Introduction: Argentina in the era of traditional technology

The 1860s mark a turning point in the socioeconomic development of the Río de la Plata region and, indeed, of much of Latin America. The railroad and other forms of new technology began to arrive in that decade. Within a half-century, modern modes of transportation and industry transformed economies and societies that had been developing and expanding along essentially traditional lines since the Spaniards first connected America to Europe by wooden sailing ships. Production and social relations in Latin America today bear little outward resemblance to those that existed before the appearance of iron rails and steam locomotives, even though many contemporary patterns were formed centuries earlier. Preindustrial economies were capable of growth despite the lack of modern means of production and power; for there is an important distinction between an expansion in income per capita and the absorption of new technologies. The former can happen under the right circumstances without the latter. Preindustrial societies also can expand, providing greater opportunities to share new wealth yet without disrupting traditional social relationships. Argentina in the late eighteenth and early nineteenth centuries provides the historian with an example of a region engaged in export-led growth with a remarkable degree of social and technological stability.

This study focuses on the twin aspects of Argentina's integration into the world economy – its markets and its production. I maintain that market demand, representing the trade possibilities of the time, was crucial for the type of economic activity that developed in the Río de la Plata. The salient issue in this investigation is the impact of market mechanisms on the methods of production, for the production of goods within a society often determines the possibilities for social expansion.

External markets were exceptionally important because the La Plata region had always been a fringe area. Possessing a small native and European population, it served as an economic appendage to other consuming areas. Argentina had spacious prairies in the Litoral, fertile valleys in the Interior, but isolated population centers throughout. (Constant reference will be made in this study to the two principal areas of the Río de la Plata. "The Litoral" refers to those areas of the coast, like the nation of Uruguay and the province of Buenos Aires, and those provinces served by river trade, Entre Ríos, Corrientos, and Santa Fe [the "riverine provinces"]. "The Interior" denotes all provinces served by overland transportation, from Córdoba to the Andes Mountains.) The landlocked market of Potosí in Upper Peru (today Bolivia) provided the original impetus for establishing the colonial economy. Settlements in the Interior supplied cattle, mules, and agricultural products to a mining region rich in silver but poor in arable lands. The second external market, the European trading community, was overseas and more expansive in nature. Toward the close of the colonial epoch, it all but overshadowed the landlocked market, thus heralding the rise of the Buenos Aires port complex and the Litoral's cattle industries. The industrial revolution in Britain and the United States later dominated the overseas market, as technological and concurrent manufacturing innovations necessitated greater quantities of raw materials from abroad. Scrutiny of these processes will explain their demand for pastoral products and their potential meaning for production in the Río de la Plata region. Because demand was translated through international shipping and commodity prices, we cannot ignore these linkages between consumers and suppliers in the world economy of that period.

The system of production on the pampa relates directly to markets. The *estancia* (cattle ranch) of the Litoral was the principal production unit, but the transportation network and processing industries cannot be excluded. They served as functions and corollaries of the whole system of export and provided jobs for a middling social stratum of entrepreneurs and laborers. In the La Plata region, the system consisted of overland freighting by oxcart, coastal and river shipping, the salting factories, the native merchants and warehousemen, and the foreign exporters. The estancia complex was rooted deeply in the soil of the colonial period, yet it displayed great flexibility when confronted in the nineteenth century by changes in market conditions. Clearly, the Argentine cattle ranch had to adapt to survive competitively in the world markets. A salient feature of the industrial revolution was the lower cost of its manufactures because of the application of technology and management to their production. Prices of raw materials such as hides and wool also fell, but cattle and sheep production in the Río de la Plata became more efficient under the pressure of these economic forces. Capital investment, expansion into virgin lands, estate management, marketing, and processing – but not new technology – all contributed to more efficient production.

Like the export trade, the acquisition of landed property in Latin America also has produced much scholarly controversy. Some historians attribute the dominance of large haciendas to a kind of sociopsychological lust for land by a native gentry. Landownership was the magical formula to acquire both social grace and the wealth to support the good life. This study confirms only that, for the cattleman, sound economic reasons existed for settling the virgin prairies with large landholdings. The nature of raising cattle, with the traditional rural technology and meager labor pools of the era, demanded expansive pasturages. Improved management techniques, however, tended to fractionalize large landholdings and to diffuse ownership. Sheep ranching and farming called for production on smaller landed units. Agriculture expanded onto the prairies in order to serve growing domestic markets. A vibrant economy also offers a variety of work and entrepreneurial possibilities, and Buenos Aires as well as most provinces of the region witnessed steady population increases starting from colonial times.

I propose to examine the entire market–production complex, not only through time, but also across oceans and national boundaries. I deal with political questions only cursorily. Social and economic growth in this time and place did not completely transcend politics and international tensions, but the economic plans of Bernardino Rivadavia and Juan Manuel de Rosas had little effect on how the region actually developed. The linkage between industrial demand and the raw materials producer more satisfactorily explains the timing, direction, and change in the socioeconomic history of Argentina in the era of traditional technology.

A socioeconomic study of any country in Latin America must come to terms with that corpus of ideas known as "dependency theory." This inquiry, therefore, consciously attempts to accomplish three goals: (1) to describe the economic and social evolution of Argentina in the century before the first railroads were built; (2) to test in an empirical manner the historical tenets of dependency theory; and (3) if dependency does not apply, to ascertain which theoretical model corresponds to the Argentine experience. Here is a preview of my findings:

La Plata's society and economy depended upon export markets for their dynamism, yet it would be incorrect to place the region in the "dependency" or "neocolonial" mold of current theorists.[1] Dependent economic growth has come to signify the inequality and conflicts in economic development between the center (the industrial nations) and the periphery (the so-called Third World) of international capitalism. The periphery countries suffer constraints on their domestic development because of the overriding predominance of an export sector providing raw materials for the industrialized nations. In dependency theory, the economic soundness of the neocolonial country rests upon the fluctuating metropolitan demand for one or two export commodities. Independent, powerful, foreign merchants take up residence in the region in order to dominate foreign trade, exacting high prices for imported goods while buying raw materials cheaply. Because commerce is carried on foreign vessels, dependency theorists argue, the raw materials producing region, therefore, supports a consistent deficit in its trade balance with the industrial metropolis. Foreign capitalists make up the deficit by exporting profits back to the metropolis and by gaining control of a variety of local economic assets through foreign investment. The native oligarchy, which cooperates with the foreigner, meanwhile, begins to concentrate local economic enterprise and landownership in its hands. Opportunity thus is closed to many natives and immigrants, who come to form a pool of unskilled workers for the export sector and are forced to endure conditions of insecurity and oppression. Further commercial development of such a dependent economy only intensifies its "underdevelopment," a constant structural weakness of Latin America within the organization of international capitalism.[2] If nothing else, dependency theory deserves credit for identifying the issues of Latin America socioeconomic development.

Research into each phase of the dependency model remains difficult for Argentina, as well as for other Latin American regions, before roughly 1850. Economic and social statistics were kept sporadically – if at all. But research materials do exist. I utilized printed documents, manuscript collections, and travelers' accounts as the basis of two chapters on the colonial economy. For trade and production from the viceregal period to 1860, the extant sources are varied. Customs records, now on deposit at the Archivo General de la Nación (AGN) in Buenos Aires, recorded foreign and local trade at the port. Statistical records and printed matter of the United States and the United Kingdom pertain to their trade in Argentina as well as to the industrial transformation that opened up wider markets for Argentine raw materials. Printed travelers' accounts and document collections at the AGN reveal the marketing and production infrastructure of the region. Existing, if confusing, private account books and business correspondence offer glimpses of the operations of ranching and merchant activities, whereas rural censuses complete the outlines of production and society on the prairies.

In all cases, I caution the reader on the accuracy of the figures quoted from such disparate sources. The celebrated warning of Lord Acton comes to mind: Remember, the numbers we use often come from the village idiot! All figures and tables in this study are intended to demonstrate trends and tendencies. I have striven to make sure that the numbers are reasonably consistent, and have drawn conclusions from them only when their movement is so large as to override any likely inadequacy.

I find the dependency model wanting in important respects and conclude that Argentine history before 1860 more nearly conforms to the "staple theory" of economic growth. Staple theory provides a useful structure with which to analyze regional development where the export of staple products – that is, gold, silver, fur pelts, fish, wheat, sugar, tobacco, timber, coffee, guano, copper, beef, and so forth – carries the entire economy and society. Harold Innis and the Toronto School of economic history conceived and evolved formal staple theory in order to explain the economic and social development of Canada. Other scholars since have applied variations of the staple model to the historical development of the United States and of Africa.[3] Perhaps because staple theory in itself is not ideologically satisfying, it has been used only sparingly to describe the export economies of Latin America.[4] Yet, the importance of the linkages involved in a vigorous export sector has occurred to Argentine historians – especially those who have studied the agrarian expansion beginning in the late nineteenth century. Roberto Cortés Conde and Carlos F. Díaz Alejandro definitively point to the role of staple exports in developing railway building, absorption of new technologies, diversification of exports, population growth, urbanization, and nascent industrial development for all Latin America as well as Argentina. The complementary rather than conflicting relationship between staple exports and industrial expansion has struck Ezequiel Gallo, Guido de Tella, and Manuel Zymelmann. Gallo finds staple theory particularly helpful for its emphasis on the spread effects of staple exports and for its analysis of social development in an export economy.[5]

Briefly, staple theory assumes that the production of raw materials and foodstuffs for export becomes the dynamic sector of the region and thus sets the pace for socioeconomic development. Three situations predetermine the staple setting: first, the existence of a world market for and international trade in certain staple commodities; second, that the region enjoys a comparative advantage, having resources available for exploitation, in producing those staples; and third, that the production function (how the staple is produced) generates discernible characteristics in regional development. Foreign merchant vessels have had easy access to the Río de la Plata estuary since the late sixteenth century, when they first began to exchange slaves and merchandise for contraband silver from Potosí. The appetite of the industrial revolution for raw materials, among them hides and wool, initiated a new era of staple trade at Buenos Aires and, by 1820, native entrepreneurs had begun opening up the fertile grasslands to cattle and sheep raising. Thus, pastoral production, using the native techniques of the day, governed the spread of a thickening veneer of civilization over the pampa. The task of the historian remains to investigate the causal relationship of markets and production to socioeconomic development.

In staple theory, expansion of the export sector stimulates growth within the region's infrastructure and enlargement of entrepreneurial and labor opportunities. Analytically, the spread effects of staple production are classified as backward linkage, forward linkage, and final-demand linkage.[6] In backward linkage, increases in staple production tend to promote investment in the goods and services used in the export sector. Expansion of Argentina's traditional transport system – the mules, oxcarts, riverboats, and freight facilities that collected and distributed staple products – is one example of backward linkage. Forward linkage is that inducement to invest in the processing and marketing of staple goods. Formation of a complex of stockyards, slaughterhouses, marketplaces, and warehouses attests to the strength of the forward linkage in Argentina. Buenos Aires expanded as the marketing and processing center for the entire region, and the Interior provinces, recovering from civil war and from the loss of colonial markets in Potosí, directed their economic activity toward the Atlantic port. Final-demand linkage is defined as the enticement to develop secondary production to meet local consumer demands. The Argentine economy seems to have engendered a broader distribution of income than did the plantation economies of Cuba and Brazil. Considering the population growth and the spread of local production and commerce in domestic consumer goods, one might conclude that the export of staple products from the Río de la Plata did indeed stimulate growth in the domestic market.

Social diversification and opportunities in staple economics also revolve around the export base. The availability of domestic capital and the existence of local entrepreneurs enhances the possibilities of diversification. Some capital, entrepreneurs, and labor may have to be imported into those staple economies that lack one or more of these items. In Argentina before 1860, the technology necessary to exploit the virgin land did not have to be imported; cheap native technology sufficed. Therefore, native businessmen and ranchers, supported by some immigration of labor, were able to expand both staple production and secondary economic activities on the basis of profits that they themselves had made in international trade. In fact, creoles and immigrants – rather than foreigners – dominated marketing and processing at Buenos Aires. Despite formation of a group of wealthy ranchers, expansion of rural production and internal marketing enlarged entrepreneurial opportunity. In addition to the latifundios, landownership actually was fractionalized – not concentrated – and proprietorship was diffused to a broad base of ranchers and farmers. Both in the city and in the country, working conditions seem to have remained more favorable to the individual laborer than has been reckoned.

Prior to 1860, the export sector of the La Plata region did not subvert or constrict the development of the economic infrastructure. On the contrary, diversification and diffusion were characteristic of the staple export economy throughout the colonial and early national periods. Economic and social expansion in this underpopulated corner of the world, in fact, would have been retarded in the absence of a vibrant staple export sector.

1

Silver and contraband in the colonial Rio de la Plata

The economy and society of the Río de la Plata region developed around the two great centers of colonial activity: first, Upper Peru's mining complex at Potosí; and later, the commercial port of Buenos Aires. The market demand of Potosí corresponded to the degree of mining exploitation. Silver production continued throughout the colonial period, and therefore those areas that supplied Potosí with staple produce maintained a corresponding economic growth and social development. Mules came from Córdoba and the Litoral, Paraguay sent native teas and Mendoza, wine and grain. Foreign luxury items and black slaves entered the regional market through Buenos Aires. Towns in between flourished on long-distance hauling and cattle driving, whereas those in closest proximity to Potosí prospered from sales of agricultural products and from the great mule trade.

However, the inelasticity of Upper Peru's landlocked market limited growth in the surrounding regions. Potosí's population and consumption fluctuated according to the output of silver production, as did its demand for goods. Historians often point to an additional hindrance — the prohibitive Spanish regulations and taxes on internal commerce within the American colonies. Actually, royal edicts did not govern colonial economic activity as much as did native methods of producing and transporting staple commodities. Moving goods by oxcart and livestock on foot across the expansive plains was slow and costly.

The rise of a commercial port at Buenos Aires hardly meant the doom of the Potosí trading community. Buenos Aires served as an important (albeit illegal) center for the exportation of Peru's silver and as a port of entry for European luxury items desired in Potosí. Commerce in the form of contraband proceeded throughout the colonial period despite official restrictions. The absence of figures prevents accurate knowledge of the true extent of smuggling, but reports and complaints of government officials reveal both the widespread importance of smuggled goods and the economic necessities giving rise to illegal trade. Entrepreneurs and tradesmen of the Interior benefited from the passage of both legal and illegal commerce along the established cart, mule, and river routes. Officialdom's prohibitions on smuggling proved ineffectual in this corner of the Spanish world.

Nevertheless, Buenos Aires was a different type of market than Potosí, international rather than regional. Representing an expanding Atlantic trading community, the *porteño* market (the Buenos Aires port market) therefore proved inherently more flexible. In addition to silver, Buenos Aires gradually became a source of pastoral products scarce in populous Europe. The port admitted the ships of each changing generation of European trading masters, beginning in 1600 with the Portuguese and continuing with the Dutch and British into the 1700s. The fall of one trading nation did not spell the decline of Buenos Aires, for this Spanish-American port offered the staple export that they all wanted and needed for their world trade – Potosí's silver bullion. In a way, the port's early development depended upon and complemented the growth of the Potosí mining complex.

Rich in mules and prestige

From the mid–sixteenth century to the end of the eighteenth century, Potosí was the silver-mining capital of the world. Its fabulous mountain of high-grade silver ore attracted a transient mining population that, at times, numbered more than 100,000. The largest number of residents consisted of Indian laborers brought to the mines under the rotational work system called the *mita*. By 1700, however, mining operations had drawn a large number of more or less permanent workers comprised of mestizos, Basques, Genoese, and Portuguese. Although most workers camped on the outskirts of the city, Spanish officials, merchants, and clergymen, numbering anywhere from a quarter to a third of the population, inhabited permanent buildings downtown.[1] In this city, Spaniards minted a large but fluctuating part of the world's supply of silver coins for approximately 260 years. Official calculations of tax revenues show that silver production varied from a high of 7.5 million *pesos* (a silver