Blood and Debt: War and Taxation in Nineteenth-Century Latin America[1]

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Using data from 11 Latin American countries, this article challenges the universality of the positive relationship between war and state making. Availability of external resources, state organizational capacity, and alliances with social actors are shown to help determine the political response to armed conflict. Overall, the article emphasizes the importance of causal sequence in determining the effect of war. War did not make states in Latin America because it occurred under very different historical circumstances than during the European "military revolution." Without the prior establishment of political authority and without a link between such an organization and social actors, war will not contribute to institutional development.

INTRODUCTION

The notion that war supports the institutional development of the state is widely accepted in political sociology (Andreski 1954; Finer 1975; Tilly 1975, 1990; Downing 1990; Porter 1994). This is not a recent discovery but reflects the importance assigned to war by Weber (1950) and Hintze (1975). Wars help build the institutional basis of the modern state by requiring a degree of organization and efficiency that only new political structures could provide. Charles Tilly has best summarized this process with his statement that "war made the state, and the state made war" (Tilly 1975, p. 42). Using data from 11 Latin American countries, this article elaborates the causal links between war and state building while challenging the universality of a positive correlation between the two. It

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finds that the availability of external resources, the extent of prior institutional development, and the nature of class alliances supporting the state all play critical roles in defining the political influence of war.[2]

Latin America offers an excellent opportunity to test the viability of standard accounts of the relationship between wars and states. Between 1810 and 1830, 16 independent nations arose and began the development of the administrative, ideological, and fiscal bases of modern states.[3] This period of state formation offers an invaluable and as yet largely unexplored arena for testing theories of state making.[4] The study of these often neglected cases may allow for a better appreciation of the exceptional circumstances that led to the creation of that combination of coercion and capital that is the modern state. Not only do these cases expand the relevant sample, but they also allow us to determine if the specific postcolonial conditions under which these states initially developed helped determine their further evolution. In this way at least, the Latin American experience may be much more relevant for contemporary analysis than Western Europe in the early modern era.

European Paradigm

The key to the relationship between war and state making in Western Europe is what Finer (1975) calls the "extraction-coercion" cycle. We begin with the obvious fact that wars require capital: By the 16th century, war became so expensive as to require the mobilization of an entire country. Professional armies clearly outperformed any rivals, but these required "ample and continuous amounts of money" (Howard 1976, p. 37). These changes causally linked military and political development. On the one hand, states penetrated their societies in increasingly complex forms in

[2] This article is part of a larger project analyzing the origins and consequences of war (and the lack thereof) in Latin America.

[3] My cases include all the countries in four of the five geopolitical zones in Latin America: La Plata Basin (Argentina, Uruguay, Paraguay, Brazil), Pacific Littoral (Chile, Peru, Bolivia), Northern Andes (Ecuador, Colombia, Venezuela), and Mexico. I have not included Central America as the addition of these cases would make the management of the narrative impossibly complex. Moreover, in the absence of even remotely reliable data on these countries during the relevant time period, their inclusion would bring little benefit.

[4] The time period I am studying may be described as Latin America's "short 19th century" beginning in 1810 and ending with the 1880s. The validity of this "middle period" between the colonial and contemporary eras remains the subject of debate (Safford 1992). For my purposes, it is extremely useful as it contains the vast majority of wars experienced on the continent and all but one of its major international conflicts.

order to obtain resources. The organizational innovations that occurred during wartime did not disappear with peace but often left an infrastructural residue that Ardant (1975) calls the "physiology" of the state. On the other hand, the new form of the post-Westphalian state was particularly well suited to the organizational task of managing this penetration and channeling the resources thus obtained into "productive" violence directed at some external enemy. Thus, wars both built and were an expression of political power.

A Gauge of Strength

How can we compare relative rates of political development and measure the effect of war on these? Taxation is a reasonable measure of such capacity or institutional development. Taxes both represent and augment the strength of the state as measured by the capacity to enforce centralized rule on a territory and its population (Peacock and Wiseman 1961; Organski and Kugler 1980). Taxes partly determine the very size of states' institutions and shape relationships between these and society; they help mold the eventual form of the state (Tilly 1975; Ardant 1975; Schumpeter 1954; Gallo 1991; von Stein [1885] 1958; Levi 1988). War is widely perceived as increasing the capacity of a state to tax its population (Peacock and Wiseman 1961; Mann 1986, 1988, 1993; Tilly 1990; Rasler and Thompson 1989; Campbell 1993). Wars generate greater needs for resources while also providing temporary declines in the state's social constraints. Wars also provide an organizational focus around which the state's organizational capacity may improve. Finally, armies raised for war might also serve as a means with which to collect resources.

The evidence for the positive link between war and the rise of taxes in early modern Europe is exhaustive (Ames and Rapp 1977; Mathias and O'Brien 1976; O'Brien 1988; Stone 1994; Brewer 1989; Aftalion 1990). The pattern is also obvious in the United States (Bensel 1990; Skowronek 1982; David and Legler 1966; Hooks and McLauchlan 1992). In all these cases, we see not only that state revenue increases after war but that the structure of taxation also changes. For example, wars led both the British state in the 18th century and the American in the 19th and 20th centuries to both increase the amount of revenue (which never returned to prewar levels) and to increase the relative importance of domestic and direct taxes (see figs. 1–2). Military conflicts allow (and force) the state to depend less on the administratively simple, but inelastic, custom taxes and to rely on the more politically challenging, but potentially more lucrative, domestic sources of revenue. The greater bureaucratic complexity required is at the heart of the institutional legacy of war.

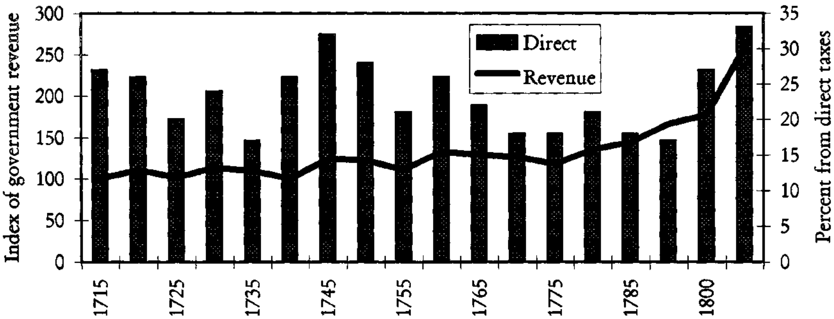

FIG. 1.—U.K. government income (data from Mathias and O'Brien [1976])

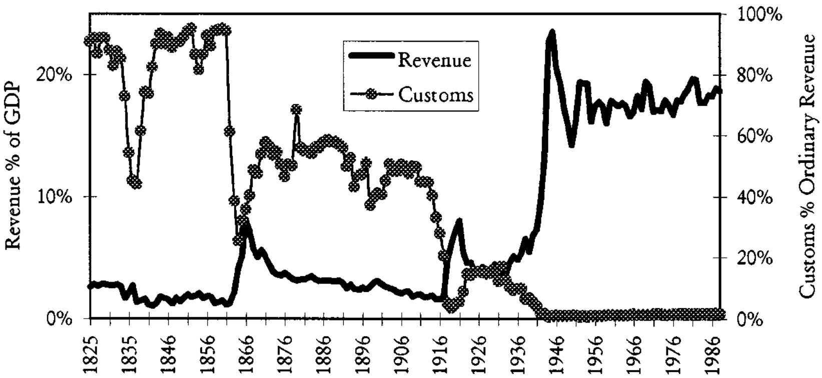

FIG. 2.—U.S. government income (data from Mitchell [1983])

Challenging the Paradigm

How automatic is the relationship between war and increased state strength? Appreciation of historical specificity and structural conditions is vital for the production of truly generalizable models of state development. Only some wars built states, only some states were built by wars. The European experience indicates that warfare in and of itself does not necessarily lead to state making. Several centuries of prior warfare had not produced states in Europe before the 16th century. Rather, as Tilly (1990) has emphasized, particular circumstances found in parts of Europe between 1600 and 1800 promoted conflict-led state development. What happened to change the institutional contribution made by war?

To an extent, this transformation remains a historical black box. We possess myriad references to the rise of the modern state and countless monographic descriptions of the specific historical sequences. Yet, political sociology has generally failed to produce a coherent model of how violence was transformed into order. Following the methodological logic of the counterfactual, the failure of Latin American wars to generate similar state-building forces as seen in Europe after the 17th century can serve to improve our understanding of the relationship between conflict and institutional development. The findings from this exercise could then be used to explain both geographic and temporal variation outside of Latin America.

The Latin American cases suggest that there are three critical prerequisites for institutional development aided by war. First, the relevant states must be forced to turn inward in order to meet the financial challenges of war. Second, adequate administrative mechanisms must be in place to manage the explosion in both revenues and expenditures. Third, the central state must have already established sovereignty over its territory and must be supported by enough local actors as to make domestic extraction profitable.

These three factors may also help explain why only those European wars following the military revolution contributed to the development of modern political structures. While to an extent these changes were technologically determined by the greater expenses involved in post-17th-century warfare, the important break had more to do with the social and economic contexts in which the wars took place than with what happened on the battlefield (Kaiser 1990; Tallett 1992; Wallerstein 1974–80).

For the "extraction-coercion cycle" to begin, the relevant states must not have alternative sources of financing while the domestic economy must be capable of sustaining the new fiscal and bureaucratic growth. Conflict-induced extraction will only occur if easier options are not available. Even then, the relevant societies might not be able to produce enough surplus to make the effort productive. Thus, for example, the availability of Latin American silver and the willingness of bankers to risk massive sums freed the Spanish Hapsburgs from imposing greater fiscal control over their provinces as a means to pay for their wars. Conversely, the relative scarcity of such external supports drove the expansion of the early English state.

Sociological and comparative accounts of the relationship between war and state building have also not sufficiently emphasized historical order in their analysis. There is a causal ambiguity in Tilly's famous aphorism: Which came first, states or wars? The Latin American cases suggest that wars in and of themselves do not make anything. Rather, they merely provide a *potential* stimulus for state growth.[5] Wars can only make states if they are preceded by at least a modicum of political organization. Without institutional cohesion, wars will make for chaos and defeat. Wars provide an opportunity for those political organizations that are able to capitalize on it; they cannot create them. The consolidation of central authority and the creation of a modicum of a bureaucracy appear to have preceded the state-making stage of war in England, France, and Prussia. The venality of the Spanish bureaucracy and the financial leakage of tax farming in a variety of other countries represented critical obstacles to state development.

Finally, it is important to appreciate fully the social resistance that may be offered to state penetration. The combination of coercion and capital symbolized by the military draft and direct taxation (the defining characteristics of a war-made modern state as per Tilly [1993, p. 32]) does not come about simply because a bureaucratic apparatus is in place and wishes it so. The capacity of a state to extract resources will be closely linked to the willingness of the population to accept these burdens. Reluctance on the part of an economic oligarchy to part with its cash may make expansion of taxes simply not worth the effort. Thus, state capacity is not an absolute phenomenon but a relational one. It is not merely a question of strength but also of the potential of the relevant societies to resist (or welcome) intrusion. Wars only make states when there already exists some form of union between a politically or militarily dominant institution and a social class that sees it as the best means with which to defend and reproduce its privilege. That is (following Perry Anderson [1979]), there has to be a prior agreement that the state will be responsible for collecting and disposing of social surplus. European cases demonstrate that the fragmentation of sovereignty, be it through the persistence of local autonomies (Spain), powerful but divided aristocracies (Poland), or direct external control (the Balkans), can and does prevent the solidification of states even when surrounded by conflict. In contrast, more successful war-making states established a coalition between central authority and potential aristocratic challengers either through alliance (England) or through coercion (France, Prussia).

WARS AND STATES IN LATIN AMERICA

What was the Latin American experience with war and taxation? Despite its almost unprecedented peace during the 20th century, Latin America's

[5] Tallett (1992; citing I. A. A. Thompson's work on Spain) calls war less a stimulant than a test of state strength.

first 70 years were quite bloody. As may be seen in table 1, for most of the 19th century, at least one-third of the relevant countries were at war, securing their independence, fighting neighbors, or establishing centralized control.[6] The expenditure patterns of the Latin American states for which we have a modicum of information also look a great deal like those of the European counterparts during the critical period of state building (see table 2).[7] These were countries *apparently* devoted to war. Expenditures were concentrated on the military and paying the debt derived from war.[8] (The overall decrease in military expenditures after the 1870s does reflect a general decline in interstate violence from the late 19th century on). The exceptions to the pattern tend to prove the rule. The decline in Paraguayan expenditures after 1840, for example, actually reflects a change in the manner of accounting adopted in order to disguise an increase in the attention paid by the state to military development.[9] The low Uruguayan numbers come almost 50 years after formal independence during which the state did little but fight internal and external enemies.

War did have some of the expected results in Latin America. As in Europe, it often led to the destruction of the losing side. In at least three cases (Peru in the 1880s, Mexico in the 1850s, and Paraguay after 1870), war led to the practical elimination of the state as an entity. Among winners (Argentina and Brazil in the 1870s), war led to an increase in the size of government. Wars also provided the expected economic stimulus (McLynn 1984). Military procurement and the slightly higher war tariffs encouraged domestic industrial development in Brazil during the War of the Triple Alliance (Bethell 1987*a,* p. 768). The need to supply the Chilean expeditionary forces in Peru during the War of the Pacific increased the demand for domestic production of basic products such as textiles and foodstuffs. More factories were founded in Chile between 1880 and 1889 than had existed prior to the war (Loveman 1979, p. 169; Zeitlin 1984, pp. 77–78). Recruitment and increased demand also lowered unemployment (Cariola and Sunkel 1991, p. 42).

[6] I define war as "substantial armed conflict between the organized military forces of political units" (Levy 1983, p. 51) and use Singer and Small's (1982) threshold of 1,000 deaths. I have included both civil and interstate conflicts in my analysis.

[7] I have avoided the use of formal statistical methods for two reasons. First, given the vagaries in the data, formal cross-national comparisons would be deceptive. Second, qualifying any individual year as peaceful or at war would be an extremely subjective process and involve distinctions beyond the purview of this article.

[8] Conflict did not necessarily mean large organized armed forces. Colombia had a very violent 19th century, yet its army was down to 800 men in 1854 and 511 in 1858. The army was in fact almost nothing more than a palace guard well into the 20th century (McGreevey 1971, p. 87). In the 1830s, the entire Venezuelan army consisted of 1,000 men (Bethell 1987*a,* p. 520).

[9] Thomas Whigham, private communication with the author, July 1996.

TABLE 1

MAJOR WARS IN 19TH-CENTURY LATIN AMERICA

War	Countries	Year Started
Independence	Argentina	1810
Independence	Bolivia	1810
Independence	Chile	1810
Independence	Bolivia, Colombia, Ecuador, Venezuela	1810
Independence	Mexico	1810
Independence	Paraguay	1810
Independence	Peru	1810
Provincial autonomy struggle	Argentina	1819
La Plata	Argentina, Brazil, Uruguay	1825
Independence	Central American republics	1821
Buenos Aires troubles and civil war	Argentina	1828
Civil war	Chile	1829
Mexico wars and revolts	Mexico	1829
Revolution of the Farrapos	Brazil	1831
Buenos Aires	Argentina	1833
Conflict over Texas	Mexico	1835
Argentina-Uruguay war of La Plata	Argentina, Brazil, Uruguay	1836
Chile-Bolivia War	Bolivia, Chile, Peru	1836
Guerra Grande	Argentina, Brazil, Uruguay	1838
Civil war	Colombia	1839
La Paz	Peru	1841
Mexican-American War	Mexico	1846
Civil war	Chile	1851
La Plata war	Argentina, Brazil, Uruguay	1851
Civil war	Peru	1853
Civil war	Colombia	1854
Civil war	Mexico	1858
La Plata	Argentina	1859
War of the Cauca	Colombia	1859
Franco-Mexican War	Mexico	1862
Civil war	Ecuador	1863
Northwest province instability	Argentina	1863
Triple Alliance	Argentina, Brazil, Paraguay, Uruguay	1864
Peruvian-Spanish War	Bolivia, Chile, Peru	1865
Ten-Years War	Cuba	1868
Civil war	Venezuela	1868
Mitre Revolt/Pampas	Argentina	1874
Civil war	Colombia	1876
War of the Pacific	Bolivia, Chile, Peru	1879
Patagonia campaign	Argentina	1879
Civil war	Argentina	1880
Civil war	Colombia	1884

TABLE 1 (*Continued*)

War	Countries	Year Started
Central American	Guatemala, El Salvador	1885
Civil war	Chile	1891
Rio Grande do Sul	Brazil	1892
Civil war	Peru	1894
Independence	Cuba	1895
Civil war/Bahia revolt	Brazil	1896
Secession of Panama	Colombia	1898
Civil war	Colombia	1899

SOURCES.—Singer and Small (1982); Kaye, Grant, and Emond (1985); Bethell (1987*a*).

At least as measured by taxation, however, the Latin American states did not penetrate or extract from their societies in the expected manner. Comparisons of relative extractive capacities in the 19th century are difficult given the lack of comparable national economic data and the questionable use of official exchange figures. The two countries for which we have the most reliable information that can be translated into an international currency are Chile and Brazil. During the entire period in question, neither Latin American state could extract even half of the revenue per capita available to the British state, arguably the least rapacious European power at the time, despite the fact that these countries experienced considerable conflict (Flora 1987; Mitchell 1983; Dirección de Contabilidad 1914; Buescu 1984; see fig. 3). Moreover, both of the Latin American countries were much more dependent on customs revenues than the United Kingdom during this time period. While such taxes accounted for roughly one-third of British revenues and were marginal for France, in Brazil and Chile, they represented at least two-thirds and often more (Dirección General de Contabilidad 1914; Buescu 1984; Flora 1987; see fig. 4).[10] Thus, the upward trend in tax receipts of the Latin American coun-

[10] The relative fiscal "weakness" of the Latin American state measured both in terms of money produced and the means used continues to the present day. In 1970 (prior to the debt boom-and-bust cycle), e.g., the Latin American average of government revenue as percentage of GDP was 13.6; for the Organization for Economic Cooperation and Development (OECD) it was 23.1%. While Latin American countries depended on customs for 22.3% of revenue, the OECD figure was 5.6%. See Kling (1959) for a discussion of the implication of customs dependency. Kiser, Drass, and Brustein (1995) imply that customs may serve to protect the autonomy of a ruler since these make the central state less dependent on social sources of revenue. I wish to emphasize the other side of the same equation. The presence of social extraction implies that the state *can* demand social resources.

TABLE 2

Combined Military and Financial Expenditures as Percentage of Budget

	Argentina	Brazil	Chile	Ecuador	Mexico	Paraguay	Peru	Uruguay	Venezuela
1820						81			
1821									
1822	92				96	80			
1823	93					85			
1824	85				81				
1825					95	84			
1826	98				66		84		
1827					91				
1828		90			92				
1829	90	88			94	89			
1830	85	85		74	93				
1831	100	82			92	86	70		83
1832	74	62		57	91	87			79
1833	78	88	57		81	85			84
1834	78	86	58		70	76			80
1835		86	60		90	85			83
1836		85	56		80				41
1837		86	51		93	92			65
1838		87	48			94			73
1839		88	47	58	86	89			68
1840	98	84	41		88	89			53
1841	96	86	34		85				64
1842	100	83	83		95				72
1843	100	82	83		94				57
1844	98	81	73		93	43			73
1845	98	79	72		98				69
1846	93	78	70	77	93	81	51		63
1847	94	78	72				58		66
1848	95	79	71		89		66		84
1849	93	77	71		90		74		72
1850	95	78	70		40		75		76
1851		81	77		55		76		83
1852		77	73	74	86		82		83
1853		76	66	60	85	56	83		82
1854		74	60	62	73		85		35
1855		72	53	61	84		86		32
1856		74	55	62		27	87		
1857		74	57	60			88		
1858		70	44			40	84		83
1859		70	68				79		
1860		68	67		57	32	77		74
1861		71	66	80	75		74		
1862		72	64	62			80		
1863		72	67	69			73		
1864	80	73	70	62			72		
1865	88	84	71	57			71		94

TABLE 2 (*Continued*)

	Argentina	Brazil	Chile	Ecuador	Mexico	Paraguay	Peru	Uruguay	Venezuela
1866	73	83	79	66			69		79
1867	72	87	77	58	85		60		
1868	64	86	67		87		47		
1869	66	84	70	54	65		57		
1870	71	72	64	38	55		57		
1871	63	69	57		55		57		93
1872	88	69	58	51	51		58		
1873	82	67	57		51		53		60
1874	80	67	52		49		57		82
1875	54	65	54	61	70		74		67
1876	51	62	60		76		78		
1877	61	52	67		63		57		
1878	58	43	64	28	69		61		77
1879	54	57	78		82		53		
1880	57	62	68						69
1881	49	62	76						
1882	56	61	78						
1883		58	74						45
1884		57	68	43				35	29
1885		61	64	25				35	46
1886		59	72	41				32	
1887			68	50				31	
1888			44	47				32	
1889			41	35				31	
1890			37	40					

NOTE.—For Paraguay, the figures are military expenditures alone. Apparent drop after 1840 reflects changes in government accounting that appear to disguise continued military expenditure.

SOURCES.—Cortés Conde (1989), Burgin (1946), Halperín-Donghi (1982), Buescu (1984), Dirección de Contabilidad (1914), Rodríguez (1985), Aguilar (1940), Arbulu (1983), Reber, n.d., Republica de Uruguay, various years, Camillo Batalla (1969).

tries during the late 19th century reflects increased connection to the global economy, not a stronger state.

Even if the state grew (and this was not universally true), it did not develop the fiscal musculature associated with the warring state.[11] The stimulus of war did not produce the dramatic increase in the institutional complexity of extraction associated with the theoretical model. Despite

[11] No matter whether at war or peace, Colombia had one of the lowest levels of government expenditure per capita in Latin America (Tovar 1988, p. 115). In 1871, Colombia gathered one-half of Mexico's revenues and one-fifth of those of Chile. During the same period, one local authority estimated that the government received only 2% of the national product (Deas 1982, pp. 289, 310, 326). See also Ocampo (1987).

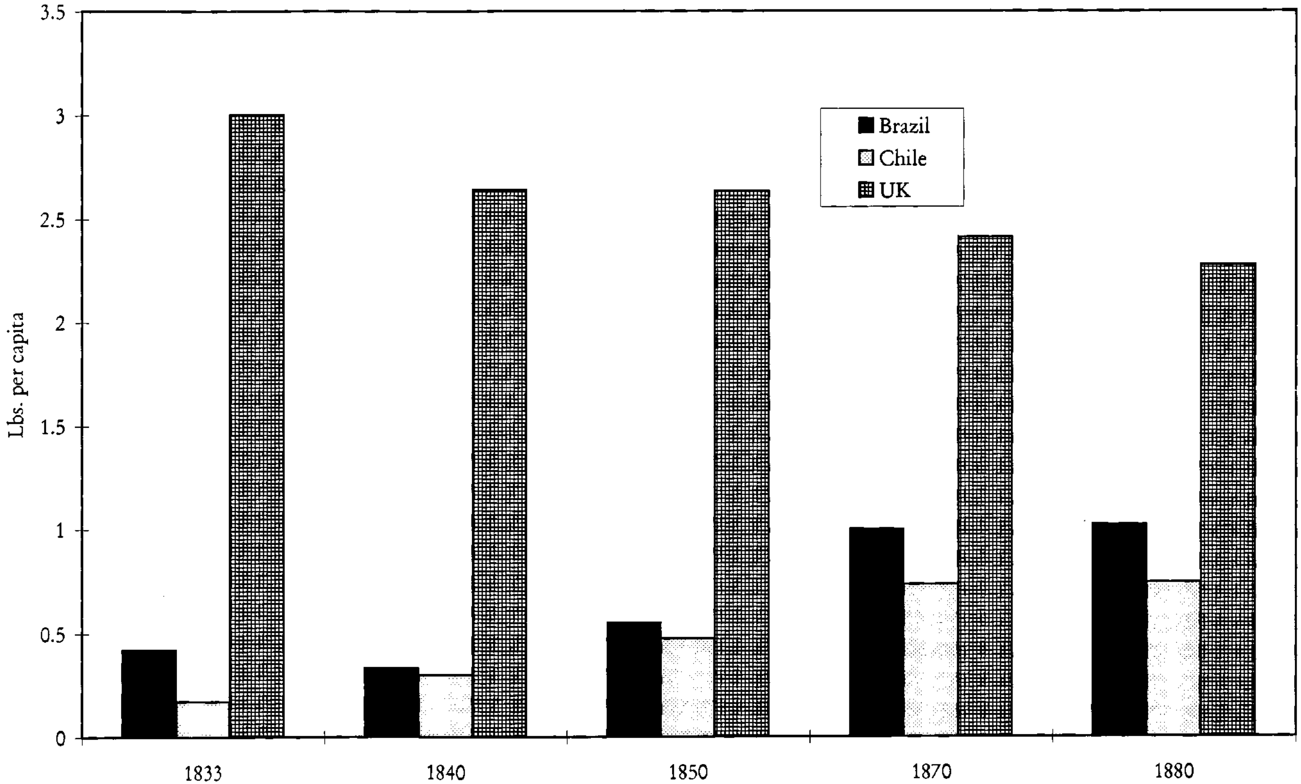

FIG. 3.—Fiscal capacity in the 19th century (data from Dirección de Contabilidad [1914], Buescu [1974], and Flora [1987])

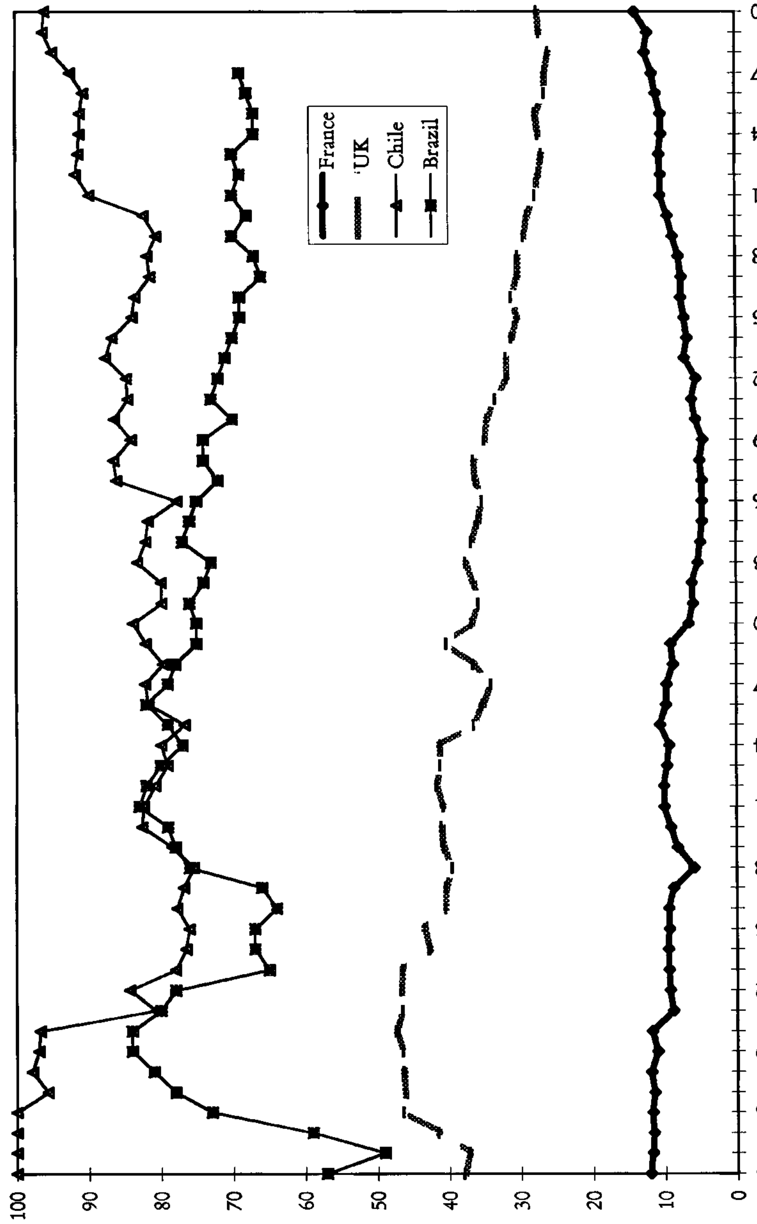

FIG. 4.—Reliance on customs (data from Dirección de Contabilidad [1914], Buescu [1974], and Flora [1987])

rises in expenditures, the revenues lagged far behind. As in the European cases, war produced immediate deficits, but with one prominent exception, the Latin American states did not respond to these with increased extractions, at least not in the form of domestic taxes. Customs and royalties from the export of primary goods remained the mainstay of most Latin American states (see table 3).

The internal and external wars experienced by the Brazilian Empire did not elicit the kind of fiscal intrusion seen in Western Europe or even the United States.[12] Overall, taxes on wealth and production contributed less than 4% of ordinary revenue even during the war years (Buescu 1974, pp. 89–91; Cavalcanti 1989, p. 326). In Chile, domestic taxes played an even smaller role. The most significant was a colonial tithe used to support the Church that represented less than 3% of all revenues by the 1860s. Early Argentinean governments did attempt to impose a capital tax (*contribución directa*) with rates of 1%–8%, but this never functioned and was not obeyed (Alemann 1989, p. 61). Land rents never accounted for more than 3% of total receipts (Rock 1987, p. 99). In no case do we see any relationship between war (either internal or external) and the expansion of the fiscal penetration of the state.

Three important partial exceptions to the general trend serve to clarify the pattern. Mexico's relatively low dependence on customs receipts reflects continual state dependence on domestic loans and the printing press. The central government was generally incapable of imposing domestic taxes prior to the Porfiriato. On the other hand, Bolivia did maintain the oppressive colonial Indian tribute and relied on these sources for a large part of its revenues through the mid 19th century. Two aspects of this tax bear notice. First, it was not sensitive to the stimulus provided by external conflict but rather reflected internal caste divisions. Second, such a tax did not rely on central government infrastructural development but rather on the retention of special social privileges and localized fiefdoms.

The third exception is the most interesting. Because of its location and the almost continual threats to its existence as well as the ideological proclivities of the dictator José Francia, Paraguay could not rely on external financing for much of its early history. That is, unlike other Latin American countries, it could not count on either customs or loans to balance its books but had to live on its own resources (Pastore 1994*b,* p. 539). The state autofinanced itself through sales to soldiers and the populace as well as through confiscation of property. The structure of Paraguayan finances

[12] During the War of the Triple Alliance, a tax was instituted on buildings with a 3% surcharge on their value, but this excluded the most valuable rural properties. There was also an attempt to establish a tax on industry and the professions, but this was never enforced and the rates remained minimal.

TABLE 3

Customs as Percentage of Ordinary Income

	Argentina	Bolivia	Brazil	Chile	Colombia	Ecuador	Mexico	Paraguay	Peru	Uruguay	Venezuela
1820								18			
1821											
1822	84						54	2			
1823								9			
1824	80						41				
1825							55				
1826							46				
1827		13					42		33		
1828			50				45	0			
1829	85		32				34	0			
1830	87		29			51	45				39
1831	83	15	29					1	52		63
1832	82	11	33		30	43	37	2			55
1833	87	12	57	51			42	0			52
1834	76		49	56		51	49	0			49
1835		9	59	56			20	1			52
1836		9	73	57	33	57	21				61
1837		10	78	57		57	25	0			50
1838			81	57		57	25	1			59
1839		7	84	57		57	19	3			65
1840	70		84	62	32		35	6			74
1841	93	7	80	59			25				88
1842	92	7	78	60			17				73
1843	90	6	66	55			22				62
1844	90	6	67	51			23	9			68
1845	89	9	67	53							67

TABLE 3 (*Continued*)

	Argentina	Bolivia	Brazil	Chile	Colombia	Ecuador	Mexico	Paraguay	Peru	Uruguay	Venezuela
1846	69		64	56	21	54		5	35		69
1847	84	7	65	53		60			40		57
1848	90	7	76	49		62	25		44		33
1849	93	9	77	51			35		37		45
1850	93		79	57	47		34	4	53		49
1851			84	57			55		57		57
1852		7	82	57		60	26		74		72
1853		11	80	43		59	45	6	82		66
1854		9	77	60	52	59	50		86		77
1855		10	79	56		59	43		91		74
1856		9	81	50		61		11	91		74
1857			79	58		61		22	95		74
1858			78	51		65		18	94		53
1859			76	41					86		63
1860			75	56				25	94		56
1861			76	49		70			95		62
1862		10	74	43		59			86		60
1863		15	73	47	32	52			56		
1864	81		78	36		50			62		57
1865	92		76	23	21	50			74		74
1866	100	5	75	18		64			87		75
1867	86	6	72	28	40	62	53		70		80
1868	95	4	74	47		77	53		72		89

1869	97	5	74	45		73	48	47		99
1870	94		70	34		73	53	75		
1871	100	12	73	45	47	64	45	96		
1872	83		72	53	45	53	45	62		76
1873	83	35	71	33	52	66	48	76		85
1874	80		70	50	59	61	47	94		79
1875	72		69	38	69	48	63	72		80
1876	89		70	40	69	67	57	73		74
1877	96		66	36	62	53	44	85		57
1878	82		67	37	62	64	36	90		
1879	72		69	25	62	49	36	85		75
1880	79	42	68	34	61	72				71
1881	89	31	70	58	61					70
1882	78	26	69	70	68	75				65
1883			70	65	63	70			53	72
1884			67	67	68	68			57	70
1885			67	62	60	57			50	63
1886			68	39	48	62			57	69
1887				44	47	74			60	73
1888				71		68			59	70
1889				66	52	61			61	74
1890				65		80			55	76

NOTE.—Ecuador figures are for indirect taxes largely consisting of customs, a category that includes royalty payments for minerals..

SOURCES.—Cortés Conde (1989), Burgin (1946), Halperín-Donghi (1982), Grieshaber (1977), Buescu (1984), Dirección de Contabilidad (1914), DANE (1972–73), Ocampo and Montenegro (1984), Rodríguez (1985), Carmagnani (1983), Arbulu (1983), Reber, n.d., Republica de Uruguay, various years, Veloz (1984), Cartay Angulo (1988).

appeared to change immediately after Francia's death as the importance of customs increased to nearly half of state revenues. Unlike most Latin American countries, however, Paraguay ran a consistent trade surplus during this period (Rivarola Paoli 1982, p. 104). The state remained largely in charge of external trade (mostly of yerba maté) either through its own administration or through the patronage network of the dictators Carlos Antonio López and his son Francisco Solano López (Whigham 1991, pp. 69–70). Direct sales continued to play an important role as well. What is most significant is that Paraguay depended on foreign trade (directly or indirectly) for only 40% of its government revenue (Pastore 1994*a,* p. 304). Paraguay also did not rely on debt, that other great source of international financing; when the War of the Triple Alliance began, it did not have any external debt (Rivarola Paoli 1982, p. 119.) Given the chaos found in Paraguay during the War of the Triple Alliance, there are no records of how López financed it. It would appear, however, that he paid for the war through the complete mobilization of the country (Williams 1979, pp. 217–21; Pastore 1994*a,* pp. 306, 318). How much of this was voluntary patriotism and how much it reflected the reach of the state is impossible to tell. The relevant point, however, remains the same: Unlike other Latin American countries, Paraguay autofinanced its war.

Even in these cases, however, wars did not produce the expected institutional transformation in state civil relations or the structure of the political apparatus. The fiscal infrastructure was established independent of interstate conflict and remained relatively constant in peace and war. In general, Latin American states were not able to escape the "cycle of levies, bankruptcies, and mutinies" (Kaiser 1990, p. 35) that characterized warring states prior to the revenue revolution of the late 17th century; they were not "built" by war.

EXPLAINING THE LATIN AMERICAN PATTERN

How do we explain the Latin American experience and the deviations within the continent? First, the Latin American states had alternative sources of finance that allowed them to escape the coerced extraction of resources from the domestic economy. More important, the wars came at the wrong time. The Latin American states were not structurally, politically, or ideologically ready to exploit the opportunities presented by war. The birth of the Latin American state, despite being announced by the sound of guns, did not produce the expected form of political apparatus. Liberation from Spain produced a much weaker institution (at least as measured by fiscal structure) and one much more dependent on the international economy. The independence wars also wrecked the economy and indebted the countries, making the rise of the structural equivalent of a national bourgeoisie much more difficult. Thus Latin America was deprived of both a political and a social anchor on which to base institutional development. Finally, the Latin American state was never able to impose an internal unity required for the extraction process, even in the face of military threats. As strange as it might appear given the oppression so endemic to the continent, the Latin American state may have suffered from an incomplete process of internal domination. In the European cases, representatives of the monarchy, the landed oligarchy, or the newly developing bourgeoisie were either willing to bear part of the burden in order to protect themselves, or were able to impose that obligation on recalcitrant social sectors. In Latin America, control of the state remained in contention.

The following section discusses the availability of financial resources. The second segment analyzes the organizational and political capacity of the state to exploit these. The final part discusses the importance of domestic class alliances.

Artificial Wealth

It is not clear how much even the most voracious state could have extracted from such extremely poor societies. The independence wars left little base on which to build a state and destroyed much of the economy on which it might have relied. The Mexican economy experienced a significant decline after independence.[13] During the first 40 years of the 19th century, Bolivia saw the decapitalization of its mining industry (in 1840 there were 10,000 abandoned mines) and the depopulation of its cities. Venezuela was "left a wasteland" by a war that was "cruel, destructive, and total" with armies regularly destroying the property of enemies and paying their soldiers with plunder (Lynch 1973, pp. 202–18; Halperín-Donghi 1973, p. 8). The Peruvian economy was crippled by the need to support loyal armies throughout the continent (Lynch 1973, p. 162). The situation was made even worse by the collapse of the continental "customs union" maintained by Spanish mercantilism (Bulmer-Thomas 1994, p. 29). Material goods were not the only things destroyed by the wars of independence. An entire system of economic, juridical, and social relationships was also their victim (Bethell 1987*a,* p. 307). For most, the wars brought misery, hardship, and penury.

[13] Per capita income declined from 35–40 pesos to 25–30 pesons between 1810 and 1820 and did not attain colonial levels until the Porfiriato of the last quarter century (Bethell 1987*b,* p. 91). One indication of the fall is Mexico's changing position relative to the U.S. economy. By John Coatsworth's estimates (1978, pp. 82–83), Mexico had 44% of the U.S. per capita income in 1800, but only 13% by 1910, with most of the comparative decline coming prior to 1845.

This did not change during most of the relevant time period. The Colombian economy, for example, was small and undeveloped, while difficult transport constrained the growth of taxable market exchange (Bushnell 1993, p. 76). In general, squeezing the rich did not yield very much because even this social group had relatively small amounts of capital available (Deas 1982, p. 314). In the late 1830s, Ecuador's exports totaled the equivalent of £200,000 (Bethell 1987*a,* p. 511). Even a completely rapacious state would have produced per capita extractions much lower than in Europe. Those states that did impose a direct tax on their populations could expect little. Even with an onerous Indian tribute, for example, Bolivia's government revenues per capita in the 1840s (following a war against Chile) were one-fortieth of those of Britain (Dalence [1851] 1975, p. 316).

This poverty made it extremely difficult to use excise taxes as a form of income. Aside from relatively few commodities, large parts of the population did not consume very much that could be easily taxed. In any case, the hatred of the colonial *alcabala* would have made it practically impossible for the newly independent governments to have imposed such a tax. Equally important, there were few wage laborers whose income could be measured and taxed in any systemic manner. Even the landed oligarchy, while rich in land, in most cases did not possess large amounts of directly extractable resources.[14] In several cases, the Church did have considerable wealth, but even successful appropriations (as in Mexico) produced disappointing results.

How then did the Latin American states pay for their wars? A common experience (and one not dissimilar to that of the European cases) was to print money. During its war with Brazil in the 1820s, Argentina resorted to currency emissions, which produced a monetary cataclysm: the price of an ounce of gold on the Buenos Aires stock exchange went from 17 pesos in January 1826 to 112 pesos in December 1830 (Burgin 1946, p. 69). During the same war, the amount of Brazilian currency available doubled, and subsequently the reis lost half of its value (Cardoso 1992, p. 105; Barman 1988, p. 140; Nogueira 1988, p. 313). Even more dramatic was the endless printing of money in Brazil during the War of the Triple Alliance. In 1864, there were 29 million milreis in circulation; by 1870, there were 151 million (Castro Carreira [1889] 1980, p. 743). Between 1859 and 1901, the Uruguayan state issued 342 million pesos of which 124 million were still outstanding. To give an idea of the degree of printing insanity, the customs house of Montevideo was producing an average of 10 million pesos per year (Acevedo 1903, 1:457). Thus, the vast majority of

[14] Nevertheless, it is possible to build a considerable state apparatus on the basis of a land tax. See Bird (1977).

Latin American governments resorted to a form of inflation tax in order to pay at least partially for their wars.

This profligate reliance on an inflation tax may represent a possible institutional and administrative legacy of war. Such a tax would require that the central government be able to establish a monopoly on the issue of currency. Thus war would provide an incentive to expand centralized authority in order to be able to tax through a printing press. It may be worthwhile analyzing the link between war and monetary development in Europe. The Latin American experience also would deserve further analysis. This form of taxation also serves as an indication of the relative power of social groups. Inflation taxes would favor rural versus urban populations and exporters versus importers. They were generally extremely regressive (Rock 1987, p. 107; Oszlak 1982, p. 183; Halperín-Donghi 1982, p. 161; Ferrer 1967, p. 61).

States also borrowed from both domestic and international sources. In Mexico, the government increasingly relied on the *agiotistas*. These would provide funds during fiscal emergencies (an almost everyday occurrence as ministers would often find literally empty tills upon assuming office). In exchange for the considerable risk, domestic lenders were often given very favorable terms, with rates in the range of 300%–500% (Bazant 1968, p. 44). Since borrowing was constant and loans were continuously rolled over, the debt ballooned to 102 million pesos by 1840, 120 million in the 1850s, and 165 million by 1867 (López Cámarra 1967, pp. 171–72; López Gallo 1967, p. 98).[15] The Argentine government also borrowed: by 1840, the debt stood at 36 million pesos while the total income for that year was 1,710,491 pesos (Halperín-Donghi 1982, p. 213). The response to later wars was no different. Between 1865 and 1876, Argentina acquired almost £19 million of debt (Pomer [1968] 1987, p. 238). By 1885, the figure was £26 million (Randall 1977, 2:215). Currency conversions make comparisons difficult, but this represented at least four times the revenue of the state during these years. The *total* public debt by 1888 was over £60 million and indebtedness per capita tripled (Oszlak 1982, p. 217; Dirección General de Contabilidad 1914, sec. 7). The War of the Triple Alliance brought similar results in Brazil. Real net debt increased from £4.5 million in 1863 to £9.3 million in 1871. Debt as a percentage of exports increased from 58% to 82% during the same decade (Buescu 1974, pp. 119, 126; Nogueira 1988, pp. 378–80; Castro Carreira 1980, p. 429). By the time an independent Uruguay appeared in 1830, the government had already accumulated a debt of 2 million pesos (Reyes Abadie and Romero, n.d., p. 337). The debt continued to spiral. By 1853 (when the first attempt was made to organize

[15] These are considerable sums considering that the metal peso was officially set at practically dollar parity.

and systematically manage public finances), the debt was 40 million pesos. By 1854, the estimate was 60 million pesos and by 1858, it was 106 million pesos. To give a scale for these numbers, the estimate for the annual budget of these years is 2 million pesos (Reyes Abadie and Romero, n.d., p. 339).[16]

In and of itself, however, relying on debt and the printing press does not explain why the Latin American countries did not impose domestic taxes *after* the wars. Many European countries initially used debt to pay for wars and later taxed in order to meet their obligations. What distinguishes Latin America is that the fiscal reckoning never came. Moreover, government debt did not encourage the creation of a *stable* domestic financial market, a critical contribution of war in the cases of Britain and the Netherlands. Rather, government paper fueled unproductive cycles of speculation and ruin. Because of the risk involved, interest rates remained usurious, further hampering domestic development and increasing external dependence.

The availability of external resources freed the state from having to exploit the domestic economy. The relationship between the state and the global economy had three legs: foreign debt, the sale of commodities, and customs.

Much of the debt discussed above was to foreign banks (Rippy 1959; Marichal 1989). From the beginning, postindependence governments sought to supplement their inadequate domestic sources with foreign loans.[17] Unlike the United States, for example, the new countries lacked allies and external aid, which meant that they had to pay hard cash for all the supplies that reached them. By 1820, the Gran Colombian government had already accumulated European debts of £500,000. Chile similarly contracted in 1822 for £1 million in order to buy a navy. Peru also had to obtain loans in order to pay back wages and a bonus to the victors of Ayacucho as well as some loans to the Gran Colombian government. Mexico also borrowed £2,500,000 in 1824, 65% of which went to direct military expenses. Argentina also borrowed in London beginning in 1824. Most of these proceeds went to the creation of a domestic financial system which was largely destroyed by the Argentine-Brazilian War of 1826–28

[16] Percentage of GDP or of export income would obviously be much better measures of the relative size of these debts. Numbers on the size of the national economy even well into the 20th century are notoriously unreliable. Export revenue and debts are often expressed in different currencies (e.g., paper vs. gold, or in different international currencies) making a more precise measure practically impossible.

[17] These included some intracontinental debts. These usually represented payments for armies or military materials during the independence struggles. By the late 1820s, Bolivia owed Peru 725,000 pesos, Peru owed 6 million pesos to Colombia and 3 million pesos to Chile (Seckinger 1984, p. 51).

(Marichal, pp. 27–36). The first Brazilian loan of 1824 was used to pay for Portuguese loans from Britain. More money followed in 1825 and 1829. By 1830, Brazil had already borrowed £4.8 million or approximately four times its annual revenues (Cardoso 1992, p. 105). While Latin America was out of the international financial markets for nearly 40 years following this early boom, it made a significant comeback after 1860. For example, during the War of the Triple Alliance, Brazil borrowed £5 million in 1865. In 1867, the state needed another loan from Rothschild for 71 million milreis (Nogueira 1988, pp. 378–80; Castro Carreira 1980, p. 429).

If they could not borrow on international markets (as was the case from roughly 1830 to 1870), Latin American states could sell access to a commodity. Guano allowed Peru to become what Shane Hunt (1973) has called a "rentier state." The availability of guano revenues retarded the development of the state by allowing it to exist without the remotest contact with the society on which it rested and without having to institute a more efficient administrative machine. Guano did allow the removal of the regressive *contribución* (in 1855), but it also permitted the state to avoid modernizing its fiscal structure while borrowing large amounts of money. A contemporary British observer (Markham 1883, p. 37; my emphasis) noted that "a wise government would have treated this source of revenues as temporary and extraordinary. The Peruvians looked upon it as if it was permanent, *abolishing other taxes,* and recklessly increasing expenditure." Much like the guano bonanza in the Peruvian case, the conquest of nitrate territories allowed the Chilean state to expand without having to "penetrate" its society and confront the rampant inequality (Loveman 1979, p. 169; Sater 1986, p. 227). By 1900, nitrate and iodine were accounting for 50% of Chilean revenues and 14% of GDP (Mamalakis 1977, pp. 19–21; Sater 1986, p. 275).

Custom taxes also represented an ideal solution to fiscal problems given the organizational ease with which they could be collected. A few soldiers in the main ports could provide considerable income. More important, given their indirect nature, these taxes were the least likely to provoke popular protest (Marichal 1989, p. 17). A revenue tariff was a characteristic feature of a society dominated by landed proprietors who diverted taxation away from property toward the consumer (Lynch 1973, p. 150). A reliance on customs also reflected the sectoral distribution of the continent's economies. For some countries (e.g., Peru), a large share of the national product was concentrated on the export of a commodity. Thus, government taxed that part of the economy that was most visible. Others having a less developed export market would target imports as well as exports. The distribution between these two often reflected the relative influence of importers versus exporters. In the case of Brazil, for example, the heaviest taxes were on manufactured imports. This strategy, in turn, may have made this form of taxation even more regressive depending on the distribution of goods within the typical import basket.

Argentina is an extreme example of this pattern. From the 1820s, the various incarnations of the Argentine state depended on customs duties for the vast majority of its income. The dictator Rosas continued the policy of allowing customs revenues to replace the more politically costly excise or land taxes (Halperín-Donghi 1982, pp. 242–43). The fragility of such dependence was demonstrated by the blockades of 1827, 1839, and 1846 by European navies, which produced fiscal crises. Despite the massive changes in the Argentine economy during the last quarter of the century (e.g., the fivefold increase in exports from 1862 to 1914), the fiscal system remained largely dependent on import taxes (Oszlak 1982, p. 173). Even by Latin American standards, this dependence is striking as customs often accounted for over 90% of ordinary revenues. Trade taxes were seen as the only way of maintaining some semblance of peace between the various politically relevant factions (Oszlak 1982, p. 186). All knew that this fiscal system was inadequate, but they were also aware that it was the only way of maintaining the social status quo (Gorostegui de Torres 1972, pp. 120–21). Tariffs were particularly attractive to the rural elite. While saving them from any sacrifice, they could also help finance the expansion of the frontier from which they benefited disproportionately (Oszlak 1982, p. 189). Such a fiscal system also required few administrative resources.

The particular links between Latin America and the global markets had important domestic repercussions. First, they often linked the fiscal health of the state to the world economy and the price of a single commodity. In the well-known pattern, declines in trade or demand for a good could halve government receipts in a single year. Long-term planning and investment were impossible. Depending on the state apparatus as a political patron was also extremely risky. Precisely because the new governments were so fiscally strained and could not impose domestic taxes, they also could not risk losing foreign trade from which they garnered such a huge part of their income. The fiscal use of trade thus contradicted any possibility of protectionist economic policy.[18]

[18] This, combined with the already significant ideological bent toward laissez faire, devastated what little domestic industry existed and worsened the already considerable tensions between urban centers and the interior. For example, the dependence on the guano receipts (either through loans or through customs) allowed the Peruvian government to follow an open market policy since there was no fiscal requirement for tariffs. This "scorched earth free trade" further devastated what was left of a domestic producer class (Gootenberg 1989, p. 134). In Peru, unlike in Europe, economic liberalism was not used to help the victory of an industrial bourgeoisie over a rural oligarchy but was used by foreign capital to establish its dominance (Yepes del Castillo 1971, p. 38). The low tariffs enforced by the British on Brazil until 1844 had the expected devastating impact on domestic industry. A similar decimation of the colonial artesa-

Simultaneously, the availability of foreign capital also prevented the government from challenging elite groups and forging them into a national alliance. In fact, rather than war leading to greater central control, the absence of such sovereignty may have led to conflict. The War of the Pacific may be the best example of the consequences of the external orientation of these states and the lack of domestic domination. It was "at heart a bald struggle over exports among jealous Chile, Bolivia, and Peru" (Gootenberg 1993, p. 182). "All three countries were hard up, and run by oligarchies which disliked paying taxes and looked to revenue from these fertilizers [nitrate] as a substitute" (Kiernan 1955, p. 14). Each country was competing with the others for those resources that would allow it to continue its "rentier" status and not challenge the domestic status quo (Bonilla 1986, p. 179). War came because the states were too weak to fight their respective elites. For example, because the elites of the altiplano were too powerful to tax, the Bolivian state saw the littoral and the nascent nitrate industry as the best source of fiscal support (Mörner 1985, pp. 140–43). This brought it into conflict with Chile. But, precisely because it did not have adequate support from its home base, Bolivia could not hope to win (Klein 1982, pp. 144–46).

Timing Is Everything

Latin America's wars also came at the "wrong" historical moment when the relevant states could not use war as an avenue for expansion. The obstacles facing these states were both ideological and organizational.

First, it may be that wars can only make states within an ideological framework of enlightened despotism (Kaiser 1990, p. 206). If so, independent Latin America provided an inauspicious setting. The postindependence period was not ideologically predisposed to state growth. In part this was a response to the expansion of the Spanish colonial state during the 18th century.[19] This met significant resistance; after the 1770s, rebellion against colonial authority became increasingly commonplace. Thus it was particularly difficult for postindependence governments to impose new tax measures as these were associated with the absolutism that had just been defeated. Old taxes were abolished before new ones could be instituted (Burkholder and Johnson 1990, p. 330).

nal and "manufacturing" class occurred in most other countries. Thus, Latin America delayed developing a national bourgeoisie around which a modern state apparatus could evolve.

[19] Similar to the experience of absolutism in Western Europe, this generated a remarkable increase in resources available to the colonial governments. Mexican revenues, e.g., increased fourfold during the 18th century (Bethell 1987*b,* p. 10).

The dominance of liberal economic thought throughout the continent also went against the idea of a powerful and intrusive state (Collier 1969; Hale 1968; Burns 1980). The acceptance of classic liberalism set the ideological stage for the challenges to follow (Peloso and Tenenbaum 1996; Love and Jacobsen 1988). Perhaps most important, none of the successful independence rebellions involved radical social reforms and most represented leading economic sectors. Those movements that did call for changes in the distribution of wealth (e.g., Hidalgo and Morelos in Mexico) may have actually contributed to the conservative bias of postindependence government by raising the specter of race war.

Obviously, Latin America was not alone in this attitude toward taxation and government penetration, and certainly the United States had a very different institutional development despite similar ideological constraints. But, Latin America also faced obstacles not found further north. Even if the fiscal spirit had been willing, it would have been difficult for the body to follow. Taxes do not collect themselves, but require a considerable administrative apparatus. Following the distinction made by Michael Mann (1986), we can say that even if the Latin American states were despotic, they were infrastructurally ineffectual. Even if orders flowed from the palace, they were rarely obeyed. The states facing war simply did not have the administrative capacity to respond with increased extraction. There was not enough "there" there to follow the extraction-coercion cycle (Lofstrom 1973). For example, the administrative backwardness of the Ecuadorian bureaucracy was such that double-entry bookkeeping was not successfully imposed even after the 1850s and 1860s (Rodríguez 1985). In 1851 and 1852, the Brazilian government attempted a census. There was considerable opposition to this measure from almost all social sectors who saw it as an effort to establish a list for either new taxes or conscription. Because of this opposition, the idea of a census was abandoned (Barman 1988, p. 236). Despite the obvious benefits of a land tax, the sheer task of a cadastral survey would have also been beyond the capacity of the Brazilian state.[20]

A major reason for this institutional dwarfism was the level of destruction that preceded the appearance of the independent states as discussed above. Accompanying this economic collapse, the independence wars left a legacy of widely dispersed military capacity. The most important impediment to the rise of a more extractive state was that (with some exceptions) no political institution was able to impose its dominance over the society

[20] For an interesting contrast with the Japanese case, see Bird (1977). The key comparative issue here would be that the military revolution in Europe was also accompanied by a bureaucratic revolution that dramatically increased the administrative capacity of the state.

during much of the 19th century. In the case of Mexico, the central government was not even able to enforce its monopoly over the means of violence or institute its de facto rule until the Porfirian dictatorship of the last quarter of the 19th century. Attempts to raise revenue internally merely worsened regional violence. The most obvious evidence of this came with the Texas revolt of 1836. Other attempts to raise revenue produced similar regional revolts well in the 1840s. Similar centrifugal forces condemned Argentina to almost permanent civil war until the 1880s. During the War of the Triple Alliance, for example, Argentina faced 85 rebellions, 27 mutinies, and 43 military protests (Pomer 1987, p. 246). The Uruguayan state might be the most extreme example of political fragility. The very concept of a state seems a misnomer for an entity lacking budgets, an accepted currency, or the capacity to maintain order even in its own capital.

Divisions also persisted during much of this period over notions of citizenship, sovereignty, and the relation between state and society. Supporters of opposing visions (generally labeled under the rubrics of liberal/conservative or federalist/centralist) "prolonged the military phase of the independence movements and virtually guaranteed that chaos would be an inescapable legacy of newly formed states" (Knight 1992, p. 18). Much as in 15th-century Italy, the prevalence of factions and their myopic preoccupation with local battles retarded the creation of a political union capable of acting on the international stage and expanding its domestic authority (Morse 1954, p. 79).

Because these divisions played themselves out militarily, armies, for all intents and purposes, *were* the state, and they certainly consumed the largest part of its resources (Halperín-Donghi 1973, p. 74–75). But, unlike the European case, the military did not serve a single master. First, it was willing to be bought by whichever actor promised the best reward for its services. Equally important, because of the low level of technical sophistication, it could not impose a monopoly on the means of violence. Throughout the continent, provinces and local caudillos raised and maintained militias that protected their interests. Militias served to defend property, not governments (Halperín-Donghi 1973, p. 9). The militarization of Latin America during this period represented the worst of all possible worlds: armies fought without being able to dominate, and they coerced without extracting. While draining large amounts of money, the military did not provide a means with which to pay for itself.

Yet, what of the well-known capacity of war to overwhelm social divisions and to provide an ideological center on which more solid foundations can be built (Porter 1994)? Perhaps we can speak of Latin America having the "wrong" kinds of wars? Thus, only interstate wars would serve to build states and Latin America had too many civil conflicts. But this distinction certainly would not hold true for the European or the U.S. cases.

Moreover, there is no discernible difference in the fiscal response to any particular category of war in Latin America.[21] It might be more accurate to say that the "right kind" of war came too soon. The Spanish conquest of the 16th century had already subjugated the most powerful enemy to the criollos, the Indians. Given the important role of the "frontier" in the development of the European state (Bartlett 1993) and the United States, as well as the experience of Argentina, Chile, and Mexico, the presence of an easily defined ethnic enemy *outside the borders* of a state could also have played an important role in Latin American political development.[22]

The Hollow State

The appearance of the Latin American state was also not accompanied by the rise of a hegemonic class willing and able to ride it to social and political dominance. The wars of independence were the product of the collapse of the legitimacy of the Spanish crown. They did not result from *internal* changes in the colonial societies. The independence wars disrupted the old order, but they did not establish an alternative system of domination. When the colonial apparat disappeared, no social group had an interest in replacing it with one equally strong. What the criollos wanted was as little interference as possible in their immediate profit making. The availability of international moneys allowed elites an exit, thereby inhibiting the development of a class loyalty to the state.

In an almost complete reversal of the European pattern, the appearance of the modern state strengthened the political power of the land-owning class. It was a *Fronde* in reverse. Those who did possess resources were

[21] I am indebted to discussions with Paul Gootenberg and John Markoff on this point.

[22] On the northern Mexican frontier, e.g., the fight against the Indians did generate a social consensus regarding the need to develop an extensive military force and the subsequent need for the capacity to pay for it (Cerrutti 1983, pp. 29–30). The state of Nuevo Leon established relationships with its merchant and landowning classes that appear much more along the lines of the European model than what we see in the central government. The final Argentinean war against the Indians (also known as the "Conquest of the Desert") in 1879–80 perhaps made a more significant economic contribution than the War of the Triple Alliance as it freed the frontier of the often expensive Indian raids while allowing the vast expansion of agribusiness and the promotion of greater immigration. The war also helped to solidify the legitimacy of the state and made President Julio Roca's political career (Puigbo 1964, pp. 125–27; Gasio and San Román 1977, pp. 115–25; Alemann 1989, p. 101). The conquest of the desert was partly financed by land sales. These further helped establish the power of the landowning elite (Rock 1987, p. 154; Ferns 1973, p. 70). The expansion of territory (combined with developments in the international economy) helped consolidate the oligarchic control, which was to allow the Argentinean state some measure of coherence during the next five decades. (I owe much of this point to conversations with Michael Jiménez, Stephen Aron, and Jeremy Adelman).

completely successful in protecting their wealth. The only exception came, perhaps, in the immediate period of the independence wars. When San Martin finally arrived in Peru in 1821, for example, he gave a great deal of Spanish-held property to those who fought in his army (Lynch 1973, p. 181). It is important to note, however, that the criollo landowning class was largely spared these sacrifices as they were borne by the Spanish *peninsulares* and, in some cases, the Church. When the criollo elite was asked to pay for its independence, it almost always refused, a pattern that was to be repeated for the next 100 years (if not more). Given that the criollos were unwilling to pay even for the elimination of the old masters, we should not be surprised that they would remain unwilling to pay for a new one.

The response to subsequent wars was similar. While the Chilean armies were marching on Lima in 1880, the Peruvian finance minister suggested a small tax on capital so as to pay the troops in the field. These measures were defeated (Ugarte 1926, pp. 165–68). The government also asked for an internal loan of 10 million soles. This request generated 1 million soles, largely from the "popular classes," as the rich did not want to risk their money (Bonilla 1978, p. 99).[23] During the same war, the Chilean legislature was repeatedly unable to impose a wealth or an income tax (Sater 1986, pp. 131–54). When Mexican Finance Minister Lorenzo Zavala attempted to impose a direct tax in order to finance a defense against the possible Spanish invasion of 1829, he was defeated and his government overthrown by an elite sponsored coup (Tenenbaum 1986, pp. 34–35). Similar efforts during the so-called Pastry War with France produced identical results. Even as the U.S. army marched toward Mexico City in 1847, the government frantically negotiated with the Church and domestic lenders for funds (Tenenbaum 1986, p. 79). In Brazil, the Chamber of Deputies consistently refused to give any funds to Pedro I to fight in Uruguay (Haring 1958, p. 35, n.17).

Taxes and the avoidance thereof made it very clear where the line marking off the dominant from dominated was to be drawn (Gomes 1986, pp. 93–94). In Brazil, the *fazenderio* was systematically avoided as an object of taxation. Discussions regarding land or income taxes had no result; the landowning elite was considered fiscally untouchable (Buescu 1974, p. 142; Leff 1982). Bolivia's Antonio Sucre attempted to impose a direct tax on wealth in the 1820s. Within a year, this tax had been abolished. Resistance was both economically and racially based. Not only did

[23] The British ambassador (quoted in Bonilla 1978, p. 98) noted with surprise that "Peru appears struck with paralysis; the people themselves seem as indifferent to the future as the governing classes, who are thinking more of their personal ambition than the welfare of their country."

the rich resist the new imposition, but whites resented being placed under a *contribución* on the same level as Indians (Lofstrom 1970, pp. 282–86; Paz 1927, p. 52). Argentinean attempts to expand the tax base faltered due to the successful opposition of powerful social interests already well represented in the legislature (Halperín-Donghi 1982, p. 155). The *contribución directa* was a farce as the legislature would not allow the creation of an independent system of assessment (Friedman 1984, p. 185). In the 1830s, a ranch with 19,000 head of cattle paid a total of 540 depreciated pesos (Burgin 1946, p. 189).

While the avoidance of taxes is perhaps one of the few truly universal traits, the absolute regressivity of the Latin American cases compares unfavorably with the European cases. Even in the 18th century, for example, the British propertied class was paying a fair share of taxes (Stone 1994). In Latin America, what little was paid appears to have come out of the hides of those on the bottom. Caste taxes are perhaps the most obvious example. While there are differences depending on the import basket and the specific rates, the general view is that customs taxes were also extremely regressive.[24]

An important factor here is that the relevant elites did not see the wars as threatening their social positions and thus did not have the incentive to permit greater political penetration. That is, the relevant elite did not appear to care which state ruled them as long as it was not markedly stronger than its predecessor. No state was alien to their immediate interests.[25] A transfer of political allegiance did not imply a change in property. Certainly in most cases, the concern appears to have been with protecting themselves from internal enemies, either ideological, or more commonly, class and racial enemies. The maintenance of such internal control did not require an expansive and expensive state. In this way, as in perhaps many others, the Latin American elites were much closer to their Italian and Polish counterparts than to the English gentry or the Dutch bourgeoisie. In both the latter cases, fear of external threats, be it the Spaniards or "Popery," drove the elites to support high levels of taxation.

Interestingly, losing wars appeared to have created the base not for a more powerful state but at least for a closer union between political goals and the interests of the dominant elite.[26] Following the defeat by Chile,

[24] Further research needs to be done on the composition of imports during the 19th century to determine the class distribution of payment of customs taxes.

[25] I owe this point to Michael Mann.

[26] The consequences of war could be disastrous. From 1870 to 1894, Peru went from having 18 millionaires to none, from 11,587 classified as rich to 1,725, from 22,148 classified as well off to 2,000. Yet, despite this looming disaster, the Peruvian elite seemed more concerned with resistance by peasants than invasion by Chileans (Mallon 1983, chap. 2).

Bolivian elites appear to have been more open to paying for a state that could protect them as well as build the infrastructure needed for the exploitation of natural resources. Mexico's defeat in 1848 and the subsequent Treaty of Guadeloupe did produce a split among the *agiotistas* regarding the need for stronger government. Some members of the elite began to realize the need for a better integrated national economy and the need for a government to nurture it (Tenenbaum 1986, pp. 83–85, 116–17). For the first time, the state was perceived as something other than a massive feeding trough. The Liberals who took power in 1855 did have the support of some of the wealthy who had begun to realize the potential benefits of a stronger state, and they looked to the considerable wealth of the Church for funds. What is the most interesting aspect of the ecclesiastical reforms is that, in its battle with the Church, the government enjoyed the support of a faction of the *agiotistas* who sought a securer basis for their loans. Thus, for the first time, the government had social allies supporting its encroachment on a part of civil society (Tenenbaum 1986, pp. 162–66). In this way, at least, wars did make the foundational first steps toward a state.

Blood and Debt

What were the effects of the wars of 19th-century Latin America on the fiscal capacity of the state? Instead of a state built on "blood and iron," they constructed a constantly bankrupt beggar made of blood and debt. The easy availability of external financing allowed the state the luxury of not coming into conflict with those social sectors who possessed the required resources. In the 1820s and from the 1870s through the 1890s, loans were relatively easy to obtain. Increasingly throughout the 19th century, almost all the Latin American economies became integrated into a global economy through the export of a mineral or agricultural commodity. In any case, whenever the state did try to extract greater domestic resources, it was universally defeated. The European pattern includes a basic organizational capacity that was missing in Latin America. The wars occurred too soon after independence and were fought by countries not capable of responding in the pattern described by Tilly and others.

Most important, we might wish to recall the distinction between a dominant and a ruling class.[27] Latin America possessed the first but arguably not the second. In general, Latin American countries lacked a single class able to impose its will and organize the capacities of the state toward war. At best, military caudillos, urban merchants, and large landowners made

[27] I owe this point to John Womack.

temporary and unstable alliances. The independence wars failed to produce the kind of hegemony that would have been required for the conjunction of military action and internal extraction. No faction of the dominant class was able to establish a strong enough hegemony so as to prioritize *national* collective interests (even if still defined in class terms). Because of the absence of this dominion, the state apparatus was not truly fiscally sovereign.

Within the Latin American pattern there are, of course, relative exceptions, and these serve to prove the rule. The result of the violence of the wars between 1860 and 1880 was clearly a much more powerful Argentine state. The key difference is that unlike in the 1810s and 1820s, the later Argentina did possess a semblance of a central government that could and did use the war both against Paraguay and the Indians to stamp out provincial opposition and impose uniform control over the entire country. More important, by the later half of the century, the central state had found its social ally whose interests it could serve: the export of meat and wheat to European markets required much more political and institutional infrastructure than the sale of salted beef to the slave owners of Brazil. While the rural oligarchy of Argentina remained unwilling to pay for the new state, they were also unwilling to accept challenges to its authority. With this narrow support, Mitre and his successors were able to establish their domination.

The key to Brazil's relative unity would seem to lie in its avoidance of the struggles for independence. Neither the Brazilian economy nor its polity were destroyed by years of civil war, nor did the Brazilian Empire have to maintain an absurdly large military in order to establish its authority. Conflicts during the reign of Dom Pedro I helped resolve the intraelite struggle between the "native" aristocracy and the Portuguese courtiers brought by Pedro's father and thereby consolidated the creation of a Brazilian political class. While there is considerable debate regarding the autonomy of this sector (Graham 1987), there is no doubt about the existence of an "imperial" class that gave Brazil a particular coherence. The secessionist wars in the 1830s and 1840s helped consolidate this group. By the time of the War of the Triple Alliance, Brazil possessed enough institutional coherence to survive, if not necessarily prosper.

While Chile did experience considerable political dislocation during the independence wars, its economy was not crippled by them but may have even grown (Cariola and Sunkel 1991, p. 25). More important, even before the rule of Diego Portales and certainly afterwards, the Chilean elite displayed a remarkable cohesion (Collier 1969). To what extent this was the result of the small size of the country, the concentration in a single city, the pervasiveness of dense interfamilial networks, or just sheer luck is the subject of debate. For our purposes, what is most important is that the

Chilean state did precede war and thus was able to extract some benefits from it. Yet, it is important to note that even the Chilean "exception" still fits the general Latin American pattern discussed above. Even as the state expanded, it did so without extracting from the domestic economy. Overall, the wars helped make Chile, not by a combination of blood and iron, but by allowing a fiscal improvisation fueled by duties on exports of commodities (Bethell 1987*a,* p. 610).

Paraguay represents perhaps the most interesting exception to the Latin American pattern. Following the requisite period of instability following independence in 1814, the country was ruled by three dictators: José Francia until 1840, followed by Carlos Antonio López and his son Francisco Solano López until the death of the latter in 1870. Francia created an all-encompassing state that dominated every aspect of public life and that was completely controlled by him. The state owned all the land and largely managed all external trade. During the first López, the state was also involved in economic development, building some infrastructure and attempting to achieve self-sufficiency in several industrial goods. López *fils* encouraged military development to the point that the small country had arguably the strongest army in South America (Williamson 1992, p. 273).

The early Paraguayan state enjoyed a rare degree of autonomy. Unlike the other Latin American cases, there existed an agent within the state that drove it to impose itself on the society (Pastore 1994*b,* p. 587). Francia served as the structural equivalent of an absolutist monarch. This helped assure the continuance of Paraguayan autonomy (White 1978, pp. 101–2). Francia's centurions allowed him to funnel all social resources toward his political apparat.[28] If we follow White (1978) that the rise of the military was a direct response to external threat, it would then appear that early Paraguay was perhaps the only example of the classic European variant of war-led state development. Paraguay could maintain this independence in part because the state's needs were covered by the revenue that it could gather. Unlike its neighbors, the Paraguayan state ran a consistent surplus during the entire postindependence period prior to the War

[28] The one consistent demand on the Paraguayan state during Francia's rule was the military budget. Despite the fact that the army never included more than 2,000 men, the military absorbed an average of at least 64% of government expenditures during this period (White 1978, p. 104). Much of the cost was associated with maintaining the military industries that supplied the armed forces. This relative self-sufficiency also helped protect Paraguay's international autonomy. While there are obviously different interpretations of the role of the Paraguayan army (White 1978, p. 107; Pastore 1994*b,* pp. 591–92; Williams 1979, pp. 60–61), it is clear that it served to protect the state (or perhaps better said, Francia) from both external and internal enemies.

of the Triple Alliance. This reflected the limited demands placed on it but also the monopoly that the state enjoyed over almost all economic activity.

While it is no longer possible to speak of Paraguay as the best example of antidependency and of a successful state-led development (Whigham 1991, pp. 83–84; Pastore 1994*a,* pp. 321–24), it is nevertheless clear that the Paraguayan state was a very different institutional animal than its continental counterparts. The Paraguayan experience in building a much more powerful state apparatus than its neighbors even in the absence of war prior to the 1860s indicates again that while conflict does provide a stimulus and an opportunity, what matters is the organizational and political base of the state and its sources of support.

CONCLUSIONS

Wars did not make states in Latin America. The best states could do was to survive wars or gain enough of their neighbors' territory so as to finance expansion. Nowhere did military action generate the kind of societal penetration seen in the European cases. Latin America was caught in an inertial equilibrium: No class was powerful enough to impose its domination, and no state was strong enough to enforce its control. The path to the modern state required one or the other.

The combination of weak central power and external economic direction is the defining characteristic of postcolonial states. The delegitimation of political authority as associated with the colonial power, the fragility of elite coalitions, and the lack of national cohesion or even identity and the orientation toward a metropole and away from the interior and regional neighbors, all have characterized, in one form or another, the experiences of independent countries in Latin America, Africa, and Asia. Many of these have also experienced considerable violence without the benefits of organizational development seen in Western Europe. This pattern should make us wonder about the advisability of using such an idiosyncratic experience as early modern Western European for the construction of universalistic paradigms. At the very least, the experience of Latin America should make us more curious about the particular circumstances that allowed states to flourish following the military revolution of the 16th and 17th centuries.

As discussed above, there are several special conditions that allow wars to make states. First, pressure on the state to respond to the financial challenge of war through increased domestic extraction. There is no reason to expect states to undertake the political and organizational challenge of penetrating their societies if resources can be found more easily. Second, enough of an administrative core must already be in place that the state can use as a base on which to develop its strength. The chaos and violence of war do not provide the appropriate incubation for underdeveloped polities. Third, no political body can amass enough authority to coerce and extract without social allies. Domestic threats to sovereignty have to be resolved prior to "productive" conflict. Further research might test the relative significance of these three factors through their application to a variety of geographical and historical cases. Certainly these might help explain why it took nearly a millennium of violence for war to produce states in Europe. The case of Poland and the Balkans, suffering from both war and relatively weak states, would also merit attention.

The central lesson to be drawn from the Latin American experience is that we cannot assume political autonomy simply because the symbols of independence are there. States are not actors in and of themselves. They make nothing happen. They are shells—potentially powerful shells—but nevertheless hollow at the core. The machine of the state needs a "driver" that can use the stimulus provided by war to expand its reach and power. This may be state personnel, a dominant class, or even a charismatic individual. But without such a driver, the political and military shell of the state has no direction. Without this direction, wars do not present opportunities for growth but mere challenges to survival. What is required for a fiscal system is not simply constitutional powers but a bureaucratic capacity to enforce these. This will not appear without an alliance between a political institution and a significant social sector. Without such an identification of interests, it is practically impossible for the state to grow, no matter the stimulus of violence.

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