CHAPTER I

INTRODUCTION

In 1930 Colombia faced its first great crisis caused by a fall in the price and demand for coffee. But Colombia had suffered earlier crises which had arisen in her export sector – the tobacco crisis of 1875/76, for example. In this she shared a common fate with other Latin American countries which produced primary commodities for export. There were spectacular cases of growth led by an expanding export sector all over Latin America in the years between 1850 and 1930. But in virtually all cases that expansion failed to transform local economies. The smaller crises which preceded the Great Depression often brought an export cycle to an end leaving local economic conditions no better (perhaps worse) than they had been prior to the export boom. The famous opera house of Manáus built during the Amazon rubber boom is mute testimony to the failure of the external sector to transform the local economy.

Despite this failure the external sector has proved to be the primary influence on the process of economic change in Latin America. The growth in world demand for primary products and the flow of capital, goods and people into (and out of) Latin America continue to be principal determinants of the 'growth-poles' and of the timing of economic change. In the past local policymakers tried to influence the course of events and were successful in minor ways, but they could do little to alter international demand or the movements of goods and people. The wide variety of ideologies and policies followed in Argentina, Brazil, Chile, Colombia, Cuba, Mexico and Jamaica produced no great differences in the rate of economic progress: these seven countries had virtually the same rank-order positions with respect to per capita income in 1950 that they had had in 1850.[1] With the growing export sector dependent on foreign demand and the availability of foreign capital there was little room for local initiative in policymaking. The ideology of *laissez-faire* and nineteenth-century liberalism complemented the weakness of independent governments prior to 1930.

Although the timing differs substantially for the several countries of

[1] See William Paul McGreevey, 'Recent Research on the Economic History of Latin America', *Latin American Research Review*, III (1968), 89–117. The data summarized in Table II, p. 98, of that article are the basis for the comment on rank correlations.

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Latin America, at some time between 1850 and 1930 they greatly increased their dependence on trade. In a simple statistical sense this occurred because the value of exports and imports grew much more rapidly than local production.

As foreign trade grew in value and volume, the local economy grew more dependent on foreign influence. The ebb and flow of foreign capital produced wide swings in the balance of payments. The growth of imports, particularly British textiles, disrupted local economies. Artisan handicrafts had to adapt to new competition or go out of business. Fluctuations in foreign demand and competition from other primary producers added further to the gyrations of the balance of payments and the instability of the external sector. The cyclical oscillations of foreign trade struck societies with little capacity to adjust rapidly to changing economic conditions. Even the rural peasantry with only occasional market contacts were subject to rude shocks; for example, from the rise and fall of demand for food in the export sector. As foreign trade grew, the instability and dependence of the local economy expanded proportionately. The growth and fluctuations of the external sector caused grave domestic crises as well as considerable development.

The ideology of the period opposed any effort to dampen the oscillations or promote development by central direction. Had local policymakers had it in their power, they would not generally have tampered with the economy. With few exceptions the ideology of *laissez-faire* dominated economic policy in Latin America over the years 1850 to 1930. It took the crisis of the 1930s to open up the prospects for planned economic development in terms of the objectives of Latin Americans themselves.

In this book I deal with the relations between the external sector and the domestic economy by treating the economic history of Colombia between 1850 and 1930. Some special features distinguish events in Colombia from those in other countries; e.g. there was little foreign immigration or direct investment in the export sector. Colombian history has nonetheless been tied with the same threads as the rest of Latin America to the industrialized North Atlantic economy. And the pull of those threads has been the motive force for economic change within the country.

Despite emphasis on the export sector I am most interested in exploring economic change in the domestic economy. Since agricultural activities employed the bulk of the population, I have emphasized agrarian change and specifically devote Chapters 3, 6 and 9 to rural problems. I have tried to understand the manner in which changes in the external sector (the demand for exports and the growing supply of imports) have affected rural Colombia. But I have also dealt with the conditions of production in agriculture, i.e. the way in which food and rural exports have been produced and how that method of production has influenced the path of economic change. Quantitatively, rural Colombia is the most important component of the country's economic history; unfortunately, the details of agrarian economic and social history remain to be dug out of local archives, notarial records and other sources. Here I have only scratched the surface.

THE PROBLEMS

There are three sets of problems in Colombian economic history which occupy me in this book. All are related to the impact of the external sector and foreign ideas on the domestic economy and economic welfare of the Colombians. To some extent the three sets of problems determine a set of periods for Colombian economic history and suggest the general organization of the book.

Colonial survivals

The area now known as Colombia and occupied by Spaniards in the 1530s became an export economy when the first conquerors diverted labor from local production of foodstuffs and handicrafts and forced Indians to mine for gold. (Colombia produced more gold than any other of Spain's colonies.) The native population paid a terrible price for that first entry into world trade. In two areas for which data are now available – and one may suppose the same was true of other areas as well – the native population declined at a rate not unlike that of Central Mexico in the sixteenth century.[1] Much of the population decline must be attributed to the introduction of pulmonary diseases by the Spaniards. But the diversion of sedentary peoples to work in lowland placer mines was also a cause of the demographic disaster.[2]

In the mid-eighteenth century Spanish imperial policy began to require

[1] Among other works by the same authors see Woodrow Borah and Sherburne Cook, *The Population of Central Mexico in 1548* (Berkeley 1960), and Woodrow Borah, 'The Historical Demography of Aboriginal and Colonial Latin America: An attempt at Perspective' (unpub. MS., n.d.).

[2] See Juan Friede, *Los Quimbayas bajo la dominación española* (Bogotá 1963), p. 258; and Germán Colmenares, *Encomienda y población en la Provincia de Pamplona (1549–1650)* (Bogotá 1960), p. 47 and *passim*.

more resources from the Americas. Since military expenditures were being made more in the Old World than in the New, when taxes were increased in the colonies, real resources had to be transferred to Europe. The transfer mechanism required that exports be increased above the level of imports in the colonies so that on balance Spain would have more resources and America less. The process was equivalent to capital export from colony to metropolis. Spanish America (and Colombia as a part thereof) was sapped of resources which might have been used to add to the stock of capital.

The movement for independence ended the capital outflow to Spain by 1820. Foreign wars continued to be a drain on the economy of Nueva Granada until 1824 since the Army of the North fought in Peru and Bolivia.[1] But it was not until after 1845 – more than a quarter century after the Battle of Boyacá which in 1819 established *criollo* hegemony in northern South America – that Colombian foreign trade rose above colonial levels. There was nothing which attracted foreign capital. Although independence wrenched Colombia free from colonial exploitation, political freedom did not prove to be synonymous with accelerated economic and social development. Many characteristics of the *ancien régime* went unaltered: the colonial system of taxation remained virtually intact; dependence on gold mining for foreign exchange went unchallenged as no new export products came onto the scene; fractionated local markets for food products were the rule as before; the system of transportation and internal communications went unimproved. From the point of view of economic history and development the achievement of political independence brought no radical change. The central hypothesis advanced in Chapter 2 is that change was muted and slow because the external sector failed to grow after independence and hence could effect little change in the domestic economy.

After the initial demographic catastrophe the Spaniards initiated a social policy to avert total decimation of the native population.[2] The Hapsburgs developed the *resguardo de indios*, lands reserved for use of the Indian communities and legally inaccessible to Spaniards. They provided the legal fiction of protection for Indian land and labor. Royal protection of native rights, limited though it was, was scorned by the *criollos* (the

[1] For a general outline of the economic consequences of the wars for independence see Charles Griffin, 'Economic and Social Aspects of the Era of Spanish-American Independence', *Hispanic American Historical Review*, XXXIX (1949), 170–87.

[2] They acted too late in the Caribbean despite the efforts of Las Casas. For a discussion of population estimates on the islands and an analysis of the causes of population decline see Carl O. Sauer, *The Early Spanish Main* (Berkeley 1966), pp. 65–9, 155–60.

white native-born population) who lived by the exploitation of native labor. As the demands of the criollos for access to Indian lands intensified in the eighteenth century, a policy of protection gave way to a policy of exploitation. A radically new social policy evolved in the third quarter of the eighteenth century.

Because land was still plentiful and labor scarce, the social policy of the Bourbons was directed as much at assuring workers for the haciendas as it was in taking lands from the Indians and handing them over to *mestizos* and Spanish colonists. Although the policy was radical in its implications since it spelled the death of the traditional mode of community land tenure, its limited application muted its immediate impact. The slow process of change toward fuller exploitation of Indian labor begun in the eighteenth century continued into the first quarter century of political independence. As in the case of the commercial and fiscal position of the newly independent state, no radical change in agrarian social policy came with political independence. The real break with the past came after 1845.

The questions dealt with in Chapter 3 have an obvious continuity with events which occurred after 1850. Public land policies were born in the late colonial period, grew in the early nineteenth century and matured in the Reforms of 1850 and the seizure of church lands in 1861. The story of those policies has a smoothness of flow not characteristic of the ups and downs of foreign trade, the rise and decline of foreign dependence. The policies had their continuity because of the consistent effort of the well-to-do merchant and landowning classes to exploit other groups in Colombia – Indians, artisans and rural peasants. They were not always equally successful in their exploitation, but they were always at it. And since Chapter 3 deals largely with the establishment of *policies* and less with the realities of exploitation, it is a prelude to the analysis which follows in Chapters 4 through 7.

The problem in the first part of this book is to gauge the movement in the average level of well-being, the impact of the external sector and the patterns of agrarian social policy in the years prior to 1845. Chapters 2 and 3 constitute an introduction and contrast to the periods after 1845; they are not offered as complete analyses of the years 1760 to 1845.

Economic decline

In his survey of Brazilian economic history Celso Furtado suggests that the period of export expansion based on coffee was preceded by a long period of economic decline (1775–1850) during which Brazilian per capita product fell. He ascribes the fall to the inability to find a successful export product.

There are some indications that the rate of growth of the Brazilian economy was relatively stable throughout the past century[1850–1950]. Another interesting observation is that if the Brazilian economy had attained a rate of growth in the first half of the nineteenth century identical with that for the second half, taking the aforementioned fifty-dollar figure as a starting point, a per capita income of 224 dollars a year would have been attained at the turn of the century. And if the same rate had been maintained for the first half of this century, the real per capita income of the Brazilian population as of 1950 would have been about five hundred dollars – in other words, it would have been comparable to the average for the countries of Western Europe in that same year.

The data presented in the preceding paragraph throw some light on the problem of the present-day relative backwardness of the Brazilian economy. *That backwardness has its roots not in the rate of development for the past century, which seems to have been reasonably rapid, but in the reversal which occurred in the previous three-quarters of a century.* Since Brazil was unable to integrate herself into the expanding currents of world trade during that period of fast transformation of the economic structures of more progressive countries, sharp disparities were created between the Brazilian economic system and those of Western Europe.[1]

The problem of integrating a backward economy into the rapidly changing matrix of international trade was simply too overwhelming for Brazilians.

Profitability in mining tended to fall off to nothing, and the liquidation of productive enterprises was complete. Many of the former entrepreneurs became mere prospectors, and eventually reverted to a mere subsistence activity. A few decades were enough for the entire mining economy to collapse, with the decline of urban nuclei and the dispersal of most of their inhabitants throughout a zone of subsistence economy – a vast region with difficult means of communication, in which small groups were isolated from each other. . . . In no other part of the Western Hemisphere was there an instance of so rapid and so complete a process of involution from an economic system chiefly composed of population of European stock.[2]

An export cycle came to an end and the local economy returned to subsistence activities because it could not generate new exports with better economic prospects.

Much the same conditions prevailed in Jamaica in the decades after emancipation of the slaves. Per capita product fell from 1832 until 1870 largely because of the decline in the value of exports.[3] Per capita personal

[1] Celso Furtado, *The Economic Growth of Brazil* (Berkeley 1963), pp. 164–5. Italics added.
[2] Furtado, *The Economic Growth of Brazil*, p. 94.
[3] Gisela Eisner, *Jamaica, 1830–1930: A Study in Economic Growth* (Manchester, England 1961), pp. 119, 134, 319.

consumption was lower in 1870 than it had been in 1830 despite the distribution of income away from the plantation owners and to rural laborers. In his introduction to Mrs Eisner's book, W. Arthur Lewis analyzes the reasons for Jamaica's decline and subsequent failure to grow:

> Jamaica did not cope with her economic problems in the half century before 1930 because her leaders did not try to cope with them. ... The nationalist Jamaican leaders of the day, of whatever race, were not much concerned about the economic and social questions which are here discussed; they were preoccupied with questions of political power, and with protecting their respective middle or upper class positions. ... Not until the 1930s did Jamaica find among her own people spokesmen whose primary concern was economic and social development.[1]

Lewis' analysis, and by implication the data presented by Eisner, support the view that the lack of entrepreneurial initiative in supplying of export products, food for domestic consumption and local manufactures lay at the heart of Jamaica's failure to grow economically. It was not the deficiencies of world demand faced by a dependent economy which explain underdevelopment, but the inflexibility of the local economy in the face of change. Perhaps conditions in Jamaica were not so different from those in the American South where per capita income also fell in the years between 1840 and 1880, that is, over the interval which included emancipation and restructuring of the rural economy.[2]

After adjusting the national product estimates made by Humboldt and Quirós for Mexico for the first decade of the nineteenth century, Clark Reynolds suggests that Mexico may have suffered a decline in per capita product between 1810 and 1875: 'One must conclude that if the earlier figures are correct then either there was no net increase in per capita income over the course of the nineteenth century or that per capita income actually *declined* over the long period despite the gains of the Porfiriato.'[3] The gains of the Porfirian period (1876–1910) must certainly have been substantial. From 1895 to 1910 per capita product in Mexico increased at an average annual rate of 1·6 per cent, and the more

[1] Eisner, *Jamaica*, pp. xxii–xxiii.

[2] On the trends in Southern per capita income see Richard Easterlin, 'Interregional Differences in Per Capita Income, Population and Total Income, 1840–1950', *Trends in the American Economy in the Nineteenth Century* (National Bureau of Economic Research, Princeton 1960), pp. 73–140.

[3] Clark Reynolds, 'The Per Capita Income of New Spain Before Independence and After the Revolution' (unpub. MS. 1967). Reynolds reviews the earlier analyses of Henry G. Aubrey, 'The National Income of Mexico', *Estadística* (Mexico 1950), pp. 185–98, and Fernando Rosenzweig Hernández, 'La economía novo-hispana al comenzar el siglo XIX', *Ciencias políticas y sociales*, IX (1963), 455–94.

limited data available for the previous score of years indicate that per capita product was growing slowly throughout the last quarter of the nineteenth century.[1] Unless the 1800–10 level of per capita product was lower than that of 1910, then per capita product would have to have declined between 1810 and 1875.[2] Inasmuch as periods of decline were registered for other Latin American countries, it becomes feasible to entertain the hypothesis of decline in Colombia.

I believed some years ago that there was a period of economic decline – a fall in average per capita product or income – in Colombia which ended with the nineteenth century and began with the Reforms of 1850. The belief was difficult to support with hard evidence.[3] There were the data on real wages for six highland haciendas which are discussed in Chapter 6. They certainly support the argument but refer only to agriculture in the eastern highlands. The frequency of armed conflict, though civil and political in nature, suggests that the economy may also have been ill. Again, however, the qualitative assessments are contradictory. The Reforms of 1850 – particularly governmental decentralization, the abolition of Indian resguardos and the expansion of foreign trade – had profound effects on the distribution of income; to some extent the gains of one group offset the losses of another.

With such change it is doubtful that contemporary observers could make a correct assessment of the direction (let alone the magnitude) of movement of total and average per capita income. Scholars who have come later (I was among them) have tended to study a particular group making their general assessments on the basis of how that group fared. For example, several studies of the Antioqueño area have shown the rapid expansion of population, the southward movement of the frontier and the growing cultivation and export of coffee as signs of economic development. Yet even at the end of the nineteenth century the Antioqueños constituted but 23 per cent of the total of Colombian population (the regional share was only 13·5 per cent in 1870), so that the progress

1 Enrique Pérez López, 'The National Product of Mexico: 1895 to 1964', *Mexico's Recent Economic Growth: A Mexican View* (Austin, Texas n.d.), p. 27; Fernando Rosenzweig Hernández, 'El desarrollo económico de México de 1877 a 1911', *El trimestre económico*, XXXII (1965), 405–54.

2 The possibility that the Reynolds calculations for per capita product, 1800–10, may be too high is recognized and discussed in McGreevey, 'Recent Research on the Economic History of Latin America', pp. 99–100.

3 Some of the early arguments which I considered are presented in Chapter 5 of my doctoral dissertation, 'The Economic Development of Colombia' (Ph.D. diss., M.I.T. 1965), pp. 109–36. Some of the arguments made there are weak, but the lack of empirical support for decline is the most serious omission. I believe I have rectified the error here.

of that region alone tells but a part of the Colombian story.[1] The success of the merchant class is undeniable, but its gains have not been set against the losses of other groups to calculate the net effects of the international trade from which they drew their profits.

In Chapters 4 through 7 I have tried to draw together such information as there is to make an overall assessment of the movement of per capita product between 1845 and 1885. The first phase of the work is the analysis of political and economic issues which divided Colombians along regional, interest-group and class lines during the nineteenth century. The issues provide one means of identifying groups and the coincidence or opposition of their interests with the policies enunciated in the Reforms and the subsequent period of Radical hegemony. In Chapter 4 I attempt to set out the political basis for the divergence between the general interest and the policies of the period.

Chapter 5 takes up the role of the external sector in undercutting handicraft industries and generating the conditions for persistent disequilibrium in the balance of payments. The problem of adjusting the internal economy to international trade probably caused more difficulties than did limitations or fluctuations of foreign demand. The opening up of trade did not itself cause 'underdevelopment'; but the failure to achieve rapid growth of exports does suggest that internal adjustments were slow and difficult. Rising unemployment was one result. The slow growth of exports was itself evidence of a low capacity for transformation in Colombian society in that era. Thus the statistical analysis of trade contributes directly to an interpretation of domestic economic conditions.

In order to carry out the study of the impact of trade on Colombian economic development, I assembled data on foreign trade from the statistical records of Colombia's major trading partners – Britain, the United States, France and Germany. Based on those data and others available in Colombian government publications, consular reports and other sources, I assembled a new set of estimates of Colombia's foreign trade from 1845 to 1930. The result is a much more reliable set of estimates of Colombian trade than has been available at any previous date.

The principal differences between the new data and those formerly available lie in the much greater value of imports than had previously been indicated by official statistics. The new values prove to be consistent

[1] The percentages indicated are for the population of the State of Antioquia in 1870 and for the two Departments of Antioquia and Caldas in 1912. Using a slightly broader geographical definition of the Antioqueño area, Parsons puts the Antioqueño share in national population at 26·4 per cent in 1938. (James J. Parsons, *Antioqueño Colonization in Western Colombia* (Berkeley 1949), p. 104.)

with other quantitative and qualitative evidence about the Colombian economy in the last half of the nineteenth century.

The changing use and demand for land provides one of the principal clues to the process of economic change in the second half of the nineteenth century. Cropping by peasant smallholders in the eastern highlands gave way to stockraising by owners of vast estates. The peasants were being driven out of the rich river bottoms and up the hillsides. There was a scarcity of good land brought on by the monopolization of river bottoms by stockmen even though only a small percentage of cultivable land was in use. The shift to stockraising with its lesser demand for labor tended to increase the floating population of beggars and vagrants who roamed about the countryside in search of occasional work.

For a general assessment of the impact of the Reforms and other events in the second half of the nineteenth century I offer in Chapter 7 an anatomy of economic decline. This includes some calculations of the difference between what total output was in 1870 and what it might have been if the Reforms of 1850 had not been adopted. These calculations indicate that 1870 output was lower than it might have been had the former policies of autarchy, concessions to communal Indians and political compromise been followed.

The evidence from Colombia adds another country to the list of Brazil, Jamaica and Mexico which may have experienced periods of decline prior to their twentieth-century experience of growth. Although there are good reasons to believe that unique circumstances in each case have caused the period of decline, it is tempting to generalize. Might not a common condition of external dependence explain all these cases of decline? The trouble with this view is that it ignores the possibility of a common set of internal circumstances – the failure of supply response because of the limitations of entrepreneurial initiative. The comparative study of coffee and tobacco in the Colombian context which appears in Chapter 9 provides one preliminary investigation of the conditions of production which hinder or promote economic progress.

Transition to growth

The best-known international comparisons of the early phases of modern economic growth are those of Gerschenkron, Kuznets and Rostow.[1] All agree that there *may* be a fairly short period (up to 30 years) when the

[1] Alexander Gerschenkron, *Economic Backwardness in Historical Perspective* (New York 1965), especially pp. 5–30; Simon Kuznets, *Economic Growth and Structure: Selected Essays* (New York 1965), pp. 213–35, 20–3; W. W. Rostow, *The Stages of Economic Growth* (Cambridge,