This paper assesses the economic consequences of independence in Latin America and explores the connections between independence and long-run economic backwardness. Independence had a very different impact across regions and widened regional disparities. The release of the fiscal burden was offset by higher costs of self-government, while opening up to the international economy represented a handmaiden of growth. It appears doubtful that inherited Iberian institutions can be blamed for Latin America’s poor long-term performance, especially if the scope is widened to include the post-independence economic behaviour of former British and French colonies in Africa and Asia.
Independence, a long process that was completed by 1825, is seen as the most important event in nineteenth-century Latin American economic history. This is so due, in part, to the association historians and economists tend to establish between the long-run consequences of colonial emancipation and the widening gap in living standards between Latin America and the developed countries.

How have the economic consequences of independence been depicted? Wars of independence led to fragmentation of political power, militarisation of society, and mobilization for war of resources and men. Political turmoil did not end once independence was completed. Dispute over national borders and civil wars continued for decades. The break with Spain and Portugal did not bring with it any immediate changes in the existing social and economic structures. Property rights of land and labour did not experience drastic changes after independence. Meanwhile openness to trade and factor inflows was still restricted. Nonetheless, change was brought by independence. The end of the de facto customs union, the capital flight and the collapse of the colonial fiscal system all had negative effects on growth, while the end of external trade monopoly and access to international capital markets represented positive effects. Moreover, independence was followed by a marked decline in economic activity: per capita income did not return to colonial levels until mid-nineteenth century. In the short-run, the economic benefits of independence were small and overcome by its costs, while, in the long-run, the destruction of the colonial institutional order freeing the colonies from Spanish taxation and trade monopoly brought economic benefits including institutional modernization.

The purpose of this paper is to investigate the connections between independence and Latin America’s long-run retardation. In order to do so I investigate the effects of independence across Latin America, that result from removing the colonial burden (section I), and opening up to the international economy (section II), as well as the aggregate impact on the economy of the new republics (section III). Then, whether long-term retardation in
Latin America is related to the way independence occurred is explored in a comparative framework (section IV). Some concluding remarks and a research agenda complete the paper.

The paper’s main findings can be summarized as follows:

a) Releasing Latin American countries from the fiscal burden of the Imperial system was most probably offset by the higher costs of governing themselves.

b) While integrating into the world economy brought net gains to Latin American economies over the long run, although at the cost of higher internal inequality.

c) The economic conditions after independence in Latin America are more comparable to most countries in Asia in the 1950s and in Africa in the 1960s than to the U.S. after 1776. A more appropriate yardstick for assessing Latin American performance from 1820 to 1870 seems to be, therefore, post-colonial Asia and Africa in the late twentieth century.

d) On the whole, during the years 1820-70, a relative decline in Latin American GDP per head took place when compared to the U.S. and Western Europe but her relative position remained unaltered when the comparison is carried out with the European Periphery or the Russian Empire and clearly improved to Africa and Asia.

I

The fiscal and trade burden of the empire has been emphasized in the historical literature, in particular, for the case of New Spain (Mexico). The fiscal burden consists of the taxes levied on the indigenous population to maintain the colonial system and it included the Indies’ remittances, or surpluses of the colonial administration that were sent to Spain. In the 1790’s, 5 million pesos were, on average, sent annually to the metropolis. It represented more than half of all the sums sent to Spain from Latin American colonies. By 1800 residents in Bourbon Mexico paid more taxes than Spaniards in the metropolis and were making, therefore, a significant contribution to the imperial administration.
the only estimate available for the Spanish empire, John Coatsworth reckoned that the fiscal burden represented 4.2 per cent of Mexican GDP by 1800\textsuperscript{14}. Removing colonial rule eliminated the fiscal burden and, \textit{ceteris paribus}, added to Latin American GDP.

However, if the net gain for Latin America is to be estimated, an increase in the costs of administering many, not a single political unit has to be taken on board. The fragmentation of the initial national divisions took place soon after independence. Central America separated from Mexico by 1823, and the Central American Federation only survived until 1838 and led to the creation of five new countries in 1839 (El Salvador, Costa Rica, Honduras, Nicaragua and Guatemala). By 1830 Colombia, comprising Venezuela, Colombia, Panama and Ecuador, broke up into three countries, Venezuela, New Granada (present-day Colombia and Panama) and Ecuador. The Peru-Bolivia union (new republics in 1824 an 1825, respectively) created in 1836, collapsed in 1839. Mexico lost half its territory by 1847. The Viceroyalty of the River Plate became three separate countries: Uruguay (independent in 1828), and Paraguay, and Argentina.

Independence produced the demise of the largest monetary union and \textit{Ancien Régime} fiscal structure in existence\textsuperscript{15}. Monetary and fiscal disintegration brought by independence contributed to political fragmentation and reflected in weak national administrations and increasing transaction costs. Separation brought with it clearly negative effects in terms of economic efficiency: commercial links, however weak in colonial times, among regions were no longer guaranteed. Increasing market integration within the Spanish empire during the late seventeenth and especially the eighteenth century, as shown by price convergence in the Viceroyalty of Peru came to a halt with independence\textsuperscript{16}. Costs in defence and law enforcement had to be duplicated, and the coordination in the provision of public goods was more difficult\textsuperscript{17}. Each new republic faced the challenge of creating a new fiscal and monetary system and a domestic financial market. Attempts were made at superimposing the United States federalist tax model upon colonial Spanish administrations but the outcomes
were rigid and inefficient systems. Customs duties became the backbone of the new fiscal systems, as in post-independent United States. Unlike the U.S., however, most Latin American governments suffered chronic deficits over the first half of the nineteenth century as tax revenues stagnated and military expenses increased. On top of it, fiscal policies were subordinated to military and political caudillos at the expense and dilution of tax administration. The fragmentation of monetary regimes and chronic public deficits constituted an obstacle to the emergence of modern financial markets throughout Latin America up to 1850. A vicious cycle emerged in which fiscal weakness led to weak government that led, in turn, to frequent challenges to the elite in power and, as a result, civil strife proliferated.

North, Summerhill and Weingast provide a persuasive, though untested, explanation for the institutional background to the problems faced by the newly independent republics. In the colonial era, political order without incentives for long-term economic growth was the pattern in Latin America. The break with the metropolis destroyed many of the institutions that provided credible commitments to rights and property within the Spanish empire. The lack of stabilizing institutions made impossible to achieve efficient economic organization. Hence, a scramble to preserve colonial protection and privileges or to secure new powers occurred. An alternative explanation, in which the causation is reverted has been recently put forward. Intra-colonial fiscal transfers were, in Grafe and Irigoin’s interpretation, the successful basis of the colonial system that led to territorial expansion and reasonable economic performance. After independence, unequal access to fiscal resources in the absence of intra-colonial re-distribution of tax revenues provoked a struggle for the control of fiscal resources and led to political strife.

A few national testimonies from the post-independence era is as much as can be provided to assess these interpretations. In Mexico, a profound fiscal crisis took place in the 1810s under civil war. Destruction of the complex colonial treasury system occurred
due to the extraordinary rise in internal military expenditures, a growing tendency to rely on forced loans and the increasing fiscal autonomy of local treasuries\(^{21}\). As a result local credit markets became disintegrated. Meanwhile, public internal debt grew by nearly 40 per cent between 1823 and 1848, an outcome of growing public deficits (that reached up to 40 per cent of total government expenditure). Such a situation was totally new, as there were no deficits under colonial rule. In fact, there were transfers of surplus from one colony to another (\textit{situados})\(^{22}\). Independence led to the abolition of two major sources of income of the colonial administration: the Indian tribute tax (levied on all heads of households in Indian towns) and mining taxes (10 per cent duty levied on all silver produced). This reduced potential income of the state by almost 30 per cent\(^{23}\). Instability paralleled public debt growth leading arguably to crowding out private investment\(^{24}\). Short and long run effects of independence can be distinguished. Short run effects resulted from the civil war of the 1810s that subverted trade, destroyed property and productive assets and absorbed labour causing output to decline by 50 per cent. Long run effects included militarism and political turmoil that altered government spending and the composition of expenditure during the 1830s-1840s, but output did not necessarily fall in the short run though it affected long-term growth negatively through lower investment\(^{25}\). A negative association has been established between political instability and economic growth in the half century after Mexican independence\(^{26}\).

The other main centre of Spanish empire, Peru, points into a similar direction. Independence took place under different circumstances: foreign republican armies defeated royalist elites. As in Mexico, the republican state, under chronic fiscal deficit, increased taxation on mining making its recovery difficult. War destruction of fixed capital, fiscal mismanagement (foreign debt, public expenditure) and default together with political turmoil had a negative impact on the economy. Independence, in the end, did not deliver the conditions for sustained economic growth\(^{27}\). Quiroz poses the counterfactual that had
independence been delayed until 1850 the transition costs might have been lower than those actually suffered in Peru\textsuperscript{28}.

In another area of large indigenous population, Central America, political instability and war affected the economy, including the destruction of capital, obstacles to trade and transport, and increasing uncertainty for investors, while the government forced loans from merchants\textsuperscript{29}. The prolonged transition to private property surely introduced uncertainty that delayed investment in land improvement and increased transaction costs\textsuperscript{30}.

Chile and Brazil behaved differently. These countries managed to create institutions that protected groups from aggression and expropriation, although they failed to achieve political competition and cooperation among sub-national administrative entities\textsuperscript{31}. Colombia, in turn, was successful in improving the colonial tax regime and, by 1850, had a much more fair (head tax on Indians, taxes on public employees and \textit{alcabalas} –a tax on all sales of domestic production- were eliminated), efficient (customs taxes mainly on imports) and neutral fiscal system\textsuperscript{32}.

The colonial empire provided protection (security and justice) at a cost not too high to the different parts of the Viceroyalty of River Plate. With independence, new providers of protection emerged but with lower capacity than the metropolis. After 1810, local powers offered protection within their limited resources (the disappearance of the army limited the extension of the protection service to remote areas). Rosas dictatorship restricted property and free trade, but lack of political freedom did not imply, however, total suppression of economic freedom. In the interior provinces the principles of economic freedom were not easily accepted. Only in the 1853 constitution was national organization on the basis of economic freedom widely accepted while its enforcement took another thirty years.

The experience in areas of low indigenous populations such as the River Plate was different. Buenos Aires profited more than the interior provinces from independence. The
Buenos Aires economy profited from the disappearance of a fiscal system that created disincentives for productive activities. Stable political institutions that allowed contract enforcement were introduced. The provinces of the Viceroyalty of River Plate failed, in turn, to devise an incentive structure to keep them voluntarily united under a single government and to take advantage of economies of scale in the provision of defence and justice, reducing transaction costs and encouraging economic development, as the separation of Uruguay and Paraguay revealed. Military threats and trade blockades had long lasting economic and political consequences on Paraguay. They led to public finance crisis and economic contraction and to the political demise of proponents of more representative governments and freer trade. They also gave rise to political absolutism and redistribution of property towards the state. Economic activity in the three decades following independence fell below the levels reached in the late colonial period. In a nutshell, political stability and economic growth were accomplished in Buenos Aires and Uruguay, while stagnation and political instability prevailed in the interior.

To sum up, reallocating resources from a big closed economy, the colonial empire, to small and, often, open economies such as the new republics implied a non negligible cost. The colonial empire provided protection (security and justice) at a cost not too high. With independence, new providers of protection emerged but with lower capacity than the metropolis. Transaction costs increased independence as political and economic institutions went through a period of turmoil and re-definition, while continued violence between and within countries also contributed to less well defined property rights. These costs were higher for the new republics because of fragmentation and the loss of economies of scale. Moreover, a single fiscal system within a monetary and customs union, such as the Spanish empire, represented significant savings compared to multiple national fiscal and monetary units created by colonial independence. On the whole, it was not until the mid-nineteenth century that the benefits derived from removing the fiscal burden
overcame were roughly offset by the increasing costs of providing their own governments (including military expenses) that Latin American countries were forced to incur.

II

The release of the trade burden imposed by the colonial system allowed the new Latin American countries to have access to expanding world commodity and factor markets. In the only available estimate for the Spanish empire, Coatsworth reckoned that the trade burden represented up to 3 per cent of New Spain’s GDP, again a significantly higher figure than the one estimated for the Thirteen North American Colonies. Independence allowed the Latin American republics to trade directly with Europe and North America and it represented a reduction in transportation and commercialisation costs that, ceteris paribus, increased the volume traded. However, in the decades following independence warfare and political instability made the adjustment to the new international trade regime difficult. Bulmer-Thomas stresses that, over the nineteenth century, the export sector was not large enough to pull along domestic economies in which non-tradeables represented a large proportion of output and its productivity was very low.

Trade theories suggest a series of testable hypotheses for early nineteenth-century Latin America. A consequence of getting rid of the trade burden was to open up a new ‘frontier’ in which land expanded at a rising cost in terms of other resources. We expect a expansion of trade and, through a better resource allocation, an increase in output (and, if underemployment of resources exist, trade would provide a vent for surplus). Terms of trade, according to the Prebisch School, might decline, but the opposite would occur in the light of Classical economists as Latin America exported primary goods and imported manufactured produce. At the same time, changes in income distribution should take place, with a tendency for within-countries inequality to rise as the reward to land, the abundant and less equally distributed factor, improves relative to labour. Lastly, a worsening of Latin American position in the world economy is predicted.
Location mattered much in the nineteenth century as the tyranny of distance was a determinant factor of trade—in particular, prior to the construction of railways (only in a large scale after 1870)—, despite the sharp reduction in ocean freight and insurance rates. Relative rather than absolute transport costs from alternative locations were what really mattered. Freights rates from Antwerp to Rio de Janeiro in 1850 were only 40 per cent of those prevailing in 1820, but freight rates from Antwerp to New York fell even more, to one-fourth. Meanwhile, insurance rates were cut to one-half and to one-third for trips from Rio and Buenos Aires, respectively, to Antwerp. Transport costs from Antwerp to Buenos Aires and Rio remained relatively stable over 1850–70 but those to Valparaiso, on the Pacific Rim, fell by 40 per cent, as a consequence of the convergence of transport costs to the Pacific with those to the Atlantic façade of Latin America’s Southern Cone.

Geographic constraints imply different outcomes of exposition to international trade across regions. Coastal regions, densely populated and with temperate climate would be at advantage to landlocked hinterlands in tropical areas, as migration and infrastructure development become more difficult and incentives exist for coastal economies to impose costs on them. Landlocked economies such as Bolivia and Paraguay, the interior regions of Mexico, Colombia, Brazil and Argentina, and Andean countries such Ecuador and Peru were clearly at disadvantage relative to coastal regions. In addition, countries on the Pacific Rim had a transport cost disadvantage over those on the Atlantic façade. Table 1 provides some insights about the overall transport costs that emphasize the importance of internal costs of transportation.

We expect wide regional discrepancies in Latin American integration into the international economy. In Mexico, independence ended laws restricting immigration and capital inflows and brought an increase in openness (trade went up, according to Coatsworth, from 8.1 per cent of GDP in 1800 to 12.3 per cent by 1845), but arguably not
when compared to the late colonial period\textsuperscript{44}. Meanwhile in Peru, mercantilist policies remained in place. After an episode of trade expansion up to the mid-1820s, fixed prices, taxation, and protectionism remained an obstacle to economic activity for decades. Only three decades later the stimulus of the international demand (the guano boom) opened the country up\textsuperscript{45}. Qualitative evidence on Central America suggests stagnation, but current imports from Britain almost doubled (while its prices were practically halving) between two peaks (1826 and 1839) to decline afterwards\textsuperscript{46}. There were limited incentives to trade as physical barriers implied high transport costs. Independence brought a break of colonial commercial networks and procedures. Links between regions of the Federation weakened as export orientation increased. Together with political instability it led to the creation of five new countries in 1839. An exogenous shock occurred as a consequence of US assimilation of California: new maritime routes through Panama isthmus, together with the Panama railroad (1855), led to a sharp decline in transport costs increasing trade and finance\textsuperscript{47}. In contrast to Spanish America, independence in Brazil did not involved a shift in the direction of trade\textsuperscript{48}. The Buenos Aires economy profited from the disappearance of colonial regulation that forced it to trade through the metropolis. From re-exporting silver from Alto Peru Buenos Aires became an economy exporting livestock products. The main consequence of independence was adding new lands to cultivation and opening up to foreign trade\textsuperscript{49}.

The hypothesis of an uneven distribution of post-independence trade in Latin America for different points in time can be tested with evidence on the purchasing power of exports (current values of exports deflated by the price of imports) normalized by population (Table 2)\textsuperscript{50}. Location conditioned the importance of trade with the Southern Cone and the Caribbean ahead of the rest. The relative dispersion of per capita exports declined, however, over the whole considered period. Evidence on capital inflows per head from Britain, the main investing country in Latin America, though exhibiting a different
country pattern, confirms the uneven integration of Latin American countries in international commodity and factor markets.

To what extent did Latin America integrate in the international economy? Over forty years, the purchasing power per Latin American inhabitant of both exports (1830-70) and British investment (1825-65) increased noticeably, at an average annual rate of growth of 1.5 and 2.1 per cent, respectively (Table 2). Exports accelerated after 1850 and its per capita rate of growth moved from 1.2 in 1830-50 up to 1.8 over 1850-70, while British investment per Latin American population only took off after 1865, reaching a yearly rate of 9.1 per cent during 1865-75, a phenomenon linked to government loans and, to a less extent, associated to the shift of foreign investment toward railroads construction and public utilities. On average, deflated British investment per head grew at 3.5 per cent over 1825-75.

National estimates of countries’ purchasing power of exports in terms of imports, also known as income terms of trade, confirm our findings. Cuba’s income terms of trade improved substantially (277 by 1867, 1826=100) due to supply increases in sugar exports. In Mexico, no trend was exhibit during 1828-1851 but, then, a sharp improvement took place up to the 1880s. In Colombia, real exports per capita doubled between the late 1830s and 1880, while income terms of trade trebled between the 1830s and the 1860s. In Brazil, real exports per capita multiply by three between the 1820s and the 1850s and by four between the 1820s and 1870s, while income terms of trade grew at an annual trend rate of 4.2 per cent over 1822-1849 (2.8 per cent in per capita terms). Argentina also experienced a remarkable increase in the quantity and the purchasing power of her exports. Chilean real per capita exports, in turn, multiplied seven times between independence and 1870.

The net barter terms of trade, that is, the ratio of export to import prices that provides a measure of the purchasing power per unit of exports, have been depicted as a...
‘productivity index’ of trade. Recent research provides estimates of net barter terms of trade for major Latin American countries (Table 3). In Mexico the net barter terms of trade experienced a moderate improvement between 1828 and 1881 (at 1.4 per cent per year) and probably added 3 per cent to GDP by 1860. Venezuela’s terms of trade followed the Mexican pattern of stability over 1830-50, to deteriorate in the early fifties and to recover in the seventies. In Chile, after a sharp rise and decline at the time of independence, stability was the rule. Brazilian purchasing power per unit of exports increased in three-fourths between 1826-30 and 1876-80. Colombian net barter terms of trade improved as much as Brazil between the late 1830s and 1880. The Salvuccis were able, on the basis of Gootenberg’s data, to estimate that the net barter terms of trade of Peru were 47 per cent higher in the early 1850s than in the 1830s. Argentina’s terms of trade show an improvement that peaked in the late 1850s. The demand for exports increased due to international trade expansion and European industrialization while the growth of inputs used by the pastoral economy and a rise in productivity lie behind the supply expansion. Cuba provides the exception as her net terms of trade deteriorated between 1826 and 1866 (by 50 per cent), and when adjusted for productivity changes in the export sector (the so-called single factorial terms of trade) no trend appears between 1826 and 1846 to experiment, then, a decline up to 1862 (by 61 per cent).

Evidence tends, therefore, to reject the old view of deteriorating terms of trade that hindered Latin American growth precisely at the time (1820s-1870s) when large international disparities in per capita income began to emerge. Actually, it can be suggested that the domestic terms of trade, that is, those perceived by the Latin American population, should have improved more dramatically than the international terms of trade as independence allowed to trade directly in world markets, colonial tariffs were repealed and the new republics’ tariffs were often lower. Transport costs and the increase in the scale...
of trade also helped to reduce margins in international trade. On the combined evidence provided by the evolution of the relative price of exports (Table 3) and the purchasing power of total exports (Table 2) the idea of *immiserizing* growth can be rejected for most of Spanish America and for Brazil.

The opening up to the international economy has been associated to a widening of income differences within national boundaries and across countries. No evidence is available on the former for the pre-1870 period with the exception of Argentina for which Newland and Ortiz have shown that the expansion in the pastoral sector resulting from improved terms of trade increased the reward of capital and land, the most intensively used factors, while the farming sector contracted and the returns of its intensive factor, labour, declined, as confirmed by the drop in nominal wages. A redistribution of income in favour of owners of capital and land (*estancieros*) at the expense of workers took place. Williamson’s findings for 1870-1914 also suggest an increase of inequality within-countries in Latin America, which confirm empirically Stolper-Samuelson theoretical predictions.

Thus, as natural resources were the abundant productive factor in Latin America, they were more intensively used in the production of exportable commodities. As a result, returns to land grew relatively to labour’s. Since the ownership of natural resources is more concentrated than that of labour, income distribution tended to be skewed towards landowners and inequality rose over the decades prior to World War I.

To sum up, it seems warranted to argue that the release of the colonial trade burden had net gains for the economies of Latin America as the evolution of quantities and prices of exported goods suggests. Although trade did not have the strength to pull along the economy as an episode of export-led growth, it can be argued that, when it was not hindered by geographic and institutional barriers, it facilitated economic growth. Trade in nineteenth century Latin America, seems to have been, in most national cases, a
handmaiden of growth. There was some increase in inequality, as the Stopler-Samuelson effects predict, but incomes did not fall because of trade effects.

III

Evidence on aggregate economic performance across countries shows a wide variance. In the main centres of the former Spanish empire, Mexico and Peru, war destruction of fixed capital, financial capital flight, mining depression, together with fiscal mismanagement and political turmoil, all contributed negatively to growth. Public debt, it has been suggested, crowded investment.

A widely accepted perception is that Mexican economic decline lasted until the 1860s. According to Coatsworth’s estimates, output per head fell at a yearly rate of nearly –0.6 per cent between 1800 and 1860. Alternatively, it was suggested that, in real terms, output grew by 30 per cent over 1800-40 while population did it by 9 per cent, implying that output per head increased by 21 per cent or 0.5 per cent annually. This revisionist picture has been rejected later by Salvucci who points that prolonged stagnation or, even, decline of per capita income are better depictions of Mexican economic performance over 1800-40. More recently, Coatsworth has conceded that, after the decline during the independence wars, a very mild recovery occurred between the 1820s and mid-nineteenth century.

The causes of the long depression of the Mexican economy are the subject of an intense historical debate. Among the reasons pointed for sluggish growth the decline in silver production that did not recover until the 1860s, is the main one. The fall in silver output led to a drop in employment and expenditure and to a contraction in the money supply. Abandonment and flooding of mines and the high price of mercury, used to refine silver, lie behind the collapse of mining. The slow recovery of silver output, both a consequence of the economic policies followed in post-independence Mexico and of the changes in the international market for mercury, hindered severely Mexican economic growth. According to Dobado and Marrero, Spain, a major world supplier, did no longer supply Mexican mining at
prices below those prevailing internationally. Mexico had to purchase mercury in the
international market while prices kept rising during the early nineteenth century. A competing
hypothesis by Ponzio suggests political instability as the main cause of the decline in per capita
income during the half a century after independence.

In Peru, as in Mexico, the republican state, under chronic fiscal deficit, increased
taxation on mining. Silver mining also declined until the 1840s. High mercury prices and
interest rates, obsolete technology, and Government taxes all contributed to difficult the
recovery of mining. In short, independence at the core of the colonial empire did not
deliver the conditions for sustained economic growth. The fact that the centres of empire
became the less successful regions in post-independence Latin America has been associated
to the density of indigenous population and to the weakness of liberal elites.

Slavery economies offer a distinct and different behaviour. They did not undergo a
deep political and institutional transformation. Cuba remained loyal to Spain and
experienced sustained progress until 1860. Santamaría’s recent estimates point to a rate of
growth around 1 percent in real per capita income between 1790 and 1860. Brazil’s
economy was characterized by low rates of growth, free trade and limited structural change
while remaining politically stable. Meanwhile, Venezuelan output per head experienced a
rise up to mid-nineteenth century and stagnated during its central decades. Stagnation of
income per head is, instead, the conjecture proposed for the case of Colombia.

Economies in the Southern Cone show, in turn, sustain economic progress after
independence. Chilean GDP per head grew at 0.9 per cent per year over 1810-60, though
most of the improvement in per capita income took place after 1830. Available economic
indicators suggest fast growth in the Buenos Aires region that could have translated in an
improvement in Argentina’s per capita incomes. Increases in population and labour force,
urbanization, and a significant rise of total factor productivity in livestock production are
among the distinctive features of post-independence River Plate. Argentina’s littoral
agricultural output per head grew at 2 percent per year over 1825-1865. If we assume that this sector was representative of the littoral’s economy as a whole, while in Argentina’s interior provinces per capita income stagnated, a population-weighted rate of growth of 0.8 percent per year would result for per capita GDP. It is not far-fetched to assume that Argentina’s growth provides a lower bound for Uruguay’s.

Now, do these results suggest that long-term retardation in Latin America can be related to the way independence occurred? Comparative assessments of post-colonial Latin American performance may prove useful to provide an answer and are explored in the next section.

IV

The contrast between the initial conditions and the performance of post-colonial Latin America and those of the United States, dominate assessments of modern Latin American economic history.

As regards initial conditions, the imposition of distinct metropolitan institutions on each colony determined, according to new institutional historians, the different evolution of British and Latin Americas. 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 (Mexico and Alto Peru, in particular) are, according to North, behind the differences in performance over time. In Engerman and Sokoloff’s alternative view, initial inequality of wealth, human capital and political power conditioned, institutional design and, hence, performance in Spanish America. Large scale estates, built on pre-conquest social organization and extensive supply of native labour, established the initial levels of inequality. Elites designed institutions protecting their privileges. Government policies and institutions restricted competition and offered opportunities to select groups. All in sharp contrast with white populations’ predominance, evenly
distributed wealth and high endowment of human capital per head in British North America.\textsuperscript{96}

Failure to achieve sustained and balanced growth over the nineteenth-century resulted, according to the Steins, from the persistent colonial heritage.\textsuperscript{97} The colonial economic background (with the large estate as its key element) 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.\textsuperscript{98} In turn, North, Weingast, and Summerhill stress the sharp institutional contrast between independent United States (with a constitution and well specified and enforced economic and political rights) and post-colonial Latin America (under warfare).\textsuperscript{99} In their view, the absence of institutional arrangements capable of establishing cooperation between rival groups led to destructive conflict that diverted capital and labour from production and consigned the new republics to poor performance relative to the U.S.A.

But is the United States, that doubled Latin American product per head in 1820, the adequate yardstick to unravel the causes of Latin America’s poor performance?\textsuperscript{100} Focusing on the contrast with North America inevitably leads to a negative assessment of Latin America’s economic and political behaviour both before and after independence. Moreover, the comparison diverts attention from a crucial issue: the extent to which Latin America under-performed in terms of its own potential. The fact that the new Latin American republics fell behind the United States 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.\textsuperscript{101} On the basis of predictable large differences in human (and physical) capital to labour ratios it could be hypothesized that different steady states probably prevailed in British and Latin Americas.
Models linking economic geography and institutions that allow for diverse colonial patterns place the experience of independent Latin America into a more realistic context. Acemoglu, Johnson, and Robinson point to the disease environment at the time of Europeans arrival as a determinant of the patterns of European settlement and the subsequent institutional development of the former colonies. In densely populated areas, diseases (malaria and yellow fever) to which Europeans were vulnerable prevented them from settling in large numbers. Acemoglu et al. also stress that societies where colonialism led to the establishment of ‘institutions of private property’ prospered relative to those where colonialism imposed ‘extractive institutions’. European colonialism led paradoxically to the development of relative better institutions in previously poor areas, while introduced extractive institutions or reinforced 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 population showed relative affluence, establishing ‘extractive institutions’ (forced labour and tributes, often existing already in the pre-colonial era, over the locals) with political power concentrated in the hands of an elite, represented the most efficient choice for European colonizers, despite its negative effects on long-term growth.

There are interesting connections between Acemoglu et al.’s interpretation and the Steins’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, ‘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 which existed nowhere else in the New World’.
The relevant task is, then, to identify the feasible counterfactual scenarios that might have led to higher paths of growth. As Leff put it, ‘the study of history can spare later observers depressing reflections that have no basis in the realm of the possible’\textsuperscript{105}. Since modelling counterfactual growth scenarios is problematic an alternative line of research is to compare Latin America with other former European colonies. A substantial number of Asia, 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 social and human capital, poor contract enforcement, and a weak government yielding to interest groups. On top of that, levels of GDP per capita at the time of independence are comparable\textsuperscript{106}. Former colonies have been ranked according to their GDP per head at the time of emancipation in Table 4\textsuperscript{107}. In a sample of sixty countries, those Latin American countries for which rough income estimates c. 1820 are available come out in the fourth and fifth quintiles, except the River Plate that, as the U.S., belongs to the top quintiles\textsuperscript{108}. It appears that, at the time of independence, levels of income per head in the new Latin American republics were closer to those of former European colonies in Asia and in Africa than to the United States.

\textbf{INSERT TABLE 4}

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 to Asia and Africa. Evidence on exogenous geographic factors such as climate, latitude, and distance to the sea coast, together with levels of Europeans’ mortality, and population density and urbanization at the time of European expansion is provided in Table 5. Its content supports the view that 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 analogies between the 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- and physical capital-labour ratios).

INSERT TABLE 5

The similarities between Latin America and other colonial experiences suggest that the subsequent performance may 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 Latin American countries. The striking degree of coincidence of rather different appraisals, those by present-time development economists, in the case of Sub-Saharan Africa, and those by economic historians, in that 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 as they share: the experience of colonial indirect governance, the creation of a modern state from scratch, the breakdown of initial number of independent countries into a multiple of it, and the failure to implement modern constitutions inherited from the metropolis. In Latin America economic institutions distorted incentives and constrained development and high transport costs prevented exploitation of natural resources. In Africa, lack of social capital, poor infrastructure and poor contract enforcement are pointed obstacles to development. Nonetheless, the different timing of independence in Latin America (prior to the first wave of globalisation) and in Africa and Asia (during the first stages of the second globalisation) surely had an distinctive impact on economic growth.

If we now turn to the evolution of levels of GDP per capita over time, how does Latin America compare to other countries, especially to former European colonies in Asia and Africa? Did Latin America fall behind before 1870, as it has been stressed in the literature? New evidence on economic performance in Spanish America and Brazil together
with Maddison’s real GDP per head estimates for the rest of the world provides the opportunity to place Latin America into a wider comparative framework. Relative levels of population weighted income are offered for alternative country samples in Latin America, with national and time coverage inversely related. The results are robust for alternative samples.

A first glance at the evolution of per capita income levels throughout the nineteenth and twentieth centuries suggests that, for example, when Latin America is compared 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, that opens another period of significant decline reaching up to the present. Thus, in the binary comparison with the USA, 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 were excluded, the picture changes and the relative position of Latin America (LA6) would have remained 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 U.S. halved, Argentina, Colombia, Cuba, and Venezuela only experienced moderate relative decline, while Chile and Uruguay kept their positions mainly unchanged. Between 1870 and 1913, Latin American national experiences varied widely again, with Chile, Cuba, Mexico, and Venezuela keeping their distance unaltered while Brazil, especially, and the River Plate economies, falling behind.

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

When Latin America’s performance is confronted with that of other regions the picture changes dramatically. During the half a century after independence (1820-70), the decline relative to the U.S. for the Latin American countries for which some information exists is deeper than in the case of Western Europe, but similar to that of 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. Then, during the first phase of globalisation, 1870-1913, Latin America worsened her position relative to the U.S.A. to a lesser extent than any other world’s region, hence, improving vis-à-vis the rest of the world. The early twentieth century shows again Latin America as one of the world’s only region that did not yield significantly to U.S. economic advance, being second only to the Soviet Union. The late twentieth century inverted the picture. Not catching up to the U.S. during the Golden Age (1950-73) was shared by Latin America only with India and Africa. In the post-1973 era, allowing for substantial income differentials, Latin America was along Eastern Europe, the USSR (and its former members) and Sub-Saharan Africa in deteriorating their position relative to the U.S. while Asian countries improved their own significantly.

To sum up, during the nineteenth century Latin American performance was no worse, but better, than in other parts of today’s Third World. Conversely, the fact that her position relative to the U.S. 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 U.S. in terms of income per head was significantly reduced. After 1973, Latin America underperformed relative to Asia. In other words, blaming Latin America retardation on falling behind the US over the nineteenth century is
a short-sighted conclusion that tends to transpose the widely accepted view of today’s Latin America under-achievement to the past.

V

Disorder after independence increased transaction costs as political and economic institutions were redefined throughout a lengthy and painful process. Though qualitative evidence varies from country to country, for Latin America as a whole it is far from clear that the gains from releasing the fiscal burden more than offset the tax increase to cover expanding governmental expenses that accompanied independence during the first half a century of its existence. The collapse of Spanish empire showed that its institutions, while inefficient, helped to reduce transaction costs. The promising line of research initiated on Colombia by Jaramillo Uribe, Meisel and Urrutia, when extended to other Latin American countries, may render a more optimistic assessment of the welfare consequences of establishing new fiscal institutions after independence\textsuperscript{114}. The favourable evolution of quantities and relative prices of goods exported suggests that removing the trade burden represented net gains for the economies of Latin America. Trade did not have the strength to pull from the economy, as in the export-led growth model but, whenever geographic and institutional barriers did not impede it, represented a handmaiden of growth.

The path to independence was quite different between regions: the way it was won and the previous degree of commitment to the colonial mercantilism conditioned the new republics’ performance. Independence did not level off regional disparities. On the contrary, it might have exacerbated them. No evidence is available on within-countries income distribution for the pre-1870 period with the exception of Argentina where the expansion in the pastoral sector resulting from improved terms of trade increased the reward of the intensively used factors (capital and land), while the farming sector contracted and the returns of its intensive factor (labour) declined. A redistribution of income in favour of owners of capital and land took place. The increase of inequality
within Latin American countries is confirmed by Williamson’s findings for the four decades prior to World War I.

In the half century after independence, Latin American real product per head grew around 0.5 per cent per year, a rate similar to the world average and to that of the European Periphery and far higher than the one prevailing in Asia and Africa\textsuperscript{118}. And, consequently, her decline relative to the United States was comparable to that of the European Periphery, and much milder than in the cases of Africa and Asia. Later, in the first episode of globalisation (1870-1913), Latin American GDP per head grew at 1.5 per cent yearly and was the world region that less deteriorated her position relative to the USA\textsuperscript{116}.

The inheritance of Spanish \textit{Ancien Régime} institutions in Latin America as opposed to non-absolutist (post-1688) institutions in British America does not seem to be a solid argument to explain different performances, 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.

Before we jump to the usual negative conclusion about Latin America’s performance in the nineteenth century a systematic comparison to other post-colonial development experiences elsewhere, especially in Africa, will help assess Latin America’s achievements and shortcomings after independence. An agenda for comparative research on post-colonial experiences in Africa, Asia and Latin America emerges from the discussion. The consensus is that the contemporary African political map was largely determined by the nineteenth century ‘scramble for Africa’ but the same fragmentation occurred in Latin America after independence. Is there a better endogenous explanation? Grafe and Irigoin’s stress in the breakdown of the fiscal re-distribution colonial system may be a fruitful avenue of research\textsuperscript{117}. Why did the British and Spanish use indirect governance in their African and
Asian and Latin American colonies, respectively? What was its effect on long-run growth?

A move towards authoritarian regimes took place in Latin America and African and Asian ex-colonies after a democratic start immediately after independence. Was it because of the necessity for strong leadership when institutions are initially weak and latent conflicts strong? Did independence cause de-globalisation in Latin America and Africa during the following half century?
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Conde, eds., *Transferring wealth and power from the Old to the New World. Monetary and fiscal institutions in the 17th through the 19th centuries* (Cambridge, 2001), pp. 414-50.


Table 1 *Transport Costs in Latin America c. 1842*

[Sterling per Ton]

<table>
<thead>
<tr>
<th>Country</th>
<th>Average Freight from England</th>
<th>Transport Cost port to the capital</th>
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</tr>
<tr>
<td>Venezuela</td>
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<td>4.3</td>
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*Source: Brading, 'análisis comparativo'*
Table 2 Per Capita Purchasing Power of Exports and British Investment per Head

[1880 Pounds Sterling]

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<tr>
<th></th>
<th>Exports 1830</th>
<th>Exports 1850</th>
<th>Exports 1870</th>
<th>Exports 1825</th>
<th>Exports 1865</th>
<th>Exports 1875</th>
<th>Investment 1825</th>
<th>Investment 1865</th>
<th>Investment 1875</th>
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Sources: Current values deflated with the British export price index in Mitchell, *Historical statistics*.


Investment, Stone, ‘British investment’.
Table 3 Net Barter Terms of Trade in Latin American Countries, 1810-1880

[Average 1836-40 = 100]

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<tr>
<th>Year</th>
<th>Cuba</th>
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<th>Venezuela</th>
<th>Colombia</th>
<th>Brazil</th>
<th>Argentina</th>
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<td>1811/15</td>
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<td>1816/20</td>
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<tr>
<td>1821/25</td>
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<td>143</td>
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<td>1826/30</td>
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<td>84</td>
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<td>80</td>
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Sources: Cuba, Salvucci and Salvucci, ‘Cuba’, 197-222;

Mexico, Salvucci, ‘Mexican terms of trade’; Venezuela, Baptista, Bases cuantitativas;

Colombia, Ocampo, Colombia; Brazil, Leff, Underdevelopment;

Argentina, Newland, “Exports”; Chile, Braun et al. ‘Economía chilena’
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<th>Country</th>
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<th>GDP per head</th>
<th>GDP per head Ranking</th>
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<td>UK</td>
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<td>Côte d’Ivoire</td>
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<td>France</td>
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<td>UK</td>
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<td>Year</td>
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<td>51</td>
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<td>54</td>
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<td>Malawi</td>
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<td>UK</td>
<td>359</td>
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<td>Venezuela</td>
<td>1819</td>
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<td>347</td>
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</tr>
<tr>
<td>Colombia</td>
<td>1819</td>
<td>Spain</td>
<td>346</td>
<td>60</td>
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</table>

*Source: Maddison, *Historical statistics*, except for Latin America, that comes the sources quoted in Table 6.*
Table 5 Comparing Geography and Historical Demography

<table>
<thead>
<tr>
<th>Region</th>
<th>Mean annual temperature (ºC)</th>
<th>% Land area within 100 km of sea coast</th>
<th>Absolute value of latitude</th>
<th>Europeans' mortality in early 19th century (ºC)</th>
<th>Urbanization in 1500 (%)</th>
<th>Population in 1500 (000)</th>
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</thead>
<tbody>
<tr>
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<td>37.3</td>
<td>0.256</td>
<td>71.0</td>
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<td>0.150</td>
<td>108.8</td>
<td>8.3</td>
<td>1.5</td>
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<td>0.152</td>
<td>73.4</td>
<td>6.6</td>
<td>1.1</td>
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<td>0.111</td>
<td>71.0</td>
<td>0.0</td>
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<td>0.359</td>
<td>69.6</td>
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<td>45.7</td>
<td>0.189</td>
<td>86.3</td>
<td>6.3</td>
<td>1.2</td>
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<td>6.6</td>
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<td>15.6</td>
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<td>0.378</td>
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<td>0.112</td>
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<td>55.4</td>
<td>0.160</td>
<td>74.2</td>
<td>6.9</td>
<td>10.2</td>
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* Excluding Brazil & Southern Cone
Table 6 Comparative Levels of GDP per Head, 1820-2000

[World = 100] (1990 International Geary-Khamis Dollars)

<table>
<thead>
<tr>
<th>Region</th>
<th>1820</th>
<th>1870</th>
<th>1913</th>
<th>1950</th>
<th>1973</th>
<th>2000</th>
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<tr>
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<td>142</td>
<td>184</td>
<td>164</td>
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<td>54</td>
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<td>101</td>
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<td>98</td>
<td>121</td>
<td>119</td>
<td>108</td>
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<td>63</td>
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<td>20</td>
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<td>East Asia (11)</td>
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<td>115</td>
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<td>Former USSR</td>
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<td>104</td>
<td>93</td>
<td>127</td>
<td>139</td>
<td>65</td>
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<tr>
<td>Western Europe (12)</td>
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<td>229</td>
<td>231</td>
<td>224</td>
<td>279</td>
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<td>West Europe Periphery (4)</td>
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<td>136</td>
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<td>173</td>
<td>224</td>
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<td>United States</td>
<td>183</td>
<td>269</td>
<td>331</td>
<td>426</td>
<td>383</td>
<td>422</td>
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</table>

World Per Capita GDP
(1990 Geary-Khamis $)
| 687 | 910 | 1599 | 2242 | 4352 | 6670 |

Note: For supra-national entities, population weighted averages are used. Numbers in brackets correspond to the number of countries included.
Sources: Maddison, *Historical statistics*, except for Latin America. The data used for Latin America derives from Astorga, Bergés, and Fitzgerald, *OxLAD*, unless otherwise stated below. Volume indices of Latin American per capita GDP were spliced with Maddison’s per capita GDP levels for 1990, expressed in 1990 Geary-Khamis dollars.

Argentina, Della Paolera, Taylor, and Bózolli *‘Historical statistics’*, GDP, 1884-1990, spliced with Cortés Conde, *‘economía argentina’*, for 1875-84. I assumed the level for 1870 was identical to that of 1875. Newland and Poulson, *‘purely animal’*, estimated Argentina’s littoral agricultural output per head grew at 2 percent per year over 1825-1865. I have assumed that this sector was representative of the littoral’s economy as a whole, and that there was no per capita growth in Argentina’s interior provinces. A population-weighted average casts a per capita GDP rate of growth of 0.8 percent per year. Population data comes from Newland, *‘economic development’*.

Brazil, GDP, Goldsmith, *Desenvolvimento financeiro*, 1850-1980. Zero per capita income growth for the early nineteenth century as suggested by Leff, *Economic development*, was adopted. A lower initial level and, subsequently, a higher growth rate would result if Maddison, *Monitoring*, p. 143, assumption that per capita income growth in 1820-50 grew at the same pace as in 1850-1913 were accepted.

Chile, Díaz, Lüders and Wagner, *‘economía chilena’*.

Colombia, Kalmanovitz, *‘Nueva Granada’*, 1820-1913; then, GRECO, *crecimiento económico*.

Cuba, Santamaría, *‘cuentas nacionales’*.

Mexico, Coatsworth, *‘decline’*, for the nineteenth century. Following Coatsworth, *‘Mexico’*, I accepted a mild rise in GDP per capita over 1820-1845. INEGI, *Estadísticas históricas*, since 1896.

Uruguay, Bértola, *PBI de Uruguay*, since 1870. I assumed that Uruguay evolved as Argentina’s littoral between 1850 and 1870, and as Argentina as a whole over 1820-50.

Venezuela, Baptista, *bases cuantitativas*. 
This essay originates in the research I did for a chapter in the Cambridge Economic History of Latin America [CEHLA] on the economic consequences of independence. Here I develop new arguments that complement, revise and expand those exposed in CEHLA. This paper has been presented at seminars at Nuffield College, Oxford, Universitat Pompeu Fabra, Barcelona, Sciences Po, Paris, the 2nd Global Economic History Network Conference, University of California, Irvine, and Washington Area Economic History Seminar. I am grateful to participants for most useful remarks and suggestions. I would like to acknowledge comments and advice by Jeremy Adelman, Bob Allen, Benito Arruñada, Pablo Astorga, Luis Bértola, Victor Bulmer-Thomas, Enrique Cárdenas, Albert Carreras, John Coatsworth, Rafael Dobado, Stan Engerman, Alejandra Irigoin, Héctor Lindo-Fuentes, Carlos Marichal, John Nye, Alfonso Quiroz, Jim Robinson, Joan Rosés, Mar Rubio, Blanca Sánchez-Alonso, James Simpson, Peter Temin, Joachim Voth, and Jeff Williamson. I am especially indebted to Roberto Cortés Conde, Patrick O'Brien, and John Wallis for their suggestions and encouragement. The usual disclaimer applies.

Except for Cuba and Puerto Rico that remained Spanish colonies until 1898. See, for example, Bulmer-Thomas, *Economic history* and Haber, *How Latin America fell behind*.  


Halperín Donghi, ‘Economy and society’. Centeno, ‘Blood and debt’, pp. 1572-3, shows that most countries in Latin America suffered major wars in the half a century after independence. Argentina with 10 wars leads the group followed by Brazil (6), Uruguay and Mexico (5), Chile and Peru (4) and Colombia (3).  


Albert, *South America*, p. 25.  

For example, slavery lasted until mid-nineteenth century and in Brazil and Cuba there were still slaves in the 1880s. The fiscal system remained in part: *mita* ended but *tributo*
often returned. Debt peonage and forms of *repartimiento* persisted in some regions until the late nineteenth century.


9 Coatsworth, ‘Comparative economic history’.


12 Indies’ remittances were, on average, 178 million reales de vellón (8.9 million pesos), cf. Prados de la Escosura, ‘pérdida del imperio’, pp. 256-9, 269-70, revised upwards following suggestions in Marichal, ‘Beneficios y costes fiscales’.

13 Klein, ‘Nueva España’, pp. 561-609; Marichal, *bancarrota del virreinato*, p. 92. Marichal and Carmagnani, ‘Colonial fiscal regime’, p. 287. There discrepancies as regards the size of this gap and while Klein computed it as 70 %, Marichal thought the difference was 40 %.

14 Coatsworth, ‘Obstacles’, pp. 84-5. A figure significantly higher than that for the Thirteen North American Colonies in the eve of independence.


16 Gallo and Newland, ‘Globalización y convergencia’, show that the removal of trade restrictions, absence of war, and navigation improvements contributed to moderate price convergence between Chile and Peru, and to lesser extent, between Peru and Spain, over 1660-1810.

17 Cf. a theoretical discussion in Bolton and Roland, ‘Breakup of nations’.

18 According to Centeno, ‘Blood and debt’, pp. 1579-81, customs revenues between 1820 and 1870 represented, on average, a high percentage of current Government revenues: Argentina (86%), Brazil and Peru (69%), Venezuela (64%), Ecuador (59%), Chile (51%), Mexico (37%), Colombia (34%). Taxing trade became a persistent feature of Latin American history, cf. Coatsworth and Williamson, ‘Always protectionist?’.
19 North, Summerhill and Weingast, ‘Order, disorder’, pp. 54-55.

20 Grafe and Irigoin, ‘Spanish empire’, argue that colonial self-sufficiency rather than transfers to the metropolis was the main fiscal goal of the empire and resulted from negotiations between Creole elites and the imperial authorities.

21 Marichal, *De colonia a nación*.


23 Marichal and Carmagnani, ‘Colonial fiscal regime’, p. 298.

24 Salvucci and Salvucci, ‘independencia mexicana’.

25 *ibid*, pp. 45-7.

26 Ponzio, ‘Political instability’, attributes 50% of the reduction in the rate of GDP growth to instability during 1821-67.

27 Quiroz, ‘independencia en el Perú’.

28 *ibid*, p. 146.

29 Lindo-Fuentes, ‘independencia en Centroamérica’.

30 The complexity of land institutions inherited from the colonial period should be taken into account, in particular, haciendas, ejidos and communal lands with ill defined borders, and Indian communities that linked communal ownership and group identity.


32 Jaramillo Uribe, Meisel and Urrutia, ‘Continuities and discontinuities’.

33 Amaral, ‘Del mercantilismo a la libertad’, p. 204.

34 Pastore, ‘independencia en Paraguay’.

35 Coatsworth, ‘Obstacles’, p. 84.


39 Coatsworth, ‘Structures’, suggests a positive association between inequality and per capita income since independence.

40 Krugman and Venables, ‘Globalization and inequality’, p. 859, posit that under gradually falling transportation costs, as was the case during the 1820-1870 period, growing inequality would take place: ‘when transport costs fall below a critical value, a core-periphery pattern spontaneously forms, and nations that find themselves in the periphery suffer a decline in real income’.


42 ibid. p, 543. Freights to Buenos Aires and Valparaiso became equal by 1868 when, by 1850, transports costs to Chile were, at least, one-third higher than to Buenos Aires.

43 Gallup, Sachs, and Mellinger, ‘Geography’.

44 Coatsworth, ‘Decline’, p. 38.


47 ibid., pp. 65-6.


50 The price index of the United Kingdom’s exports has been employed to deflate current exports. The result provides a measure of the purchasing power of Latin American exports as the U.K. was the main trading partner of the new republics.

51 British investment was also deflated by the price of the U.K. exports (Table 2) as investment was used, at least, in part, to purchasing capital goods and raw materials from Britain. British investment amounted to more than three times French investments and more than four times U.S. investments in Latin America by 1913 (computed from figures
in Marichal, *inversiones extranjeras*, Appendix) The importance of British investment relative to those from other countries being higher in earlier decades.

52 Stone, ‘British investment’, p. 694.

53 Salvucci and Salvucci, ‘Cuba and Latin American terms of trade’.

54 Salvucci, ‘Mexican terms of trade’.

55 Ocampo, *Colombia*, pp. 89, 98.

56 Leff, *Underdevelopment*, p. 83.

57 Newland, ‘Exports’.

58 Díaz, Lüders, and Wagner, ‘Economía chilena’.

59 Salvucci, ‘Mexican terms of trade’.


61 Braun et al., ‘Economía chilena’.

62 Leff, *Underdevelopment*, p. 82.

63 Ocampo, *Colombia*, p. 93.


66 Salvucci and Salvucci, ‘Cuba and Latin American terms of trade’, pp. 204-7.

67 This is Newland’s ‘Exports’ argument for Argentina.

68 That is, when an increase in production depresses the price of exports relative to imports so much that the gains in output are swamped by the loss of purchasing power for imports. Cf. Bahgwati, ‘Immiserizing growth’, for a theoretical discussion of the concept.

69 Newland and Ortiz, ‘Argentine independence’.

70 Williamson, ‘Real wages inequality’.
The export-led growth approach has been rejected by Leff and Catao for Brazil and Mexico (Leff, *Development*; Luis Catao, ‘Failure’).

Cf. Kravis, ‘Handmaiden of growth’. Thus, Platt, ‘Dependency’, p. 130, view that the break with Spain reintroduced an unwelcome half century of ‘independence’ from foreign trade and finance seems to be exaggerated.

Coatsworth, ‘Decline’, computed from p. 41, Table 2. The decline between 1800 and 1877 would have taken place at an annual rate of –0.2 %, according to Coatsworth’s figures. Maddison, *Historical statistics*, p. 191, assumed a smaller drop than Coatsworth for 1820-70. This view is shared by Cárdenas, ‘Macroeconomic interpretation’.


A mild rise in GDP per capita at 0.2 percent per year over 1820-1845 is suggested by Coatsworth, ‘Mexico’, p. 502; also ‘Structures’, p. 129.


Ibid., pp. 598-607. The reduction of backward linkages and in labour productivity are among the negative effects of silver mining decline on aggregate performance, according to these authors.

Ponzio, ‘Political instability’.

Quiroz, ‘independencia en el Perú’, pp. 129-33, 143.

Mahoney, ‘Legacy of colonialism’.

Fraile, Salvucci, and Salvucci, ‘El caso cubano’.

Santamaría, ‘cuentas nacionales’. A similar rate of growth is obtained over 1830-60.

Output per head grew at yearly rate of 2.2% between 1830 and 1850, that falls to 0.9% when it is computed between 1830 and 1870.

Kalmanovitz, ‘Nueva Granada’.

Díaz, Lüders, and Wagner, ‘Economía chilena’.


It seems reasonable to assume that Uruguay behaviour was similar to that of the Argentine’s River Plate. Assuming Uruguay’s per capita GDP grew as Argentina’s average, that includes the backward interior provinces, probably casts an underestimated figure.


Engerman and Sokoloff, ‘Factor endowments’.

This view has been recently disputed by Coatsworth, ‘Structures’, pp. 139-40, who judges it wrong on empirical grounds. He points to the high variance of per capita income levels across countries sharing factor endowments, while stresses that landownership concentration was not unusual in comparative terms at the time of independence, and that growing inequality and growth grew hand in hand during the late nineteenth and the twentieth centuries.

Sokoloff and Engerman, ‘Institutions’.

It should be noted that inequality in Latin America was probably comparable to that in the slave states of North America where per capita income was, however, surely much higher.

Stein and Stein, *Colonial heritage*.


100 Maddison, *World economy*, p. 264. However, conjectural estimates show that U.S. *per capita* income stagnated in the quarter of century after independence and grew below 0.3% yearly in the opening decades of the nineteenth century. Cf. Mancall and Weiss, ‘Was economic growth’.


102 Acemoglu, Johnson, and Robinson, ‘Colonial origins’. Note, however, that a disease environment not always coincided with high population density (Sub-Saharan Africa would be a case in point).

103 Acemoglu, Johnson, and Robinson, ‘Reversal of fortune’.

104 Stein and Stein, *Colonial heritage*, p. 128.

105 Leff, ‘Brazil’, pp. 58-9, explores alternative scenarios of rising productivity in the domestic sector relative to the external sector, of higher investment on social overhead capital and of immigration restrictions, to reject all of them as unrealistic. A more complete discussion of counterfactual propositions and its potential effects on Brazilian long-run growth is exposed in Leff, *Underdevelopment*.

106 The comparison is subjected to the usual caveats about the index numbers problem involved in backward projections from a remote benchmark and, therefore, its results should be read as explicit hypotheses or conjectures. Cf. Prados de la Escosura, ‘International comparisons’.

107 Gabon, Mauritius, Seychelles, South Africa, and Singapore have been excluded from the sample as they represent exceptional cases with per capita income levels ranging between 2,700 and 4,200 Geary-Khamis 1990 $. 
While per capita income for African and Asian countries correspond to the date of independence, in the case of Latin America estimates c. 1820 are used. Cuba became independent in 1898 when her per capita GDP can be estimated in 1990 Geary-Khamis $1,030. Thus, if Cuba’s per capita income in 1898 were used in the comparison she would belong to the second quintile.

The connection between colonial past and differential economic performance has been suggested for Sub-Saharan Africa and Latin America by Bertocchi and Canova, ‘Did colonization matter?’, p. 1868.


Alternative and comprehensive estimates are provided for Latin America by Astorga and Fitzgerald, ‘Statistical appendix’, but do not include other parts of the world. Maddison Historical statistics have a wider country coverage and have been preferred here in spite of its conjectural nature for many developing countries in the past and the index number problem derived from using a fixed 1990 benchmark for space and time comparisons (Cf. Prados de la Escosura, ‘International comparisons’).

Jaramillo Uribe, Meisel and Urrutia, ‘Continuities and discontinuities’.

Computed for LA8 with the underlying data used to construct Table 6. If, alternatively, the growth rate is computed excluding Brazil and Mexico (LA6), it reaches 1.3 percent per year.

Computed from the data underlying Table 6 for the population weighted average of eight Latin American countries (LA8).
117 Grafe and Irigoin, ‘Spanish empire’.