a new colonial metropolis but to defend the continent from France.
- The role of Britain in the Independence.
- Minimalist state is not the product of neoliberalism or the debt crisis.

Table 1.1. Geopolitical and International Economic Environments of State Formation

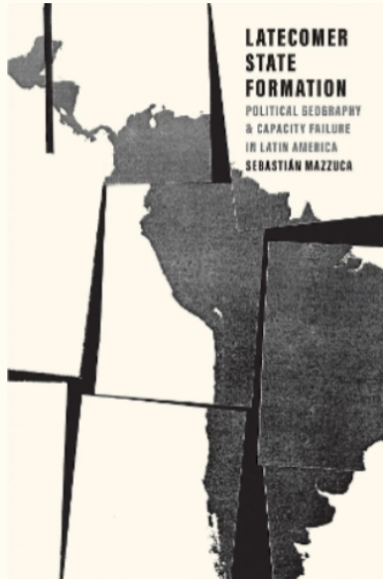
		<i>International economy</i>	
		<i>Feudalism/ mercantilism</i>	<i>Capitalism/free trade</i>
<i>Geopolitical context</i>	<i>Anarchy</i>	Pioneer state formation War-led (with military innovation) <i>Western Europe</i>	Competing state formation Trade + war-led <i>United States</i>
	<i>Hierarchy</i>	Reactive state formation War-led (with military imitation) <i>Eastern Europe, China, Japan</i>	Latecomer state formation Trade-led <i>Latin America, Africa</i>

Latecomer state formation

- Succeeded at state formation but failed at state building.
- State formation: territory consolidation and violence monopolization.
- State building: the capacity to provide public goods.
- State formation path: war-led or trade-led.
- Political survival depends on export-led growth.
- Port-driven (BA, Rio, Chile), Lord-driven (Peru, Venezuela, Guatemala), party-driven (Mex, Col, Uru).

Table 1.2. Models of State Formation: The Five Theoretical Components

<i>Model</i>	<i>Initial conditions</i>	<i>Goal and priorities</i>	<i>Resources</i>	<i>Strategy toward periphery</i>	<i>Outcome</i>
War-led state formation	Geopolitical anarchy + feudalism/mercantilism	Political survival through war-making	Internal taxation under external military threat	Periphery incorporation with transformation	Strong states
Trade-led state formation	International hierarchy + global capitalism/free trade	Political survival through market-making	Customs revenues due to global trade opportunities	Periphery incorporation without transformation	Weak states



Consequences of weak states

- Independence further weakened the capacities –fiscal, legal, and administrative– of the republican state and undermined the political institutions that it organized.
- Insolvency, inflation, and instability are long-term features in these countries, together with regressive fiscal policies.
- Placing the fiscal burden on others or in the future brought elites and masses together in a perverse combination of low taxation and representation.

Intra-elite conflicts

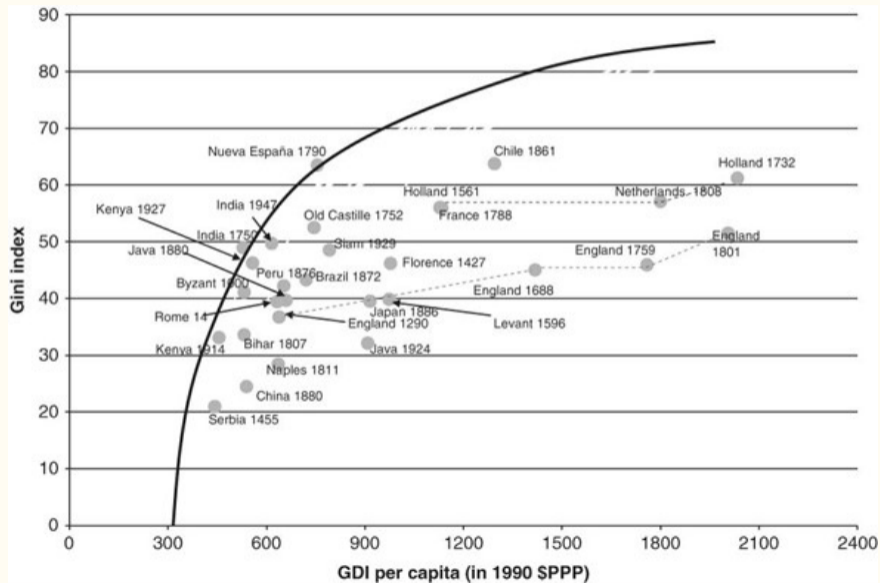
- Persistence of personalistic ties.
- Land grants to wealthy individuals, military, and the Church.
- Political powerful groups in every colony
- Restriction economic activities and doomed attempts to create a common market.
- The Hispanic world was characterized by rivalry, not integration.
- Chile against Peru, Guayaquil against Callao, Lima against the Rio de la Plata, Montevideo against Buenos Aires.

Conservatives vs. Liberals

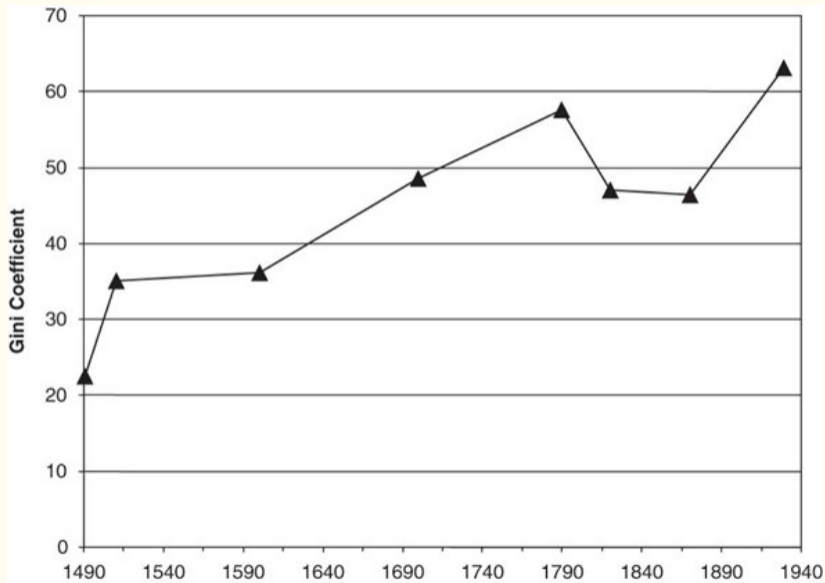
- Conservatives and Liberals: share an agrarian-elitist vision, no room for participation by the masses in political affairs, limited role of the state in the economy
- Liberals: defend political, economic, and commercial freedom, the Federation with Anticlerical vision.
- Conservative: defend hierarchy, mercantilist privileges, and centralization.
- Fragmentation of political power, the militarization of society, and the mobilization of resources and men to war.
- Political turmoil did not end with independence.
- Paradoxically, the failure reinforced central governments' dependence on customs and monopolies even further

Inequality

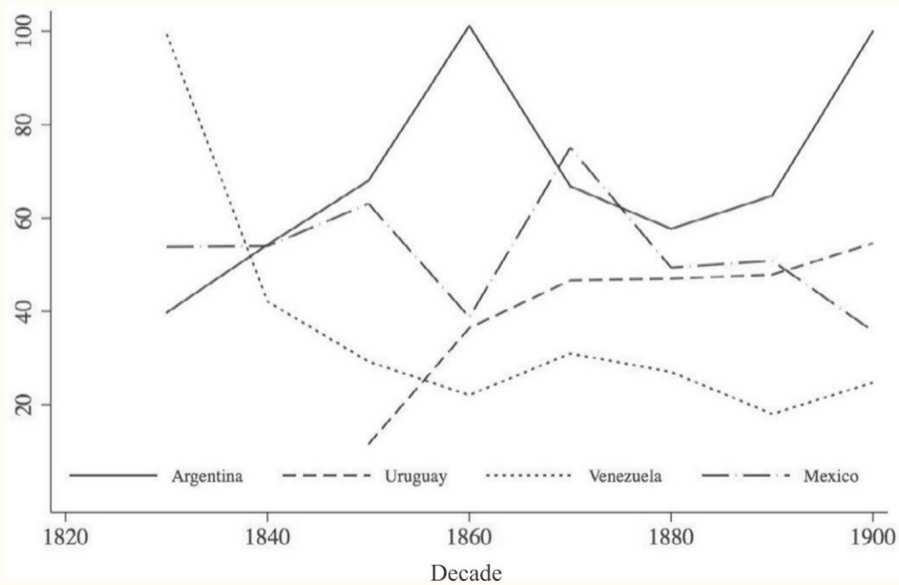
Ancient inequality



Likely inequality trends in Latin America 1491-1929



Inequality in four Latin American countries, 1820-1900



Inequality 1780-1869 in Latin America

Decade	Land rent/unskilled wage
1780-1789	62.0
1790-1799	72.5
1800-1809	100.0
1810-1819	80.0
1820-1829	71.0
1830-1839	77.2
1840-1849	78.7
1850-1859	60.8
1860-1869	52.6

Slavery in the Americas in the 18th century (Nunn, 2007)

Figure 3: Slavery in the Americas in the 18th century

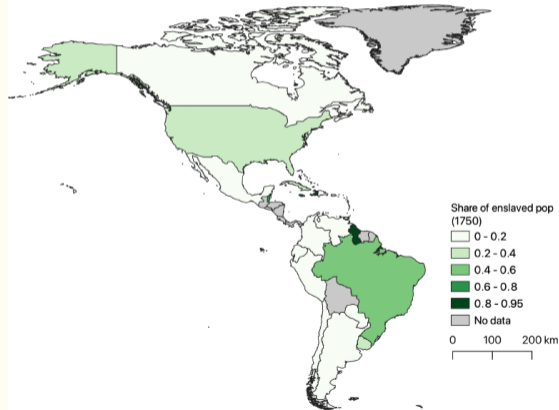


Figure 12: Income Gini coefficient

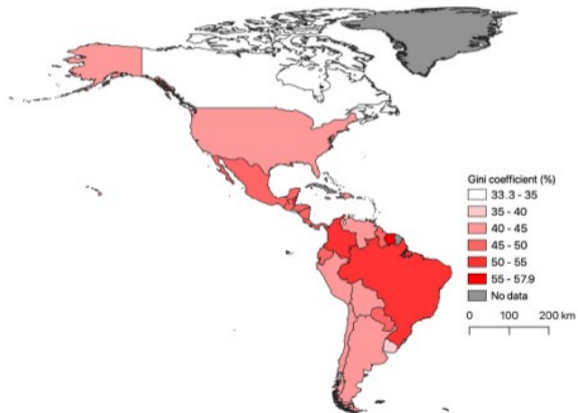
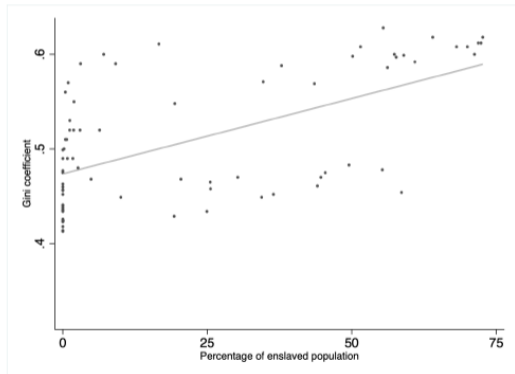
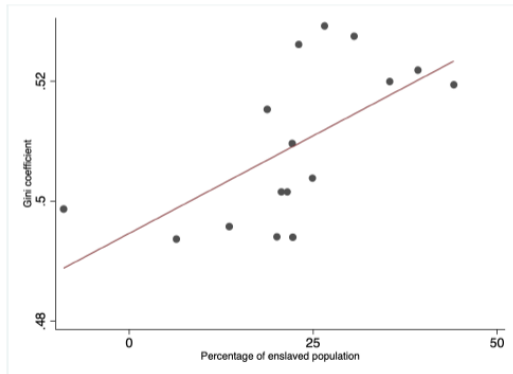


Figure 6: Slavery and Inequality in Latin America (Gini)



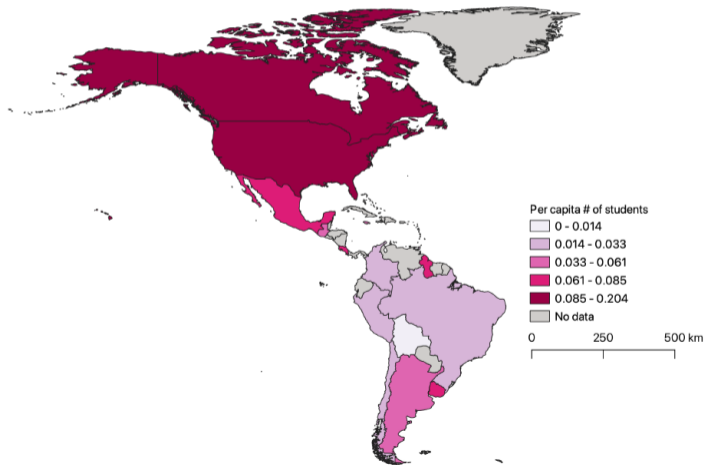
(a) Raw correlation



(b) Including controls

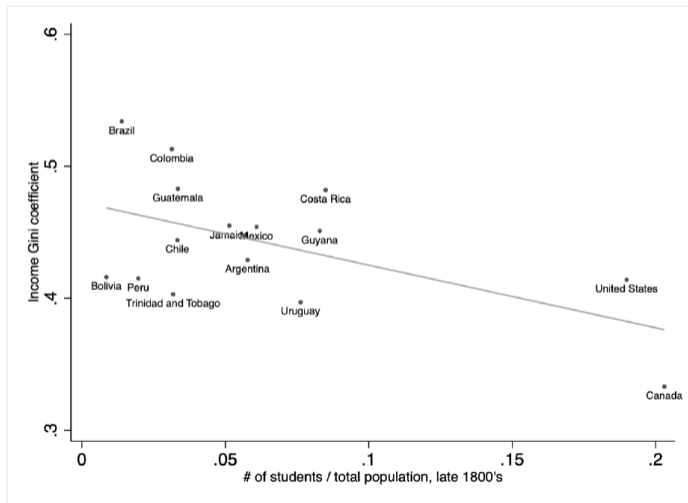
Per capita of pupils in School in 1870 (Mitchell, 2003)

Figure 9: Per-capita education attainment at the turn of the century



Education and inequality (Mitchell, 2003)

Figure 10: Education in the late 1800's and modern inequality



Notes: source of data is World Bank DataBank and (Mitchell, 2003).