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Colonial Independence and Economic Backwardness in Latin America

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Abstract

This paper explores the connections between independence from Spain and Portugal and economic backwardness in Latin America. 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. Independence had a very different impact across regions and widened regional disparities. The commitment to the colonial mercantilism conditioned the new republics' performance but, on the whole, GDP per head increased in the half a century after emancipation. It appears that inherited Iberian institutions cannot be blamed for Latin America's poor performance relative to th

run consequences of colonial emancipation and the widening gap in living standards between Latin America and the developed countries return to colonial levels until mid-nineteenth century[8]. In the short-run, the

than Spaniards in the metropolis and were making, therefore, a significant contribution to the imperial administration[12]. In the only estimate available for the Spanish empire, John Coatsworth reckoned that the fiscal burden represented 4.2 percent of Mexican GDP by 1800[13].

Removing colonial rule eliminated the fiscal burden and, *ceteris paribus*, added to Latin American GDP. However, the net gain of Latin America involved an increase in the costs of administering many, not a single one political unit. 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 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

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Leandro Prados de la Escosura and Samuel Amaral, eds. (Madrid, 1993), 256-9, 269-70, revised upwards following Marichal, “Beneficios y costes fiscales”.

[12] Herbert Klein, “La economía de la Nueva España, 1680-1809: un análisis a partir de las cajas reales”, *Historia Mexicana*, 34, 136 (1985), 561-609; Carlos Marichal, *La bancarrota del virreinato. Nueva España y las finanzas del Imperio español, 1780-1810*. (Mexico, 1999), 92. Carlos Marichal and Marcello Carmagnani, “From Colonial Fiscal Regime to.06482 239.98 0 0 10.

the River Plate became three separate countries: Uruguay (independent in 1828), and Paraguay, and Argentina.

If governments have some fixed costs (administrative, providing services), it is hard to provide them at minimum costs. Hence, despite its alleged inefficiency, colonial administration took advantage from the increasing returns and the economies of scale all large organizations enjoy. 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. Independence produced the demise of the largest monetary union and *Ancien Régime* fiscal structure in existence[14]. Monetary disintegration 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, costs in defence and law enforcement had to be duplicated, and the coordination in the provision of public goods was more difficult[15].

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[16]. 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

the transition costs might have been lower than those actually suffered in Peru[26].

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

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 provided protection within their limited resour redistribution of property towards the state[32]. 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, 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. 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.

Assessing the consequences of independence: opening up to the international economy

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 empire, Coatsworth reckoned that the trade burden represented up to 3 percent of

[32] Mario H. Pastore, "Crisis de la Hacienda pública, regresión institucional y contracción económica: consecuencias de la independencia en Paraguay, 1810-1840", in *La independencia americana: consecuencias económicas*, Leandro Prados de la Escosura CoatP9S,0034 Tele

GDP in New Spain, again a significantly higher figure than the one estimated for the Thirteen North American Colonies,[33] *Dependentists*, in turn, saw trade as a cause of increasing inequality across and within countries. Well-known views by Raúl Prebisch stress the role of declining terms of trade in the persistent retardation of Latin America[36]. Hans Singer ascribed negative implications to a hypothetical improvement in the terms of trade as it would lead to committing resources to primary production with the implicit opportunity cost of not allocating them to the domestic sector where factor returns were higher as a consequence of increasing returns and economies of scale[37]. New economic geography provides another hypothesis about the role of trade in Latin American development. Paul Krugman and Anthony Venables 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"[38]. Then, they argue, as transport costs continue to decline, a second stage of convergence in real incomes arrive eventually, and peripheral countries gain relative to the Core.

Thus, trade theories suggest a series of testable hypotheses for early nineteenth-century Latin America. 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

[36] Raúl Prebisch, *The Economic Development of Latin America and its Principal Problems* (New York, 1950).

[37] Hans W. Singer, "The Distribution of Gains between Investing and Borrowing Countries", *American Economic Review. Papers and Proceedings*, 11, 2 (1950), 473-485. The Prebisch-Singer view has been recently re-stated by Y.S. Hadass and J.G. Williamson, "Terms of Trade Shocks and Economic Performance, 1870-1940: Prebisch and Singer Revisited", *Economic Development and Cultural Change* 51, 3 (2003), 629-56.

[38] Paul Krugman and Anthony J. Venables, "Globalization and the Inequality of Nations", *Quarterly Journal of Economics*, 110, 4 (1995), 859.

opposite would occur in the light of Classical economists as Latin America exported primary goods and imported manufactured produce[39]. 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 distribut with temperate climate would be at advantage to landlocked hinterlands in tropical areas, as migration and infrastructure development become more

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 grew from 8.1% of GDP to 12.3% by 1845, according to Coatsworth), but arguably not when compared to the late colonial period[43]. 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[44]. 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[45]. There were limited incentives to trade as physical barriers implied high transport w 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[48].

The hypothesis of an uneven distribution of post-independence trade in Latin America for different points in time can be tested with evidence on deflated values of exports normalized by population (Table 2)[49]. As predicted, 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[50].

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[48] Amaral, “Del mercantilismo a la libertad”, 208.

[49] The price index of the United Kingdom’s exports, has been used to deflate current exports and investment. In the latter’s case because those investments were used, at least, in part, to purchasing capital goods from Britain. uc.3n. 188.70055 Tm(,)Tj13s5400.98 M330 0 13.02 8

Table 2: Per Capita Purchasing Power of Exports and British Investment per Head
[1880 Pounds Sterling]

	Exports			Investment		
	1830	**1850**	**1870**	**1825**	**1865**	**1875**
Argentina	0.26	2.10	2.87	0.90	1.29	8.83
Bolivia		1.11	1.50			0.93
Brazil	0.57	1.01	1.48	0.48	1.66	2.41
Chile	0.58	1.60	2.47	0.48	1.31	4.01
Colombia	0.32	0.38	1.14	2.79	2.04	1.18
Costa Rica		2.32	3.67			20.10
Cuba	2.30	4.53	7.97		1.60	0.88
Dominican Republic		0.70	0.86			3.20
Ecuador		0.40	0.71		1.34	1.50
El Salvador		0.66	1.26			
Guatemala		0.34	0.43		0.07	0.42
Honduras		1.00	0.62			16.98
Mexico	0.23	0.65	0.41	0.61	2.16	2.57
Nicaragua		0.75	0.61	0.72	0.10	0.30
P						

investment (1825-65) increased noticeably, at an average annual rate of growth of 1.5 and 2.1 percent, 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 but British investment per head only took off after 1865, reaching a yearly rate

the pastoral economy and a rise in productivity are behind the supply expansion. Cuba provides the exception as her net terms of trade deteriorated between 1826 and 1866 (by 50 percent), 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 percent)[64].

Table 3: Net Barter Terms of Trade in Latin American Countries, 1810-1880

[1836/40 = 100]

	Cuba	Mexico	Venezuela	Colombia	Brazil	Argentina
1811/15						61
1816/20						76
1821/25						115
1826/30	108	84			94	127
1831/35	100	95	105		107	125
1836/40	100	100	100	100	100	100
1841/45	102	98	105	124	97	108
1846/50	86	101	102		109	104
1851/55	69	106	74		120	123
1856/60	62	100	80	157	115	165
1861/65	53	79	76		120	127
1866/70	56	94	71	127	89	105
1871/75	57	104	108	139	147	
1876/80	57	116	112	178	173	

Sources: Cuba, Linda K. and Richard J. Salvucci, “Cuba and the Latin American Terms of Trade: Old Theories, New Evidence”, J*ournal of Interdisciplinary History*, 31, 2 (2000), 197-222; Mexico, Richard J. Salvucci, The Mexican Terms of Trade, 1825-1883: “Calculations and Consequences” (1993) (mimeo); Venezuela, Asdrúbal Baptista, *Bases cuantitativas de la economía venezolana, venezolana 1830-1995* (Caracas, 1997); Colombia, José Antonio Ocampo, *Colombia y la economía mundial 1830-1910* (Bogotá, 1984); Brazil, Nathaniel H. Leff , *Underdevelopment and Development in Brazil* (London, 1982); Argentina, Carlos Newland, “Exports and Terms of Trade in Argentina, 1811-1870”, *Bulletin of Latin American Research*, 17, 3 (1998), 409-416.

[64] Linda Salvucci and Richard Salvucci, “Cuba and the Latin American Terms of Trade”, 204-7.

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[65] growth[67]. Trade in Nineteenth Century Latin America, seems to have been, in most national cases, a handmaiden of growth[68].

The opening up to th

To sum up, although opening up trade could have caused *immiserating* growth, examination of trade patterns and terms of trade suggests that this did not happen and trade was 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.

Assessing the consequences of independence: Aggregate impact on

prolonged stagnation or, even, decline of *per capita* income are better depictions of Mexican economic performance over 1800-1840[73].

The causes of the lo

agricultural society in the Spanish colonies (Mexico and Alto Peru, in particular) are behind differences in performance over time.

Why should institutions be taken as exogenous?. Initial inequality of wealth, human capital and political power conditioned, according to Stanley Engerman and Kenneth Sokoloff, institutional design and, hence, performance in Spanish America[89]. 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[90]. For example, in Mexico and Peru, a large native population and Spain's acceptance of pre-existing native practices of awarding claims on labour and natural resources to the elite fostered highly concentrated landholdings and, consequently, inequality[91]. All in sharp contrast with white populations' predominance, evenly distributed wealth and high endowment of human capital per head in British North America[92].

John Coatsworth and Gabriel Tortella reject the connections between Iberian institutions transferred to America and the initial unequal distribution of income and wealth, stressing that the caste system deliberately weakened

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[89] Stanley L. Engerman and Kenneth L. Sokoloff, "Factor Endowments, Institutions, and Differential Paths of Growth Among New World Economies", in *How Latin America Fell Behind. Essays on the Economic Histories of Brazil and Mexico, 1800-1914,* Stephen Haber, ed.. (Stanford, 1997), 260-304.

[90] Kenneth Sokoloff and Stanley L. Engerman, "Institutions, Factor Endowments, and Paths of Development in the New World", *Journal of Economic Perspectives*, 14, 3 (2000), 217-32.

[91] Stanley L. Engerman, Stephen H. Haber and Kenneth L. Sokoloff, "Inequality, Institutions, and Differential Paths of Growth among New World Economies", in *Institutions, Contracts, and Organizations*, Claud

the grip of local elites on indigenous population and limited the growth of wealth inequality by recognizing indigenous property rights and guaranteeing indigenous population access to land[93].

Factor endowments, though the driving force of European colonization, do not provide, according to North, Summerhill and Weingast, sufficient explanation of post-independence behaviour[94]. They 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). 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..

The literature suru n n **d**

independence. In fact, *per capita* income divergence between rich (core) and poor (periphery) countries is the dominant feature of the nineteenth century[96]. Moreover, the comparison conflates the initial conditions in the new republics with their post-independence performance. And, even more crucially, it diverts attention from the real issue: the extent to which Latin America under-performed in terms of its own potential. That the new republics fell behind the U.S. or north western European nations does not necessarily imply that development opportunities were missed. Differences in geography, public policies and political institutions all mattered in shaping Latin American countries' long-run economic performance. On the basis of predictable large differences in human (and physical) capital to labour ratios it could be hypothesized that different steady states probably prevailed in British and Latin Americas.

The relevant task is, then, to identify the feasible counterfactual scenarios that might have led to higher paths of growth[97]. These hypothetical alternatives should be clearly specified before we jump to the conclusion that Latin America failed because she followed a different and less successful path to the twentieth century than the United States. As Leff put it, "the study of history can spare later observers depressing reflections that have no basis in the realm of the possible"[98].

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[96] This way of reasoning has recently been applied to the study of the USSR development by Robert Allen, *Farm to Factory: A Reinterpretation of the Soviet Industrial Revolution*, (Princeton, 2003).

[97] Nathaniel H. Leff, "Economic Development in Brazil, 1822-1913", in *How Latin America Fell Behind. Essays on the Economic Histories of Brazil and Mexico, 1800-1914*, Stephen Haber, ed. (Stanford,1997), 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.

[98] Leff, "Economic Development of Brazil", p. 59. A more complete discussion of counterfactual propositions and its potential effects on Brazilian long-run growth is exposed in Nathaniel H. Leff, *Underdevelopment and Development in Brazil*, (London, 1982), 2 vols.

Interpreting post-independence performance: Latin America in the African and Asian mirrors

Since modelling counterfactual gr

Togo	1960	France	698	33
Rwanda	1962	Belgium	695	34
Uganda	1962	UK	694	35
Brazil	1825	**Portugal**	**675**	**36**
Philippines	1946	USA	646	37
Pakistan	1947	UK	*643*	38
Laos	1954	France	642	39
Mauritania	1960	France	625	40
India	1947	UK	618	41
Burkina Faso	1960	France	609	42
Chile	**1817**	**Spain**	**607**	**43**
Cambodia	1954	France	582	44
Lesotho	1966	UK	577	45
Chad	1960	France	569	46
Bangladesh	1947	UK	540	47
Mali	1959	France	530	48
Cape Verde	1975	Portugal	525	49
Tanzania	1964	UK	494	50
Botswana	1966	UK	473	51
Venezuela	**1819**	**Spai**		

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[103].

Acemoglu, Johnson and Robinson also stress the differential impact of colonialism: societies where colonialism led to the establishment of “institutions of private property”, that allow a broad sector of the society to receive the returns of their investments, prospered relative to those where colonialism imposed “extractive institutions”, under which most of the population risks expropriation at the hands of the ruling elite or the government or British dominance examples of colonial “extractive institutions”?. In the case of the viceroyalties of Mexico and Peru, the exploitation of silver deposits centred economic activity on those locations where the deposits were found and conditioned population settlement, the location of urban centres, and fiscal policies[105].

There are interesting connections between Acemoglu, Johnson and Robinson’s interpretation of different colonial patterns and Stanley and Barbara Stein’s counterfactual, “had the Englishmen found a dense and highly organized Amerindian population, the history of what is called the United States would record the development of a stratified, bi-racial, very different society”. The Steins contend, “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”[106].

Both distinctive institutional and geographical features suggest significantly different outcomes for British North America and Latin America before and after independence. On these dimensions Latin 13.02 416.s9rc8.02 0 4 13.02 42

Table 5: Comparative Geod3i97.25999 198.5179 Tm(ive G)Tj̇e 701.44 Tme

The similarities between Latin America and other colonial experiences suggest that the subsequent performance should be comparable[107]. 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. Nonetheless, the different timing of independence in Latin America (prior to the first wave of globalization) and in Africa and Asia (during the first stages of the second globalization) surely had an distinctive impact on economic growth.

Assessments of different aspects of post-independence Africa and Latin America are illuminating:

<u>The shock of political independence</u>.

[In Latin America, there was a] "complete lack of experience in autonomous decision making and government: state-building required creating institutions from scratch in an environment of change and uncertainty. In its absence, warfare was the norm"[108].

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[107] The connection between colonial past and differential economic performance has been suggested for Sub-Saharan Africa and Latin America by G. Bertocchi and F. Canova, "Did Colonization Matter for Growth? An Empirical Exploration into the Historical Causes of Africa's Underdevelopment", *European Economic*

"In most [African] countries, neither the state, operating at national scale, nor private domestic capital .. existed in a meaningful sense at the time of independence"[109].

The number and size of countries after independence

[The new Latin American republics did] lack self-enforcing institutions that constrained predatory action. In the face of widespread violence, political organization disintegrated into smaller units (around a caudillo for protection)[110]

Because of colonial heritage, Africa has smaller countries in terms of population than other regions. Many states combined it with low levels of income[111].

Indirect Governance

[In Latin America,] "the caste system of the New World deliberately weakened the grip of local conquerors and magnates on the underlying indigenous population and .. recognized indigenous property rights .. guaranteeing the majority of the indigenous population access to land independent of the colonial elite"[112].

[The] French administrated their [African] territories federally while the British tradition of indirect colonial governance was less centralizing. They acted to reinforce ethnic identities. It was the existence of national borders

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[109] Benno N. Ndulu and Stephen A. O'Connell, "Governance and Growth in Sub-Saharan Africa", *Journal of Economic Perspectives*, 13, 3 (1999), 63.
[110] North, Summerhill and Weingast, "Order, Disorder", 44-5.
[111] Paul Collier and Jan Willem Gunning, "Why Has Africa Grown Slowly?", *Journal of Economic Perspectives*, 13, 3 (1999), 9.
[112] Coatsworth and Tortella, "Institutions".

that gave rise to a political management problem (local scale of economic and political activity)[113].

Inherited Institutions of the Metropolis

“[T]he struggle was imbued with ideological overtones that stemmed from the American and French revolutions. Independence [in Latin America] brought United States inspired constitutions, but with radically different consequences”[114].

The inability to limit political power [in Latin America] led to the development of an authoritarian system and rent-seeking[115].

Political constitutions at the time of [African] independence were modelled on their European counterparts: British colonies, parliamentary systems; French colonies, republican ones with strong ex systems) and high transport costs prevented exploitation of natural resources[117].

Lack of social capital and subsequent high incidence of corruption, heavily regulated financial markets with bank lending directly to the government, poor infrastructure and poor contract enforcement (with high marginal return for capital and low rate of investment as its consequences) are obstashPdus901902 13s5.0805opth hhm(as3.02 132.02834 w53p87-0.0005 Tc -0.0023 country render the resu

A first glance at the evolution of *per capita* income levels throughout the nineteenth and twentieth centuries suggests that, for example, in comparison to the United States, three distinctive phases appear: a first one of relative decline up to 1870, followed by relative stability from 1870 to 1973, for the main Latin American countries for which information exists, and, then, a decline again till 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.

If a country by country analysis is preferred for the nineteenth century, then, the scant estimates available suggests that while Mexico, Venezuela and Brazil fell behind the U.S.A. over 1820-70, this was not the case of Chile[120]. Between 1870 and 1913, Latin American national experiences varied widely, with Mexico and the Southern Cone economies (except Uruguay) catching up, while slave economies, Brazil and Cuba, were falling some reliable information exists is deeper than

Concluding Remarks

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 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[122].

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

[122] Jaramillo Uribe, Meisel and Urrutia, "Continuities and Discontinuities".

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 at 0.5 percent per year, a rate similar to the world average[123]. And her decline relative to the United States was comparable to that of the Russian Empire, and much milder than in the cases of Africa and Asia. Later, in the first episode of globalization (1870-1913), Latin American GDP per head grew at 1.7 percent yearly and was the only world region that did not worsen her position relative to the USA[124].

The inheritance of Spanish *Ancien Régime* institutio

An agenda for comparative research on post-colonial experiences in Africa, Asia and Latin America emerge from the discussion. The consensus is that the contemporary African political map was largely dete

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