INTRODUCTION

In the past two decades new research has transformed the economic history of Latin America. The pioneering work of the structuralist and dependency school historians, often collaborating with the United Nations Economic Commission for Latin America and the Caribbean (ECLAC),[1] produced a huge outpouring of new economic data in the 1950s and the 1960s, including the first historical (and in some cases current) estimates of Gross Domestic Product (GDP) for a number of countries. Statistical agencies and central banks, often founded and staffed by ECLAC graduates, undertook further work. The search for economic historical data was also stimulated by historians trained in the Anglo-American empirical tradition and in the methods of the French *Annales* School, and by heterodox development economists schooled in England and the United States. In the 1970s, these currents were joined by historians and economists trained mainly in the United States and often associated with the New Economic History. The ensuing debates over approaches and paradigms were fueled by the shifting fortunes of competing economic strategies – socialism, import substitution, freer trade – and by the rise of repressive military regimes throughout much of Latin America.

Latin America's economic history took a decisive turn with the 1982 financial and economic crisis and the ensuing transition to democracy throughout the region. Theoretical debates over competing economic strategies diminished in intensity. As democracies consolidated and the Cold War ended, ideological conflicts subsided or became muted. Economic history,

[1] ECLAC was known as ECLA (or CEPAL in Spanish) until the Caribbean was added to its name in 1973.

like the social sciences in general, professionalized in an environment that demanded better data and more sophisticated and coherent arguments. The impact of these changes in the Latin American intellectual landscape included notable advances in the study of the economic past marked by a series of general works and anthologies as well as an outpouring of original and often path-breaking monographic research.

The goal of these two volumes is to provide access to the current state of expert knowledge about the history of economic development in Latin America, here taken to include all of the western hemisphere from the "southern cone" of South America to the southern border of the United States. At the outset of the project, the three editors made two decisions that to some readers will inevitably appear at least arbitrary and possibly reckless. The first was to put aside the national and regional boundaries that have traditionally defined the scope of historical scholarship in order to commission chapters that address comparative topics with data and analysis on the entire region. The essays in these volumes focus on major trends and developments and confirm the utility of comparative work in economic history. The trade-off, of course, is that idiosyncratic experiences and smaller economies do not appear as often as they would in geographically delimited case studies.

The second decision was to break the two volumes at roughly 1850, a division that defies conventional periodizations. The logic of this division is economic and institutional rather than political. The transition from colonialism to independence in the 1820s coincided with economic fragmentation, but the economic and institutional legacy of the colonial economy continued to weigh heavily on the new countries. Not until the economic globalization of Latin America that commenced with massive inflows of capital and immigrants after 1850 did the region achieve sustained economic growth for the first time in history. The institutional modernization needed to sustain modern economic growth also took shape in the mid- to late nineteenth century. Finally, the onset of growth also coincided with the increases in the inequality of incomes and fortunes that were to characterize the region throughout the twentieth century.

THE COLONIAL ERA AND THE SHORT NINETEENTH CENTURY

The pre-Columbian economies of Mesoamerica and the Andes effectively integrated regional markets and production facilities over large areas, though not without some stress on food supplies (Chapter 1). European conquest and colonization of the Americas transformed indigenous economies by applying to the New World a technological, organizational, and cultural repertoire substantially different from that available to indigenous societies. The impact of this extraordinary development was magnified by the forced migration of millions of Africans to the American tropics and adjacent areas. Volume I thus includes an assessment of the economic determinants and reciprocal effects of European expansion (Chapter 2). It also assesses the impact of the slave trade on Africa and the impact of American contacts on African society (Chapter 3).

European governments and settlers introduced massive changes in land use and labor organization. Even where indigenous societies retained some autonomy at the local level, the introduction of Old World crops and livestock, colonial taxes, labor drafts, and new regional and international market access transformed people and landscapes (Chapters 4 and 6). The effects of the European reorganization of economic life were magnified by the catastrophic loss of life that followed after the introduction of Old World pathogens into populations that had no prior exposure (Chapter 5).

Despite the existence of quantitative evidence, beginning soon after the conquest, on key sectors of the Spanish American colonial economies – such as mining output, fiscal accounts, and trade statistics – only a few rough estimates of GDP have ever been constructed. These estimates, together with fragmentary data on other sectors and abundant qualitative information, suggest three broad patterns.

First, productivity and external trade were highly correlated. The colonies with the highest GDP per capita in the late colonial period, such as Argentina and Cuba, were those with the highest trade-to-GDP ratios. Brazil may have been an exception to this rule, but economic statistics for colonial Brazil are far less abundant than for Spanish America. Second, the mainland colonies, with large indigenous populations concentrated in highland valleys and plateaus, had low export-to-GDP ratios because their exports were limited mainly to precious metals or gems that could be shipped profitably over long distances to the sea. These mainland colonies also suffered from the most burdensome taxation. Third, the New World colonial economies of Spain and Portugal tended to stagnate over time. The European settlers generally managed to apply well-known techniques and organization to newly discovered, exportable natural resources, such as mineral deposits and coastal sugar lands. Once this had been accomplished, stagnation set in. Fluctuations in economic activity occurred when new products or mineral bonanzas were discovered, or when governments precipitated wars, raised taxes (they were seldom lowered), or imposed new regulations. The colonial economies of Spain and Portugal lacked the dynamism that characterized British North America in the eighteenth century.

Stagnating economies, however, are never static. Colonial Latin America experienced major changes and transformations over the three centuries of Iberian rule. Factor endowments and economic organization may have contributed to the colonial stagnation. Unlike northwestern Europe and British North America, most of Latin America's natural resources were landlocked and not economically accessible until the advent of the railroad in the late nineteenth century. The conquest and subordination of indigenous populations and the importation of African slaves created societies in which substantial majorities were marked, legally and socially, as inferior. Spanish and Portuguese tax and regulatory policies tended to inhibit many productive undertakings by raising start-up costs and risks, immobilizing people and capital, and distorting market signals to maximize revenues (Chapter 7). As the sectoral chapters in Volume I make clear, however, the relevant economic actors did not lack entrepreneurial spirit or willingness to work and sacrifice for future gain (Chapters 8–11).

As the colonial state disintegrated (Chapter 12), economic difficulties multiplied. In the first three decades after independence (1820s–50s), all of the Latin American economies suffered economic and political reverses (Chapter 13). Some fell into prolonged periods of political turmoil and instability (e.g., Argentina, Colombia, Mexico). International wars and blockades exacerbated political instability in nearly every country. Each tentative recovery collapsed as the bullets began flying again. A few countries managed to recover colonial levels of GDP per capita by mid-century, mainly as a result of natural-resource-based export bonanzas (e.g., copper in Chile, guano in Peru). Not until after mid-century, however, did developments in the world market, especially favorable movements in the terms of trade and sharply falling ocean transport costs, combine with political stability, institutional modernization, and massive capital imports for railroad building and other direct investments, to produce a region-wide transition to economic growth.

Part I

THE ECONOMIC BACKGROUND

1

THE GLOBAL ECONOMIC HISTORY OF EUROPEAN EXPANSION OVERSEAS

PATRICK KARL O'BRIEN

1. INTRODUCTION

Metanarratives about European expansion overseas had appeared even before Columbus claimed Hispaniola for Spain's Reis Catholicas and da Gama rounded the Cape of Good Hope on his murderous voyage to Calicut. By far the oldest, voluminous and most enduring metanarrative has been dominated by a concern to comprehend the history and nature of European impulses to trade with and to colonize the territories, assets, and populations of other continents. Another recent, more circumscribed discourse in political economy (which will be surveyed and reconstructed by this chapter) can be advertised as an inconclusive attempt to assess the macroeconomic costs and benefits accruing to Europe's national economies and to Western Europe as a whole from an intensified engagement with Asia, Africa, the Americas, and Australasia. The intensification of an ancient but sporadic and limited involvement with the places, populations, and regional economies of continents outside Europe really began with the Portuguese conquest of Ceuta in 1415 and persisted over some four centuries of mercantilism down to an "imperial meridian" (1783–1825). At that conjuncture in world history (which marked a transition in geopolitics from a mercantilistic to a liberal international economic order), the five European powers most seriously involved with expansion overseas (Portugal, Spain, the Netherlands, France, and Britain) had lost sovereignty over most of their former colonies and trading posts in the Americas, but continued to retain and to extend their empires in South and Southeast Asia, Australasia, and Africa down to an era of decolonization after the Second World War.

My chapter will begin by reviewing three separable stands of a historiography written by economic and other historians (based on research in national archives and informed by economic theory and comparative methods) designed to analyze connections between intercontinental commerce and colonization on the one hand, and the protracted but precocious industrialization of Western Europe on the other. I will conclude that this geographically bounded and Eurocentric paradigm for historical research is now "decadent" and our megaquestion can only be comprehensively and effectively addressed by relocating the whole enquiry into the recently reestablished discourse for the study of global economic history.

After an exercise in "deconstruction" the core of the chapter will then move on to specify, reconfigure, and, where possible, quantify the economic significance of connections between Western Europe and the rest of the world economy between 1415 and 1825. My essay offers guidelines for research, conjectures, and plausible speculations concerning the significance of outcomes flowing from expansion overseas for the evolution and integration of Western Europe into a system of technologically advanced market economies.

2. EUROCENTRIC HISTORY, COST–BENEFIT METAPHORS, AND COUNTERFACTUAL SPECULATIONS

Costs and benefits are familiar concepts, drawn from economic theory, and signal an intention to bypass all other motives behind expansion and to sideline the geopolitical, cultural, and social gains as well as the psychic, sexual, and spiritual gratification that Europeans derived from centuries of interactions with other continents.

From its beginnings as a process of maritime exploration, costs in the form of private and state investment were incurred to build up, protect, and develop commerce with societies and colonial settlements overseas. Over the centuries that investment cumulated and led in time to regular and ever-increasing flows of exports, imports, labor, capital, and useful knowledge across oceans, seas, and overland routes of a world economy that had been tangentially connected for more than a millennium before the rediscovery of the Americas in 1492. During the sixteenth century, connections multiplied and deepened when the maritime economies of Western Europe became increasingly involved not only with the Americas, but unavoidably with

Africa and Asia as well. Thus, the trans-Atlantic reconnection, together with the establishment of regular commerce with India, Southeast Asia, Japan, and China, represents a conjuncture in global history because it marked an acceleration in the growth of world trade that led (slowly at first) toward a widening and deepening of intercontinental commerce that evolved rapidly after the diffusion of steam-powered ships and trains into an ever closer integration of world markets for commodities, capital, labor, and technologies.

Although Europe is endowed with entire libraries of scholarship on oceanic trade, merchants, international finance, ports, ships, shipping, navies, mercantilist regulations, and interstate rivalry for the spoils of empire and commerce between Europe, Africa, Asia, and the Americas, nothing has been settled about their significance for its development. Connections between intercontinental trade on the one hand and metropolitan industry and agriculture on the other are often mentioned and occasionally analyzed, but almost never quantified. Likewise, published economic histories of European industries, agricultures, and services consider production, location, organization, entrepreneurs, workforces, and technologies, but only rarely are linkages to overseas trade explored. Furthermore, there is an imbalance in the published literature. National histories of oceanic commerce are easier to research and more exciting to read than histories of domestic production. The sheer volume and accessibility of sources dealing with intercontinental trade have led to an exaggeration of its significance in European economic history.

That exaggeration has, moreover, been compounded by the long preoccupation with interstate rivalry that has dominated the writing of European history since the time of the Reformation. Even for economic history, geopolitical themes such as: violence, predation, colonization, and mercantilist rivalry (eloquently represented by a venerable tradition of writing by canonical authors going back from Immanuel Wallerstein and Fernand Braudel to Karl Marx and Adam Smith) continue to dominate the historiography of European expansion overseas and resonate powerfully in analyses of European imperialism by radical intellectuals from all parts of the world. Seeking to deconstruct, qualify, and countervail what they regard as a simplistic grand narrative of exploitation by a more coherent, balanced, and validated alternative are three stands or separable programs of historical research. Ranked first in terms of the volume of publication comes a long and ever-growing bibliography of books and articles from historians bunkered in Europe's national and local archives, whose research continues to be based on the assumption that generalizations about the economic significance of Europe's commerce and colonization over the epoch of mercantilism might well come from further spatial disaggregation into microcase studies focused on the involvement of particular maritime cities, regions, industrial sectors, and local agricultures in various parts of Western Europe with oceanic commerce. As usual, this "Rankean" paradigm of geographically confined and chronologically delineated historical research operates to undermine any but brave (or foolhardy!) attempts at synthesis. As yet there has, however, been no clear progression from the manufacture of bricks to the formulation of architecture.

Perhaps the only escape from the tyranny of historical detail is to be found in publications that do at least seek to analyze the macroeconomic impact of exports, imports, capital outflows, returns of profits and interest, and inflows of knowledge on the long-run development of national economies (Portugal, Spain, the Netherlands, France, and Britain) most actively engaged in imperialism overseas. Whenever macroeconomic investigations consider the terms and conditions for trade, set within an evolving framework of mercantilist rules and regulations, enforced by European states, and including estimates for the costs of conquest and protection for trade borne by metropolitan taxpayers, they move closer to a theoretically acceptable analysis of how overseas expansion might have related to the long-term growth of national economies. Unfortunately, retrospective macroeconomic balance sheets for any of Europe's major imperial economies have proved impossible to construct. Perhaps that is not surprising because models imported from economics (which link growth to trade) require rigorous specification, counterfactual reasoning, and a range of data (virtually unavailable before the late nineteenth century) to draw inferences about the magnitude, or even the direction, of effects that investment in colonization and commerce overseas might conceivably have exercised on national rates of growth.

Even if economic historians set aside (as they must) the heuristic but non-operational requirements of international trade theory and econometrics, and concentrate upon "plausible conjectures," the demands on those who wish to engage rigorously with this megaquestion remain formidable. For example, in order to move on from theoretical vocabularies and underspecified models of linkages between trade and growth, scholars are required to construct historical chronologies that begin with valid accounts of the actual growth that European agricultures, mines, manufactures, and trades had achieved for, say, several decades before a Genoese admiral navigated

Spanish ships to the Americas, or da Gama sailed a flotilla of caravels from Lisbon to Calicut.

In short, a seldom addressed counterfactual question lies behind any claims to pronounce on the economic significance of the first epoch of European exploration, mercantilism, and intercontinental commerce: namely, what kind of trajectory had the interconnected regional economies of Europe been on between, say, the conjuncture of the Black Death, 1348–50, and the beginnings of Portuguese exploration down the west coast of Africa in 1415. With so little data at their disposal medieval historians find it difficult to deal with clearly posed questions of this kind. Few suggest, however, that the local European agricultures, industries, and trades that they study seemed destined to run into diminishing returns or stop at the buffers of production-possibility frontiers. Their informed perceptions are that not long after the awesome shock of the Great Plague, and well before the rediscovery of the Americas, European economies were already on the move. Even a cursory reading of medieval history raises the counterfactual question – in what sense (and to what degree) did the slow advance in productivity growth toward a plateau of possibilities and opportunities from where the technological breakthroughs associated with the Industrial Revolution become probable depend on the commerce and imperialism pursued by the Iberians, the Dutch, the French, and the English in the Americas, Asia, and Africa?

This way of formulating the problem has promoted a third strand of modern inquiry, which anticipated that some insights might be gained by placing national histories of European trade and colonization side by side. The resort to comparative methods has at least rediscovered two clear contrasts that are relevant to any assessment of the costs and benefits of committing European resources to overseas expansion.

For example, comparisons reveal that several economies (German princely states, Austria, Denmark, Bohemia, Norway, and Sweden) matured into successful industrial market economies with virtually no allocation of capital, manpower, entrepreneurial talent, and armed forces to colonization and intercontinental trade during the age of mercantilism. More significantly, comparative methods show that the social returns from investments by five national economies (which remained more or less committed to Europe's imperial program) varied in explicable ways across space and through time. Modern economic histories of Portugal, Spain, France, the Netherlands, and Britain have concluded that long-term macroeconomic gains from investment in oceanic trade, maritime outposts, and colonial