

Meanwhile, the inner structure of west European economies was tending away from the traditional forms of capitalism. Above all, *laissez-faire*, the accepted policy of the 19th century, was discredited by the war and postwar experience.

Statesmen and businessmen in capitalist nations were slow to appreciate the turn of events precipitated by World War I and consequently they misdirected their efforts during the 1920s by seeking a "return to prewar normalcy." Among major capitalist countries, the United Kingdom failed conspicuously to achieve prosperity at any time during the interwar period. Other capitalist nations enjoyed a brief prosperity in the 1920s only to be confronted in the 1930s with the great depression, which rocked the capitalist system to its foundations. *Laissez-faire* received a crushing blow from Pres. Franklin D. Roosevelt's New Deal in the United States. The gold standard collapsed completely. Free trade was abandoned in its classic home, Great Britain. Even the classical principle of sound finance, the annually balanced governmental budget, gave way in both practice and theory to planned deficits during periods of depressed economic activity. Retreat from the free market philosophy was nearly complete in Mussolini's Italy and Hitler's Germany. When World War II opened in 1939, the future of capitalism looked bleak indeed. This trend seemed confirmed at the end of the war when the British Labour party won a decisive victory at the polls and proceeded to nationalize basic industries, including coal, transportation, communication, public utilities and the Bank of England. Yet a judgment that capitalism had at last run its course would have been premature. Capitalist enterprise managed to survive in Great Britain, the United States, western Germany, Japan and other nations [with a] remarkable show of vitality in the postwar world.

6

Underdevelopment in History

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STAGE THEORIES

Economic history, and theories firmly based upon historical knowledge, would appear to be essential in understanding the nature of underdevelopment. Unfortunately, however, most of the theories which claim to view development in historical perspective begin by assuming that the underdeveloped countries are in a "low-level equilibrium trap."¹ This presumption, of course, largely precludes endogenous change, since the very essence of an equilibrium position is absence of movement.

A common procedure is to assume that all nations, rich and poor, were once equal, i.e. suffered from an equivalent degree of poverty and state of underdevelopment. The implications of Kuznets' findings that "the present levels of *per capita* product in the underdeveloped countries are much lower than were those in the developed countries in their pre-industrialization phase"² have been totally ignored. Instead economists have argued from an assumption of equality when inequality obviously exists. Professor Leibenstein could not be more explicit. In defining "the abstract problem" he says, "We begin with a set of economies (or countries), each 'enjoying' an equally *low* standard of living at the outset. . . . Over a relatively long period of time (say, a century or two) some of these countries increase their output per head considerably whereas others, do not."³ This being so, the thing to do is determine how today's wealthy countries escaped the "low-level equilibrium trap," and then apply the lessons to the backward countries which were left behind.

The most self-conscious attempt to do this is found in Rostow's book, *The Stages of Economic Growth: A Non-Communist Manifesto*. The terminology and analytical categories employed in this book, although severely criticized,⁴ have permeated Western thinking on development problems.⁵ The reasons for this have more to do with sociology than economics.

Rostow believes that all countries pass through five stages. The initial stage is called "the traditional society" and its features are similar to those of the "non-capitalist" sector of dual economy models. Next comes a "pre-conditioning" stage, followed by the "take-off," the "drive to maturity" and, finally, an "age of high mass-consumption." How a nation gets from one

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stage to another is unclear, since all Rostow presents, in effect, is a series of snapshots which freeze the development process in five different moments of time. What is clear, however, is that the present "traditional society" stage is the initial stage, and that development occurs essentially as a result of internal efforts which are largely unaffected by the workings of the wider international economy.

As Gunder Frank has stressed, Rostow's theory "attributes a history to the developed countries but denies all history to the underdeveloped ones."⁶ Rostow neglects the past of the underdeveloped countries but confidently predicts a future for them similar to that of the wealthy nations. In this respect Rostow's views differ little from the Marxist doctrine that "the most industrially advanced country presents the less advanced country with the image of its future."

Marx and Rostow notwithstanding, it is exceedingly improbable that one can gain an adequate understanding of present obstacles and future potential for development without examining how the underdeveloped nations came to be as they are. To classify these countries as "traditional societies" begs the issue and implies either that the underdeveloped countries have no history or that it is unimportant.⁷ No proof has yet been provided to substantiate either of these claims. Indeed it is clear that the underdeveloped countries do have a history and that it is important. Furthermore, evidence is gradually being accumulated that the expansion of Europe, commencing in the fifteenth century, had a profound impact on the societies and economies of the rest of the world. In other words, the history of the underdeveloped countries in the last five centuries is, in large part, the history of the consequences of European expansion. It is our tentative conclusion that the automatic functioning of the international economy which Europe dominated first created underdevelopment and then hindered efforts to escape from it. In summary, underdevelopment is a product of historical processes.

Historical research is gradually reconstructing the past of the underdeveloped countries for us. Enough is known to enable us to say with confidence that "by the end of the sixteenth century . . . the agricultural economies of the Spice Islands, the domestic industries of large parts of India, the Arab trading-economy of the Indian Ocean and of the western Pacific, the native societies of West Africa and the way of life in the Caribbean islands and in the vast areas of the two vice-royalties of Spanish America [were] all deeply affected by the impact of Europeans. . . . The results [of European expansion] on non-European societies were . . . sometimes immediate and overwhelming. . . ."⁸

The expansion of Europe throughout the world was an outcome of the competition among mercantilist-capitalist states for trading advantages. This competition was both peaceful and violent and its object was to obtain monopoly control of the most lucrative trading areas. In practice the quest for monopoly control led inevitably to the forceful acquisition of colonies, satellites, dependent territories and spheres of influence. But the initial impulse, from the time when the Portuguese first began to explore the Orient, was to dominate trade, not to gain territory; that came later. "The object of Portuguese colonization was not the possession of the Indies themselves,

but of the trade of the Indies. Their approach was based on a concept of a *mare clausum*, secured to them under papal authority, which should save them from the inroads of other Christian states, and on a system of forts and garrisons which should save them from native opposition." The Portuguese had no wish to engage in production but "merely to divert to their own sea-routes a trade which was based on a competent native economy. Their purpose was to make the king of Portugal the only merchant trading between India and Portugal."⁹

Ironically, it was the combination of Europe's military superiority and her relative material poverty which shaped events in the early phase of European expansion. Western ascendancy was made possible by advanced military technology and it was made necessary by the inability of Europe to engage in trade on equal terms with the wealthy nations of the East. Asia had much that Europe wanted but Europe could offer almost nothing that was desired in Asia. As Professor Rich has said, "the spice trade was conditioned by the fact that the Spice Islands wanted very little of the produce of Europe save firearms."¹⁰

An historian of Indonesia notes that "when the first Dutch merchants and sailors had come to the island world of the Indies, they had been amazed by the variety of its nature and civilization, and the more observant among them had recognized that southern and eastern Asia were far ahead of western Europe in riches as well as in commercial ability and mercantile skill."¹¹ Similarly, an historian of the Middle East has written that "when Islam was still expanding and receptive, the Christian West had little or nothing to offer, but rather flattered Islamic pride with the spectacle of a culture that was visibly and palpably inferior."¹² Europe's subsequent ability to dominate the rest of the world depended not upon her cultural superiority or economic strength but upon two technological breakthroughs: the construction of large ocean-going sailing vessels and the development of gunpowder and naval cannons.¹³ Indeed, Europe owed a great technological debt to the rest of the world, and particularly to China. Without Chinese science the industrial revolution would have been impossible.¹⁴ It was European advances in specific military techniques rather than general progress in the peaceful arts of civilization which enabled her to establish hegemony in Latin America, Asia and Africa.

In the early period of expansion, in fact, a large volume of trade between Europe and the rest of the world would have been impossible because of the European tendency to run a substantial balance of payments deficit. If Europe was to obtain the products from the East which were desired she either had to force down the price of oriental products or increase the demand for goods which Europe could supply. In practice she did both. The Dutch, for instance, exacted an annual tribute in spices; for other crops they enforced compulsory deliveries at favourable prices. The English destroyed the Indian textile industry and then proceeded to supply India with cotton goods from Great Britain. How Britain was to finance the imports of tea from China presented great problems, for as the Chinese emperor said to George III, "our celestial empire possesses all things in prolific abundance" and, presumably, therefore, China had little need for English goods. This knotty problem was finally resolved by forcing opium on the

Chinese and encouraging addiction. This created a large demand for the drug which the East India Company was able to supply from Bengal. The Chinese made many vain attempts to restrict the trade. Finally, Britain forced China to permit the trade and fought the Opium War of 1839-42—"a war that was precipitated by the Chinese government's effort to suppress a pernicious contraband trade in opium, concluded by the superior firepower of British warships, and followed by humiliating treaties that gave Westerners special privileges in China."¹⁵

It is still a matter of debate whether domination of the rest of the world was the vital ingredient in Europe's recipe for rapid economic growth. There is little doubt, however, that resources were transferred to the West, and especially to Great Britain, on a massive scale. British India had a large trading surplus with China and the rest of Asia. These surpluses, in turn, were siphoned off to England "through the (politically established and maintained) Indian trading deficit with Britain, through the 'Home Charges'—i.e. India's payments for the privilege of being administered by Britain—and through the increasingly large interest-payments on the Indian Public Debt. Towards the end of the [nineteenth] century these items became increasingly important. Before the First World War 'the key to Britain's whole payments pattern lay in India, financing as she probably did more than two fifths of Britain's trade deficits'."¹⁶

Going back still further, the East India Company, according to Keynes, had its origin in privateering. "Indeed, the booty brought back by Drake in the *Golden Hind* may fairly be considered the fountain and origin of British Foreign Investment. Elizabeth paid off out of the proceeds the whole of her foreign debt and invested a part of the balance (about £42,000) in the Levant Company; largely out of the profits of the Levant Company there was formed the East India Company, the profits of which during the seventeenth and eighteenth centuries were the main foundation of England's foreign connections; and so on."¹⁷

[W]e are concerned not with whether European expansion enriched the West, but with whether it impoverished the rest of the world. It is conceivable that the benefits to Europe of its hegemony were slight and accrued in the form of temporarily increased consumption (rather than greater investment and growth), while the costs of her dominance were heavy and fell primarily upon the dependent countries. It is to this final question that we now turn.

FRAGMENTS OF HISTORY

The concept of "underdevelopment" as it is used [here] is all-inclusive. It refers to a society's political organization, economic characteristics and social institutions. Poverty is neither a synonym for underdevelopment nor a cause of underdevelopment; it is only symptomatic of a more general problem. Poverty, in other words, forms part of a culture. Oscar Lewis had the following to say about this culture: "The culture of poverty is both an

adaptation and a reaction of the poor to their marginal position in a class-stratified, highly individuated, capitalistic society. It represents an effort to cope with feelings of hopelessness and despair. . . . Most frequently the culture of poverty develops when a stratified social and economic system is breaking down or is being replaced by another. . . . Often it results from imperial conquest in which the native social and economic structure is smashed and the natives are maintained in a servile colonial status, sometimes for many generations."¹⁸

As Lewis is the first to recognize, however, the culture of poverty is not identical in all settings; the slums of Puerto Rico produce a different culture from those of Mexico City;¹⁹ the culture of poverty varies from place to place and from one era to another. The culture both shapes and is shaped by a people's history. It is for this reason that the differences between the developed and the underdeveloped countries cannot be explained exclusively in statistical terms; the two types of countries differ qualitatively as well as quantitatively. For similar reasons, it is almost certainly incorrect and misleading to assume that the circumstances of today's underdeveloped countries were always the same. Yet this is the view that at present prevails. Murkse's notion of the "vicious circle of poverty"—the proposition that "a country is poor because it is poor," and presumably always has been—expresses the conventional doctrine perfectly.²⁰ As an alternative approach one might advance the hypothesis that the wellbeing of today's poor countries was not always so low and that their descent into underdevelopment did not occur independently of what was happening in the rest of the world.

It is our belief that underdeveloped countries as we observe them today are a product of historical forces, especially of those forces released by European expansion and world ascendancy. Thus they are a relatively recent phenomenon. Europe did not "discover" the underdeveloped countries; on the contrary, she created them. In many cases, in fact, the societies with which Europe came into contact were sophisticated, cultured and wealthy.

This is well illustrated by the case of Indonesia, an archipelago which today includes about half of the inhabitants of South-East Asia and the region which formerly acted as a magnet to Western traders and precipitated European expansion. At the beginning of the sixteenth century Indonesia was a prosperous region. "Local emporia were the equal of anything Europe had to offer: indeed Malacca was at that time regarded by Western visitors as the greatest port for international commerce in the world, clearing annually more shipping than any other."²¹ The Dutch, operating through the Netherlands' United East India Company, aimed first to establish a monopoly of trade with the region. This aim was accomplished by 1641. They next established a monopsony over the purchases of the output of the islands. Finally, in the eighteenth century, the Dutch established a system of forced deliveries, forced cultivation and even the legal obligation to grow specific commercial crops on peasant holdings. Specialization was not dictated by the market but by the Company. As a consequence of this so-called Culture System "so little time was left to the Javanese for the cultivation of food crops that serious famines occurred in the eighteenth parties. The fertile island had been transformed into a vast Dutch plantation, or, from the point of view of the people, a forced labour camp."²²

Agriculture was not the only sector that was adversely affected. The Dutch systematically discouraged and prevented local enterprise outside agriculture, and even brought in Chinese as ubiquitous middlemen. Java's indigenous commercial and industrial activities were utterly destroyed: ship building, iron-working, brass and copper founding all disappeared; weaving and peasant handicrafts declined; the merchant marine vanished and the merchants devoted themselves to piracy.

By the beginning of the present century the Indonesian economy was in a state of crisis and the Dutch government announced its intention in 1901 to "enquire into the diminishing welfare of the people of Java." Some indication of the extent to which the wellbeing of the people had declined is provided by Mr. Caldwell's figures:

Table 1 Average Annual Rice Consumption Per Head in Java and Madura

Period	Quantity (kilogrammes)
1856-70	114.0
1881-90	105.5
1891-1900	100.6
1936-40	89.0
1960	81.4

Source: M. Caldwell, *Indonesia*, Oxford University Press, 1968, p. 21.

Indonesia's experience was not unique. Indeed, President Roosevelt's comment to Lord Halifax in January 1944 that the French had possessed Indochina "... for nearly 100 years, and the people were worse off than they were at the beginning" is applicable to Asia as a whole. In some cases the destruction of the indigenous society was largely inadvertent. The decimation of the population of the South Pacific islands through the introduction of alien diseases is an example of this.²³ In other cases the destruction of the native economy and its institutions was deliberate. A second great example of this is India.

As late as the early seventeenth century India was more advanced economically than Europe. She had a fairly large manufacturing sector which produced mostly luxury goods—including gold and silver objects, plus glassware, paper, iron products and ships. Many of these items as well as cotton cloth, silk, indigo and saltpetre were exported to the West for payment in bullion.²⁴ The decline of India's industry was due to a combination of several factors: technical progress in Europe associated with the industrial revolution, domination of the East India Company and the imposition of the free trade doctrine under unequal conditions by the British. After 1833 the process of de-industrialization was accelerated and emphasis was placed on developing cash crop agriculture for export. Industrial decay was complete by the 1880s.

Parallel to the destruction of the manufacturing sector, agricultural institutions were profoundly altered and the economic wellbeing of rural inhabitants declined. Throughout the nineteenth century the proportion of the total population dependent upon agriculture increased, and the propor-

tion of the rural population composed of agricultural labourers also increased. Data from the Madras Presidency of South India indicate that the real wages of agricultural labourers (measured in *seers* of common rice) declined sharply even as late as the last quarter of the last century. In only one of the seven districts for which data are available did real wages actually rise; in the others they declined from 13 to 48 per cent.

Table 2 Change in Real Wages of Agricultural Labour in Seven Districts of South India, Average 1873-75 to Average 1898-1900

	per cent
Ganjam	-43
Vizagapatam	-48
Bellary	-20
Tanjore	+29
Tinnevely	-40
Salem	-13
Coimbatore	-39

Source: Dharma Kumar, *Land and Caste in South India*, Cambridge University Press, 1965, p. 164.

Conditions in the rest of India were roughly comparable. René Dumont summarizes the experience of Bengal as follows: "On 22 March 1793 Lord Cornwallis and the East India Company proclaimed that *zamindars* and *talukhars* (the men who had been charged with the collection of tribute) would henceforth be considered as permanent and irrevocable owners of the lands on which they had gathered taxes. This proclamation had far-reaching consequences. Of course, it is easy to see that the East India Company regarded it both as an improved way of obtaining a better return of tributes, and also as an easy means of making firm allies. But they never realized that, in depriving the peasant of his traditional and permanent right to occupy the land, they were making him, throughout the greatest part of India, a slave of new owners; and that exploitation of the peasant now took the place of exploitation of resources. Rural societies were not only compelled to pay taxes, but also rents which demographic development soon made outrageous; some peasants took to running away. A new law gave the *zamindars* the right to catch them, and this completed the dismemberment of traditional rural society. On the one hand great landowners; serfs on the other; the former with no incentive to improve the land; the latter with no means to do so."²⁵

The conversion of tax collectors into landlords, the emphasis on production of cash crops for export, and the population explosion which began at the end of the nineteenth century were jointly responsible for the final disaster. The mass of the people were reduced to a subsistence income which hovered precariously above the famine level. Using 1900-01 as an index base of 100, agricultural production *per capita* had declined to 72 a half century later, while production of food *per capita* had plunged to the miserably low figure of 58.²⁶

None of the preceding discussion should be taken to imply that all of

the underdeveloped countries were once wealthy societies and advanced civilizations. Some of the peoples with whom the Europeans came into contact were, of course, relatively primitive. But nearly all of the people encountered in today's underdeveloped areas were members of viable societies which could satisfy the economic needs of the community. Yet these societies were shattered when they came into contact with an expanding Europe. The manner in which the indigenous societies were destroyed varied from one region to another and depended upon the precise form taken by European penetration and the wealth, structure and resilience of the native civilization. Although the method of destruction varied, the outcome was always the same: a decline in the welfare of the subjugated people. Writing about Africa, Professor Frankel notes that attempts at modernization under colonialism are "in greater or lesser degree accompanied by increasingly rapid disintegration of the indigenous economic and social structure. However primitive those indigenous institutions may now appear in Western eyes, they did in fact provide the individuals composing the indigenous society with that sense of psychological and economic security without which life loses its meaning."²⁷

Although our knowledge of African history is rudimentary, it is perhaps correct to say that no continent has felt the impact of European expansion more thoroughly than Africa. The introduction, especially by the Portuguese, of large-scale trading in slaves during the sixteenth century completely disrupted West Africa from Guinea to Angola.²⁸ Slavery created chaos in vast areas of the continent. The population declined; wars among formerly peaceful tribes were incited; the native economy fell into decay; and the social organization of the community and the authority of the chief frequently were corrupted. The entire way of life in Africa was altered. "The increased demand for slaves arising from the plantation owners of North and South America in the seventeenth and eighteenth centuries was responsible for depopulating large parts of Africa, and for degrading what had once been settled agricultural peoples back to long-fallow agriculture or nomadism."²⁹

The slaughter of the indigenous people and the depopulation of the land did not cease with the end of slavery, however. In 1919 the Belgian Commission for the Protection of the Native estimated that the number of inhabitants of the Congo had declined by as much as 50 per cent since the beginning of occupation forty years earlier. In South-West Africa during the German-Herero War of 1904 General von Trotha, after the campaign was over, issued his notorious Extermination Order which required every Herero man, woman and child to be killed.³⁰ As a result of this the tribe was reduced from 80,000 to 15,000, and today it has regained only half of its former strength.

As pervasive as slavery and indiscriminate slaughter may have been, they can hardly be considered the typical pattern of European penetration in Africa. One must also consider the more "normal" economic activities of colonization and mineral extraction. One cannot, of course, accurately describe in a few paragraphs all the forms which colonialism adopted in North, East and Southern Africa, but it is possible to reconstruct a simplified scheme of the effects of European activity upon the indigenous society.

The process began with the acquisition of all the good land, mineral deposits and water resources by the colonialists. Excluding West Africa, this was nearly a universal phenomenon, and was not confined to the acknowledged cases of white settlers in Kenya, Algeria and the Republic of South Africa, but was also prevalent in less prominent places. For instance, the Bechuana tribes of Botswana were continually forced to give up their most productive lands in the south and northwest in order to avoid becoming a colony and to maintain their status as the Bechuanaland Protectorate.³¹ In Liberia the descendants of freed slaves (Americo-Liberians) have installed themselves as aristocratic absentee landlords of rubber farms, have required the indigenous people to supply one fourth of the labour supply gratis, and pay the remainder four cents an hour or less.³² The mandate territory of South-West Africa is a classical example of Europeans monopolizing the land. "Whites, though only one in seven of the total population, enjoy the exclusive use of two-thirds of the land."³³

Having lost the best lands, the indigenous population was then confined to the less desirable and more remote areas—the "bush," Reserves, the veld or Bantustans. The high population densities led inevitably to increased erosion, declining yields of food crops in native areas and falling consumption levels. Colonialism in Africa—like that in Latin America, as we shall soon see—led to underemployment both of land (in the European areas)

Table 3 Per Capita Output of Indigenous Agriculture in Algeria

	Cereals (kilos)	Cattle (head)	Sheep (head)
1863	1000	n.a.	4.5
1911	377	0.2	1.5
1938	231	0.1	0.8
1954	202	0.1	0.7

Source: R. Murray and T. Wengraf, "The Algerian Revolution," *New Left Review*, No. 22, p. 32, who cite A. Gorz, "Gaullisme et neo-colonialisme," *Temps Modernes*, March 1961.

and labour (in the African areas). *Per capita* food consumption, at least in some cases, has fallen over a considerable period of time. For example, food consumption in Algeria was perhaps between five and six times higher in 1863 than it was in 1954.

It was not sufficient, however, simply to dispossess the natives of their land and confine them to Reserves. The colonial economy—particularly the mines—also required cheap manpower; the Africans had to be compelled to emigrate and work for the Europeans. In some cases, e.g. in the Belgian and Portuguese colonies, the authorities relied to a great extent on forced labour. In most of the other colonies, however, a more subtle device was used—fiscal policy. A high tax, payable in money, was imposed on the natives. This forced them to enter a monopsonistic labour market and work for the white men at extremely low wages in order (i) to pay their taxes and (ii) to supplement the declining income obtainable from indigenous agriculture. Positive inducements in the form of incentive goods also were occasionally provided. Often this was unnecessary, however. A common

technique, as in Basutoland, was to assign the responsibility for collecting taxes to the chief and allow him to take a rake-off. In this way the authority of the chief was used to favour the ambitions of the colonialists rather than the interests of his own people. The system of colonialism and indirect rule was designed to generate abundant supplies of cheap unskilled labour for Europeans who monopolized all other resources. The material wellbeing of the African was systematically lowered and his institutions were intentionally destroyed. It was this process of impoverishment and growing degradation which contributed to the urgent demands for independence in the late 1940s. By this time Africa and the other underdeveloped countries had gone through a lengthy period of growing misery which culminated in the collapse of primary commodity prices in the 1920s, the world depression of the 1930s, and the Second World War of the first half of the 1940s. The crisis of colonialism was not exclusively or even primarily a political crisis; its roots lay in the inability of the colonial system to generate economic progress and distribute it equitably.³⁴

Even this rather superficial discussion of conditions in Africa and Asia should give us a broader perspective from which to consider the historical origins of underdevelopment in Latin America.

In general, colonialism in Latin America, as in the rest of the world, was a catastrophe for the indigenous people. In the areas of more primitive civilization the population virtually disappeared within less than thirty years. In the areas of advanced civilization the people were completely subjugated.

Spanish penetration of Latin America began in the Caribbean area. There they encountered Arawak, Carib and Cueva tribes with large populations tilling the soil in permanent clearings and on *conucos*. The native culture in the West Indies and on the Isthmus was not as advanced as some other civilizations, but the tribal societies were well organized and the economy was perhaps as productive as that of Indonesia. Yet within a generation the indigenous society and economy had been ruined and the native population had virtually disappeared.³⁵

The Spaniards gained control over the natives by breaking their political structure. The chiefs were liquidated and the rest of the community were allocated to individual claimants. These allocations were originally called *repartimientos* and subsequently formed the basis of the *encomienda* system. These colonial institutions, in turn, were the origin of the latifundia system, under which individual rights to labour services were transformed to include the land as well. One of the features of the *repartimientos* was that the number of natives allocated to a Spaniard depended upon how much work he could extract from them, i.e. originally, how much gold for export he could get them to produce. In this way strong incentives to exploit labour were created.

The combination of brutality, slaughter, high tribute, slavery, forced labour for gold mining, destruction of the social framework, malnutrition,³⁶ disease and suicide led to the extinction of the indigenous population. "It has been reckoned that at the approach of the Spaniards, in 1492, total Carib population in Hispaniola was about 300,000. By 1508 it was reduced to about

60,000. A great decline had brought it to about 14,000 by 1514, as serious settlement began; and by 1548 it had reached a figure which indicated virtual extermination, about 500."³⁷ The population of the other islands declined even more rapidly. The Bahamas lost their population first. Puerto Rico was decimated in little more than a decade, and Cuba followed soon after. By 1519 Jamaica was almost uninhabited. Those who survived were a pitiable lot. "A well-structured and adjusted native society had become a formless proletariat in alien servitude. . . ."³⁸

As the population declined the *conucos* on the islands were abandoned and the terrain became rangeland for cattle and pigs; in Central America the continuous savanna reverted to a tropical rain forest. The Spaniards responded to the labour shortage by introducing extensive grazing on their estates. The few natives who managed to escape fled to the jungle and adopted the slash-and-burn shifting agriculture that can still be observed today.

A similar story may someday be told, perhaps, of the sparsely settled regions of the Amazon basin. It is usually assumed that this region was inhabited by extremely primitive people: this assumption, however, may well turn out to be incorrect. The inhabitants of this area may once have had a more advanced civilization and a higher standard of living than is currently believed. A noted anthropologist who has had considerable research experience in Brazil, Claude Lévi-Strauss, is too cautious to advance a positive hypothesis, but the question he poses is worth pondering. "Is it not also possible to see them [the tribes in Brazil] as a regressive people, that is, one that descended from a higher level of material life and social organization and retained one trait or another as a vestige of former conditions?"³⁹

We do not know what the answer to his question is as regards Brazil, but in the two cases of Mexico and the Inca Empire the answer is clearly "yes." Space does not permit us to recount the downfall of the Aztecs. Let us only note that the native population of Mexico was decimated. From about 13 million at the time of the Spanish Conquest, the population had declined to about 2 million by the end of the sixteenth century.

In the Inca Empire, which covered a very large portion of western South America, the impact of the Spanish was not quite so fatal, yet it is still true that one of the greatest tragedies in Latin America was the destruction of this civilization. The Spanish Conquest of Peru was accompanied by profound social, institutional and demographic changes. The wars, the epidemics and the fierce exploitation of the Indians reduced the indigenous population by one-half to two-thirds.⁴⁰ It was only towards the end of the nineteenth century that the Indian population began to increase again, and it is now estimated that this population only slightly exceeds the number of inhabitants of the Inca Empire. The catastrophic decline in population was accompanied by the utter ruination of the Andean civilization. Cities vanished; the communal customs of the Inca became an historical curiosity; terraced hillsides were abandoned; agricultural productivity declined. The survivors of the conquest became a miserable, starving, diseased and disorganized mass of humanity. In short, they became an underdeveloped people.⁴¹

The new civilization constructed from the debris of the earlier indigenous society was markedly different. The colonizing Spaniards and their descendants enslaved what remained of the indigenous population. Indians were sent to the mines by the thousands to extract the mineral wealth of the continent. Following the precedent established in the Caribbean, the best lands were appropriated and huge estates were distributed to the favoured few. The great mass of the underprivileged, on the other hand, were pushed on to the mountain slopes where they attempted to eke out a living on small plots. In this way the distinctive economic system of Spanish America—the latifundia-minifundia complex—was created.

The essential feature of the new economic system was the monopolization of land. This by itself was sufficiently important to shape the social and political relationships of the colonial civilization, since in a predominantly agricultural economy one's livelihood depends almost entirely upon access to land. Exploitation did not stop here, however. Water rights were tightly controlled by the large landowners; the majority of the population had very little access to credit; rural education was practically non-existent. Thus the latifundium acquired a monopoly of the major factors of production—land, capital, water and technology, and its position as virtually the only large employer gave it a strong monopsonistic position in the labour market as well. The economic power of the minifundium was nil; its role in the system was to provide an abundant supply of cheap, unskilled labour.

Low productivity and an unequal distribution of income were inevitable characteristics of the new social and economic system. The universal syndrome of the latifundia-minifundia complex was the continuous pressure upon the Indians to move to poorer lands, the consequent accelerated erosion of the mountain slopes, falling yields of food crops on the subsistence plots, and a decline in consumption standards of the mass of the population. In contrast to the intensive agriculture of the minifundium and its declining productivity, the latifundium adopted highly labour extensive techniques of production and the large landowners were able to prosper at the expense of the rest of the community. Thus it was the social and political systems imposed by the colonists, in combination with the demographic changes which followed the Conquest, which were responsible for creating underdevelopment in Spanish America. One cannot explain the poverty of the region today without referring to the region's history.

NOTES

1. The phrase is taken from R. R. Nelson, "A Theory of the Low-Level Equilibrium Trap in Underdeveloped Economies," *American Economic Review*, December 1956. Also see by the same author, "Growth Models and the Escape from the Low-Level Equilibrium Trap: The Case of Japan," *Economic Development and Cultural Change*, July 1960.
2. S. Kuznets, *Economic Growth and Structure*, London, 1966, p. 177.
3. H. Leibenstein, *Economic Backwardness and Economic Growth*, John Wiley and Sons, 1960, p. 4. Italics in the original.
4. See, for example, P. A. Baran and E. J. Hobsbawm, "The Stages of Economic Growth," *Kyklos*, 1961; S. Kuznets, "Notes on the Take-Off," in W. W. Rostow, ed., *The Economics of Take-Off into Sustained Growth*, Macmillan, 1964.

5. For instance, in presenting their dualistic model Ranis and Fei claim that Rostow's "well-known intuitive notion has been chosen as our point of departure." ("A Theory of Economic Development," *American Economic Review*, Sept. 1961, p. 533.)
6. A. G. Frank, "Sociology of Development and Under-Development of Sociology," *Catalyst*, Summer 1967, p. 37.
7. A typical view is exemplified by Trevor-Roper's arrogant assertion that "the history of the world, for the last five centuries, in so far as it has significance, has been European history." (*The Rise of Christian Europe*, 1965, p. 11.)
8. E. E. Rich, "Preface," in E. E. Rich and C. H. Wilson, eds, *The Cambridge Economic History of Europe*, Vol. IV, *The Economy of Expanding Europe in the Sixteenth and Seventeenth Centuries*, Cambridge University Press, 1967, p. xiii. The contributions of Professor Rich to this volume, and especially the "Preface," are brilliant.
9. E. E. Rich, "Colonial Settlement and its Labour Problems," *ibid.*, p. 304.
10. *Ibid.*, p. 368.
11. B. H. M. Vlekke, *The Story of the Dutch East Indies*, Harvard University Press, 1946, p. 178.
12. B. Lewis, *The Emergence of Modern Turkey*, Oxford University Press, 1961, p. 40.
13. See C. M. Cipolla, *Guns and Sails in the Early Phase of European Expansion, 1400-1700*, Collins, 1965.
14. See J. Needham and W. Ling, *Science and Civilization in China*, Vol. IV, Part II, Cambridge University Press.
15. J. K. Fairbank, E. O. Reischauer and A. M. Craig, *East Asia: The Modern Transformation*, George Allen and Unwin, 1965, p. 136.
16. E. J. Hobsbawm, *Industry and Empire*, Weidenfeld and Nicolson, 1968, p. 123, citing S. B. Saul, *Studies in British Overseas Trade 1870-1914*.
17. J. M. Keynes, *A Treatise on Money*, Vol. II, *The Applied Theory of Money*, Macmillan, 1930, p. 156.
18. Oscar Lewis, *La Vida*, Secker and Warburg, London, 1967, p. xli.
19. See Oscar Lewis, *The Children of Sanchez*, Secker and Warburg, 1961.
20. R. Nurkse, *Problems of Capital Formation in Underdeveloped Countries*, Oxford University Press, p. 4.
21. M. Caldwell, *Indonesia*, Oxford University Press, 1968, p. 39.
22. *Ibid.*, p. 47.
23. See A. Moorehead, *The Fatal Impact*, Hamish Hamilton, 1966, Part I.
24. S. C. Kuchhal, *The Industrial Economy of India*, Chaitanya Publishing House, 1965, p. 64.
25. R. Dumont, *Lands Alive*, Merlin Press, 1965, p. 139.
26. See K. Mukerji, *Levels of Economic Activity and Public Expenditure in India*, Asia Publishing House, 1965.
27. S. H. Frankel, *The Economic Impact on Underdeveloped Societies*, Basil Blackwell, 1953, p. 134.
28. See J. Duffy, *Portuguese Africa*, Harvard University Press, 1959, especially Ch. VI. See also the well-known study by E. Williams, *Capitalism and Slavery*, University of North Carolina Press, 1944. J. Pope-Hennessy, *Sins of the Fathers: A Study of the Atlantic Slave Trade, 1441-1807*, 1967, is a lively popular account.
Slave raiding in Eastern and Central Africa had been introduced earlier by Arab traders operating out of Zanzibar and Khartoum. This naturally disturbed the native economy and society, but the effects were insignificant in comparison with the devastation created by European and American slaving expeditions.
29. Colin Clark, *Population Growth and Land Use*, Macmillan, 1967, p. 136.
30. See R. First, *South-West Africa*, Penguin, 1963, pp. 69-83.
31. E. S. Munger, *Bechuanaland*, Oxford University Press, 1965, Ch. II.
32. G. Dalton, "History, Politics, and Economic Development in Liberia," *Journal of Economic History*, December 1965.
33. R. First, *op. cit.*, p. 142.
34. See B. Davidson, *Which Way Africa?*, Penguin, 1964, Ch. 6.
35. See C. O. Sauer, *The Early Spanish Main*, University of California Press, 1966, especially chapters III and VII.
36. There was never a deficiency of cassava bread and sweet potatoes on the islands.