DOMÍNGUEZ *continued...*

Endnotes

1 I am grateful to Sebastián Mazzuca for his comments. Errors are mine alone.

2 I first explored these and related themes in *Insurrection or Loyalty: The Breakdown of the Spanish American Empire* (Cambridge, Mass.: Harvard University Press, 1980).

3 Document from Presidencia de la República, *Las fuerzas armadas de Venezuela en el siglo XIX: La independencia* (1810-1830) (Caracas: Arte, 1963), I, 101, 103.

4 Ibid., I, 305.

5 Quoted in Laureano Valenilla Lanz, *Cesarismo democrático* (Caracas: Tipografía Garrido, 1961), 19. ■

DEBATES

Assessing Independence The Economic Consequences

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Why did British America and Latin America develop so differently after independence? Failure to achieve sustained and balanced growth over the nineteenth-century, according to Stanley and Barbara Stein, resulted from the persistent colonial heritage. The colonial economic background was reinforced by local conditions (lack of political unity, conflict of economic interests, highly concentrated income and poverty) and, in particular, by British informal imperialism.

Christopher Platt has argued, in turn, that independence had very limited impact in post-colonial Latin America, and only after 1860 was the lagged effect of independence noticeable. The break with Spain, far from confirming the integration of Latin America as a dependent partner in the world economy, "reintroduced an unwelcome half century of 'independence' from foreign trade and finance." Nineteenth century Latin America was, hence, "shaped by domestic circumstances," and economic growth was constrained by lack of human and physical capital, shortage of industrial fuels, and small markets.

The differences between British North American and Iberian American colonies, and their long-run effects on growth, also have been stressed by the new institutional economic historians; their radically different evolution reflected the imposition of distinct metropolitan institutions on each colony. Douglass North's main proposition is that different initial conditions, in particular the religious and political diversity in the English colonies as opposed to uniform religion and bureaucratic administration of the existing agricultural society in the Spanish colonies are behind differences in performance over time.

Why should institutions be taken as entirely external impositions? Initial inequalities of wealth, human capital and political power conditioned, according to Stanley Engerman and Kenneth Sokoloff, institutional design and, hence, performance in Spanish America. Large scale estates, built on pre-conquest social organization and extensive supply of native labor, established the initial levels of inequality. Elites designed institutions protecting their privileges. Government policies and institutions restricted competition and offered opportunities to select groups. This was in sharp contrast with white populations' predominance, evenly distributed wealth and high endowment of human capital per head in British North America.

John Coatsworth and Gabriel Tortella reject the connections between Iberian institutions transferred to America and the initial unequal distribution of income and wealth, stressing that the caste system deliberately weakened the grip of local elites on the indigenous population and limited the growth of wealth inequality by recognizing indigenous property rights and guaranteeing indigenous population access to land.

Factor endowments do not provide, according to North, Summerhill and Weingast, sufficient explanation of post-independence behavior. They stress the sharp institutional contrast between the independent United States (a constitution and well-specified economic and political rights) and post-colonial Latin America (civil and international warfare). In their view, the absence of institutional arrangements capable of establishing cooperation between rival groups led to destructive conflict that diverted capital and labor from production and consigned the new republics to poor performance relative to the United States.

The literature surveyed so far uses the United States as the yardstick to measure Latin American achievements over the nineteenth century. The income gap between colonial British and Latin America widened in the half century after independence. The United States doubled Latin American product per head in 1820 and more than trebled it by 1870. Is this approach adequate to unravel the causes of Latin America's poor performance? Focusing on the contrast with North America inevitably leads to a negative assessment of Latin America's economic and political behavior both before and after independence. In fact, per capita income divergence between rich and poor countries is the dominant feature of the nineteenth century. Moreover, the comparison conflates the initial conditions in the new republics with their post-independence performance. And, even more crucially, it diverts attention from the real issue: the extent to which Latin America under-performed in terms of its own potential. That the new republics fell behind the United States or northwestern European nations does not necessarily imply that development opportunities were missed. Differences in geography, public policies and political institutions all mattered in shaping Latin American countries' long-run economic performance. On the basis of predictable large differences in human (and physical) capital to labor ratios it could be hypothesized that different steady states probably prevailed in British and Latin America.

A substantial number of Asian, African and Eastern European countries shared, at the time of their independence, some of the initial conditions of the new Latin American republics: demographic patterns (a delayed demographic transition and persistent high fertility until late in the twentieth-century); low population density (except in Asia); a high share of adult population employed in agriculture; low levels of social and human capital; poor contract enforcement; and weak governments yielding to interest groups. At the time of independence, Latin American republics had levels of income more similar to most countries in Asia and in Africa than to the United States. Perhaps, then, a more appropriate approach is to compare the post-colonial economic performance of Latin America to those of other parts of the periphery (Asia and Africa) during the late twentieth century.

Acemoglu, Johnson and Robinson stress the differential impact of colonialism. They contrast societies in which colonialism led to the establishment of "institutions of private property," allowing a broad sector of the society to receive returns on their investments, with those in which colonialism imposed "extractive institutions," under which most of the population risked expropriation at the hands of the ruling elite or the government. The former, they argue, prospered relative to the latter. European colonialism led paradoxically to the development of relatively better institutions in previously poor areas, while introducing extractive institutions or reinforcing bad institutions in previously prosperous places. The reason is that poor areas were less densely populated, enabling Europeans to settle in large numbers and to develop their own institutions that encouraged investment and growth. Conversely, where abundant populations showed relative affluence, the Europeans established "extractive institutions" (forced labor and tributes, often existing already in the pre-colonial era, over the locals) with political power concentrated in the hands of an elite. This represented the most efficient choice for the European colonizers, despite its negative effects on long-term growth.

Were Spanish Mesoamerica and the Andes examples of colonial "extractive institutions"? In the case of the viceroyalties of Mexico and Peru, the exploitation of silver deposits centered economic activity on those locations where the deposits were found and conditioned population settlement, the location of urban centers, and fiscal policies.

There are interesting connections between Acemoglu, Johnson and Robinson's interpretation of different colonial patterns and Stanley and Barbara Stein's counterfactual "had the Englishmen found a dense and highly organized Amerindian population, the history of what is called the United States would record the development of a stratified, bi-racial, very different society." The Steins contend that "the existence of a huge, under-populated virgin land of extraordinary resource endowment directly facing Europe and enjoying a climate comparable to that of Europe represented a potentiality for development that existed nowhere else in the New World."

Both distinctive institutional and geographical features suggest significantly different outcomes for British North America and Latin America before and after independence. On these dimensions Latin America is more comparable with Asia and Africa. Conditions were more similar between most Latin American countries and the European colonies in Asia and Africa than between Latin America and British North America, with the exception of the similarities between Latin America's Southern Cone and Australia and New Zealand. It could be added that in empty lands more efficient institutional settings went hand by hand with better factor endowment (higher human capital/labor and physical capital/labor ratios).

The similarities between Latin America and other colonial experiences suggest that the

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subsequent performance should be comparable. We can see this by contrasting assessments of post-independence performance as well as GDP levels and growth rates in Sub-Saharan African and the Latin American countries. The striking degree of coincidence between the rather different appraisals by present-day development economists, in the case of Sub-Saharan Africa, and those by economic historians, in the case of Latin America, suggest that post-independence Africa (and, presumably, Asia) is a more appropriate benchmark of comparison for Latin America than the U.S. exception. Nonetheless, the different timing of independence in Latin America (prior to the first wave of globalization) and in Africa and Asia (during the first stages of the second globalization) surely had a distinctive impact on economic growth.

How do Latin American countries compare to other countries, especially to former European colonies in Asia and Africa? Did Latin America fall behind before 1870?

Comparing Latin America to the United States, three distinctive phases appear: a sharp decline up to 1870, followed by a soft deterioration up to 1913 and relative stability up to 1973, opening another period of significant decline reaching up to the present. Thus, in the binary comparison with the United States, only the pre-1870 and the post-1973 periods can be deemed responsible for today's Latin American retardation. However, these results are largely conditioned by crude guesstimates for Brazil's and Mexico's performance. If these two countries are excluded, the picture changes and the relative position of Latin America remains unaltered over 1820-1913 to decline thereafter, especially after 1973. It appears, therefore, that in our state of knowledge no definitive conclusion can be reached.

A more illuminating picture for the nineteenth century derives from a country-by-country analysis. The scant estimates available suggest that over 1820-70, while the relative position of Mexico and Brazil to the United States halved, Argentina, Colombia, Cuba, and Venezuela experienced only moderate relative declines, while Chile and Uruguay kept their positions mainly unchanged.

The assessment of Latin American performance has been carried out, so far, using the United States as the relevant benchmark. The fact that, over the nineteenth century, most countries, including those of Western Europe, fell behind when measured by U.S. standards renders that yardstick questionable.

If Latin America's performance is compared to that of other regions, the picture changes dramatically. During the half century after independence (1820-70), the decline relative to the United States for the Latin American countries for which some information exists is deeper than in the case of Western Europe, but similar to that of the European periphery and Russia, and much milder than in Africa and Asia. So even though her position worsened to the U.S. and Western Europe, it remained unaltered in comparison to Eastern Europe and improved to the rest of today's Third World.

The fact that Latin America's position relative to the United States during the Golden Age was unaltered is at odds with the catching-up experience in large areas of the periphery (Southern and Eastern Europe, Southeast Asia) where the gap with the United States in terms of income per head was significantly reduced and, again, Latin America underperformed relative to Asia after 1973.

Blaming the inheritance of Spanish Ancien Régime institutions in Latin America as opposed to non-absolutist (post-1688) institutions in British America does not seem to be a solid explanation for the differing economic performance of the two regions, especially if the scope is widened to include the post-independence performance of British (and French) former colonies in Africa and Asia. British North America appears as an exceptional example of success that cannot be used as a yardstick to measure Latin American success.

[The arguments here summarize those presented in my previous work: "Lost Decades? Economic Performance in Post-Independence Latin America," Journal of Latin American Studies 41, 2 (2009), pp. 279-307, and "The Economic Consequences of Independence," in V. Bulmer-Thomas, J. Coatsworth and R. Cortés Conde, eds., The Cambridge Economic History of Latin America, New York, Cambridge University Press (2006), I, pp. 463-504.] ■