



South America

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This essay is drawn from six lectures that I presented on expeditions in South America during the past two decades. In each talk, I deal with political and economic aspects of South American history.

I begin with Colombia, Ecuador, and Panama. I discuss Amerindian settlement, Spanish conquest and colonization, struggles for independence, and politico-economic evolutions in the 19th and 20th centuries. Then I shift to Peru and explain how early Andean states set the stage for Inca rule (1400-1532), the Incas exerted power and created wealth, the Spanish conquistadors defeated the Incas and colonized Peru, and independent Peru's economy fluctuated. I next examine Chile and Argentina – why they were unimportant Spanish colonies in the 18th century, how their economies evolved in the 19th century, and how Chile achieved rapid economic growth while Argentina retrogressed in the 20th century. I wind up with a discussion of the Cape Horn trade route linking the Atlantic and Pacific Oceans – when that route was first used, why the California trade was key in the 19th century, and why the route declined. I append a time line, a bibliography, and a description of sites that I visited in South America.

The Settlement and Development of Colombia, Ecuador, and Panama

Amerindian Inhabitants before Spanish Colonization.

Colombia's geographical topography has exerted a strong influence on the nation's political and economic history. Ranges of the Andes separate the country into three principal areas and for centuries have obstructed the flow of people, goods and ideas. High transportation costs imposed by Colombia's physical features have dictated the course of its economic development.



Source: *Wikimedia Commons* available at
<[https://commons.wikimedia.org/wiki/File:Mapa_de_Colombia_\(relieve\).svg](https://commons.wikimedia.org/wiki/File:Mapa_de_Colombia_(relieve).svg)>

Topography of Colombia

The most sophisticated pre-Columbian people in the region – the Taironas – were isolated from other Amerindian peoples by geography. The Taironas developed a highly urbanized culture with extensive advanced stone constructions, including arches, bridges, and terracing techniques both for crop land and building areas.



Source: Wikimedia Commons available at
<https://commons.wikimedia.org/wiki/File:Taironapendants_metropolitan_2006.jpg>

*Tairona Gold Pendants, from an Indigenous Culture in Colombia –
Metropolitan Museum, of Art, New York*

The 600,000 Muisca, the largest Amerindian group in Colombia, exchanged goods such as gold and cotton. The Muisca provided the basis for the legend of El Dorado in an installation ritual where a sub-

chief would cover himself in gold dust and dive into a sacred lake, accompanied by other offerings of precious stones and metals.



Source: Wikimedia Commons available at https://commons.wikimedia.org/wiki/File:Muisca_raft_Legend_of_El_Dorado_Offerings_of_gold.jpg

Muisca Leader (Zipa), Covered in Gold on a Raft in the Sacred Lake – Origin of the El Dorado Legend

High transportation costs imposed by Ecuador's physical features also have dictated the course of its human settlement and economic development. The pre-Columbian people in Ecuador were isolated from other Amerindian peoples by geography. Amerindians in Ecuador lived mostly in the sierra, in montane basins of the Andes Mountains. They inhabited a frontier zone between the Chibcha peoples to the north and

the Incas to the south. By the early sixteenth century, they had been conquered by the Incas and incorporated into the Incan Empire.



Source: Wikimedia Commons available at
<https://commons.wikimedia.org/wiki/File:Vorkolumbische_Kulturen.png>

Pre-Columbian Cultures in Northwestern South America

Panama is an isthmus of dense rain forests and numerous rivers, bisected by a low mountain range. Estimates of the population of the pre-Columbian population of Amerindians in Panama range from 100,000 to 1 million. The actual number was probably about 200,000.

Spanish Colonial Settlement (1500-1819). The Spanish began their expeditions in the Caribbean coastal areas of what is now Colombia

in 1500, establishing their first lasting city at Santa Marta in 1526. In 1513, Vasco Nuñez de Balboa crossed the isthmus of Panama and was the first European to see the Pacific Ocean. Expeditions for conquests of the interior began in the 1530s in response to rumors of vast gold treasures to be found there. Jiménez de Quesada led the forces that conquered the Muiscas and founded Bogotá in 1538 as the capital of Spanish New Granada.



Source: Wikimedia Commons available at
<<https://commons.wikimedia.org/wiki/File:TISQUESUSAI.jpg>>

Tisquesusa, Principal Leader of the Muiscas – During the Spanish Conquest in the 1530s, He Resisted Strongly But Was Killed in Battle

Francisco Pizarro began the Spanish conquest of the Incas in 1532, and in 1534, Sebastián de Benalcázar, one of Pizarro's lieutenants, conquered Quito by defeating the Incas. Spanish conquistadors soon controlled much of present-day Ecuador. The area remained under direct rule of the Spanish king, transmitted through the Viceroy of Peru who governed most of present day Colombia, Ecuador and Venezuela.



Source: *Wikimedia Commons*, available at
<https://commons.wikimedia.org/wiki/File:Portrait_of_Francisco_Pizarro.jpg>

Francisco Pizarro, Spanish Conquistador and Conqueror of the Inca Empire of Peru – Portrait by Amable-Paul Coultan, 1835

Due to the difficulty of administering New Granada from Lima, a captain-general was appointed to serve in Bogotá as a representative of

the Viceroy, and presidencies for Venezuela, Ecuador, and Panama.

New Granada became its own Viceroyalty in 1739, and came to include the presidencies of Ecuador and Panama. Panama then lost its status as a separate presidency, but Venezuela became a captaincy-general under the Viceroyalty of New Granada in 1777. Those territorial designations provided the basis for national boundaries maintained after independence to the present.



Source: *Wikimedia Commons* available at
<https://commons.wikimedia.org/wiki/File:Location_Viceroyalty_New_Granada.png>

Spain's Viceroyalty of New Granada, 1739-1819

The Spanish Colonial Economy (1500-1819). The center of the colony of New Granada, in the area around Bogotá, concentrated on

agriculture and livestock for local consumption, as well as some small crafts industries. Transportation costs prevented those products from entering long distance trade, although demand for them was limited in any case: the physical isolation of most areas forced them to be relatively self-sufficient with respect to basic needs. Both Panama and Ecuador were only loosely integrated with Bogota. But the value of gold could absorb high transport costs and, in an otherwise economically trivial colony, provided the motivation for Spanish control.



Source: Wikimedia Commons available at https://en.wikipedia.org/wiki/File:Crown_of_the_Virgin_of_the_Immaculate_Conception,_known_as_the_Crown_of_the_Andes_MET_DP365520.jpg

Crown of the Andes (Crown of the Virgin of the Immaculate Conception), Made in Colombia of Gold and Emeralds, c. 1660 – Metropolitan Museum of Art, New York

Although it was the principal gold supplier to the Spanish empire, New Granada's importance was overshadowed by the huge quantities of silver flowing from Mexico and Peru.



Source: Wikimedia Commons available at
<https://commons.wikimedia.org/wiki/File:16th_century_Portuguese_Spanish_trade_routes.png

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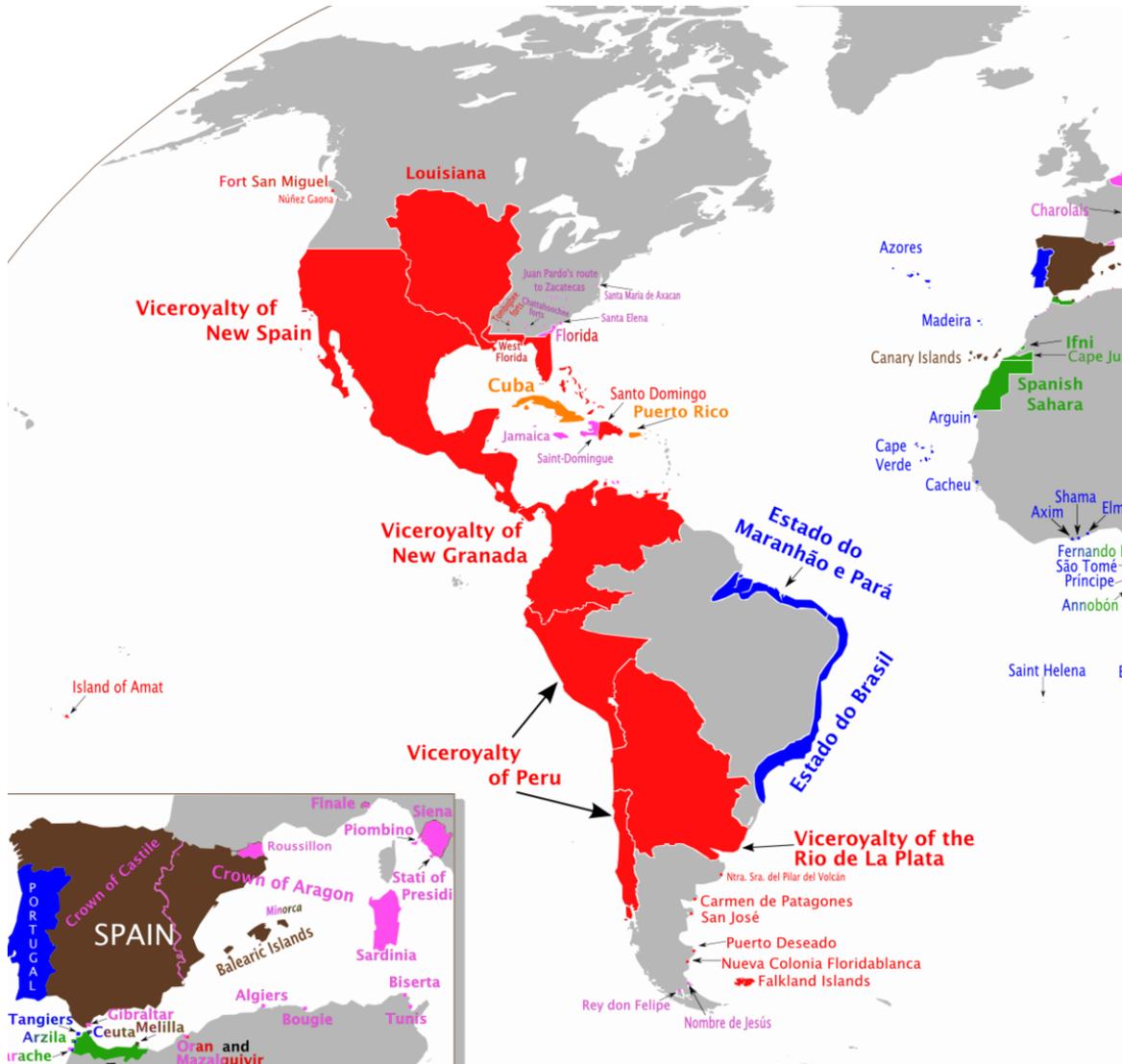
Spanish (White) and Portuguese (Blue) Convoy Routes in the 16th century – Spanish Ships Crossed from Seville to Havana

Largely because of the lack of economic opportunities, the indigenous peoples of New Granada were spared from the severe forms of exploitation practiced elsewhere, since there was little productive use for

forced labor in the region from the colonial perspective. The lack of economic dynamism also limited the importance of Bogotá, allowing the parallel emergence of other urban centers so that modern Colombia features several important large cities.

Neither Panama nor Ecuador produced large quantities of minerals, although both had some gold output. The ports in Panama, Portobelo and Panama City, however, prospered between the mid-sixteenth century and the mid-eighteenth century, because of the cross-isthmus transit trade (especially of silver from Peru). Thereafter, Panama's economy stagnated when Spain ended its ban on colonial trade around Cape Horn and Britain undercut the Panamanian ports.

The Movement to Independence (1781-1819). New Granada's population gradually developed some grievances against the Spanish colonial presence, although revolutionary efforts were primarily precipitated by external events. Given its minor economic role, the kind of exploitation did not exist that would provoke rebellion elsewhere.



Source: Wikimedia Commons available at
 <https://commons.wikimedia.org/wiki/File:Spanish_Empire_Anachronous_0.PNG>

The Spanish American Empire (Red Areas), 18th century

Some disaffection has been attributed to haughty treatment of American-born peoples on the part of Europeans in New Granada, as well as dissatisfaction with a monarchy that allowed no representation.

The first revolt was that of the Comuneros in 1781 in response to

increased taxes on tobacco and spirits, imposed to finance Spanish support of revolutionaries in England's American colonies. Spain easily suppressed that uprising.



Source: Wikimedia Commons available at
<https://commons.wikimedia.org/wiki/File:Jos%C3%A9_Ant%C3%B3nio_Gal%C3%A1n,_martir_08-03-2011.JPG>

*José Antonio Galán (1749-1782) – Martyred Leader
of the Comuneros Insurrection (1781), Executed by Spanish Officials*

But it provided a base for a patriotic movement which came to fruition in 1808-1810, when Napoleon deposed the Spanish king in Europe. Local juntas took control in all of Spain's Latin American colonies, ostensibly to rule in the king's name until he regained the throne. However, the juntas of Venezuela, Ecuador, and various parts of

New Granada then proclaimed independence, only to be reconquered by Spain in 1815-16 following the restoration of the Spanish monarch. The Venezuelan hero, Simón Bolívar, then led the final liberation of New Granada in 1819 as a precursor to driving the Spanish out of his native land as well as Ecuador and Panama.



Source: Wikimedia Commons available at
<https://commons.wikimedia.org/wiki/File:Batalla_de_Boyaca_de_Martin_Tovar_y_Tovar.jpg>

Simón Bolívar Led Colombia (in New Granada) to Independence, After the Battle of Boyacá (1819) – Painting by Martin Tovar y Tovar, 1890

The Failed Experiment of Gran Colombia (1819-1830).

Largely because the independence struggle had been led in all these areas by Simón Bolívar, Colombia, Venezuela and Ecuador (as well as

Panama since it was a province of Colombia) joined in a single state known as Gran Colombia, as ratified in the Congress of Cúcuta in 1821. The Congress also grappled with the question of how much power to assign to the newly established state, deciding between a strong central government, a loose federation of independent states, or some intermediate arrangement. The congress chose a strong centralist constitution for a trial period of ten years, after which a new congress was to reconsider the question of federalism.



Source: *Wikimedia Commons* available at
<https://commons.wikimedia.org/wiki/File:Templo_Hist%C3%B3rico_en_C%C3%BAcuta.JPG>

*Church of Cúcuta –
Where the Republic of Gran Colombia Was Officially Created in 1821*

In other respects the new constitution adopted a wide array of liberal principles, limiting the ability of the state to interfere with individual liberty in political and economic matters, as well as independence of the Roman Catholic church. Specific measures against the church were the abolition of monasteries with less than eight members and the redistribution of confiscated assets to secondary school endowments. The congress also enacted a manumission law, stipulating that children of slaves would go free at a specified age, and abolished Indian tribute payments.

Following independence, Venezuela and Ecuador pressed for more federalist arrangements and felt that Colombia received an undue amount of influence and resources in the union. Therefore, the review of the constitution which was supposed to take place in 1831 was held instead in 1828, and resulted in an invitation to Bolívar to become dictator of Gran Colombia. Ecuador and Venezuela seceded from the union in 1830 after Bolívar resigned.



Source: Wikimedia Commons available at
<https://commons.wikimedia.org/wiki/File:Gran_Colombia_in_1822.svg>

Simón Bolívar's Republic of Gran Colombia, 1821-1830

During the break-up of the union of Gran Colombia, Peruvian forces invaded the key port city of Guayaquil in Ecuador in 1828, but they were defeated in 1829 and the port remained part of Ecuador. Bolívar declined an invitation to become dictator of Ecuador when that country gained independence in 1830.



Source: Wikimedia Commons available at
<https://commons.wikimedia.org/wiki/File:Sim%C3%B3n_Bol%C3%ADvar_2.jpg>

*Simón Bolívar (1783-1830) –
Liberator and Founder of Gran Colombia (1821-1830)*

Economic Evolution of Colombia during the Nineteenth

Century. The new country enacted policies that encouraged foreign capital to invest in Colombia. Most of those projects from the early years proved of little lasting benefit, with some exceptions such as the introduction of steam-powered boats on the Magdalena River.

Following the dissolution of Gran Colombia, the New Granadan economy persisted in its colonial structure, development being hampered largely by transportation difficulties in the interior. Exports remained

limited, comprised predominantly (75 percent) of gold, and imports were restricted to luxury goods that could bear high transport costs.



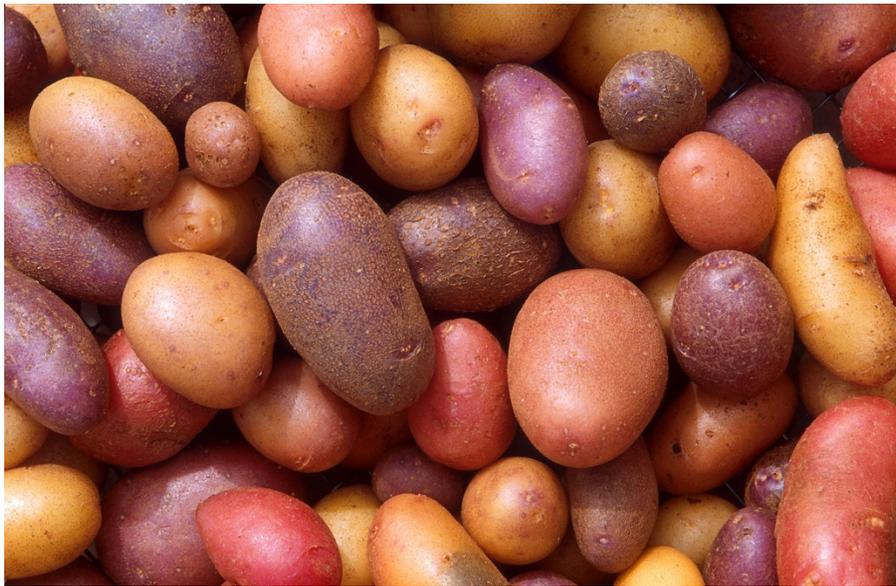
Source: *Wikimedia Commons* available at
<[https://commons.wikimedia.org/wiki/File:Gold_nugget_\(Australia\)_4_\(16848647509\).jpg](https://commons.wikimedia.org/wiki/File:Gold_nugget_(Australia)_4_(16848647509).jpg)>

*Gold Nugget – Colombia Produced Gold Worth
More Than \$600 Million (1537-1886)*

Demand for imports was limited by low export earnings and the generally low level of affluence in New Granada even among the privileged classes. Consequently public finance also remained poor given limited sources of revenue – customs on trade and government monopolies in tobacco and salt provided the bulk of the budget.

Agriculture remained the occupation of the majority, growing mainly

potatoes and corn as they had during the colonial era and earlier, and wheat introduced by the colonists. In the second half of the 19th century, the government dismantled the tobacco monopoly and exports soared as private entrepreneurs rushed to take advantage.



*Source: Wikimedia Commons available at
<<https://commons.wikimedia.org/wiki/File:Patates.jpg>>*

Potatoes Were Native to the Andes Region of Peru and Colombia – Agriculture Remained Colombia’s Main Occupation in the 19th century

Tobacco for a period overtook gold in importance, establishing a precedent for the domination of agricultural products over metals and minerals in exports. Other short-term export booms took place in quinine, cotton, and indigo. By the end of the 1870s coffee became the principal export. Liberal governments from 1849-1885 promoted export

expansion through economic policy and investment in transportation, especially railroad construction. However, open policies and dependence on single commodity exports left New Granada vulnerable to world market fluctuations, a fact that the more interventionist Conservative governments of the late 19th century could not change.



Source: Wikimedia Commons available at
<https://commons.wikimedia.org/wiki/File:Coffee_Berries.jpg>

*Coffee (Coffea arabica) Berries, Ready for Harvesting –
Coffee Became Colombia's Leading Export in the Late 19th century*

Economic Evolution of Ecuador during the Nineteenth

Century. The independent nation of Ecuador inherited a proportion of Gran Colombia's debt, and the inability to service that debt effectively precluded foreign investment in the new country. The extremely

turbulent character of domestic politics further repelled foreign capital. The nineteenth century saw five civil wars in Ecuador as political succession and survival continued to depend on armed might despite several constitutions enshrining democracy and requiring elections. Two major political forces emerged in this period – a modernizing, liberal faction based in Guayaquil and the coastal regions, and a traditionalist, conservative faction based in Quito in the sierra highlands. Their rivalry stemmed from contrasting socioeconomic structures.



Source: Wikimedia Commons available at
<<https://commons.wikimedia.org/wiki/File:Ecuador1830.png>>

Ecuador in 1830 – Intense Rivalry Between the Coast (Guayaquil) and the Highlands (Quito)

In the highlands, the majority of the population were disenfranchised Indians living on tiny subsistence farms, while most of the land comprised large latifundia estates that produced little of export value. The landowners of those estates formed an upper class reminiscent of feudal aristocracies in Europe. The highlands produced primarily straw hats (mistakenly named Panama hats), a strong spirit called aguardiente, and textiles. Although production and exports of those products were important to the region, they comprised an insignificant share of the country's total exports.



Source: Wikimedia Commons available at
<https://commons.wikimedia.org/wiki/File:The_toquilla_straw_hat_is_woven_from_fibres_from_a_palm_tree_characteristic_of_the_Ecuadorian_coast.jpg>

*Making Panama Hats from Palm Straw –
Leading Artisanal Industry in Ecuador's Sierra Region*

The coastal region featured relatively modern commercial plantations, a growing banking industry, and an increasingly politically active middle class. The principal export commodity grown in the coast was cocoa, and Ecuador was the world's leading producer and exporter of this valuable tropical commodity until the beginning of the twentieth century. Lesser coastal exports were coffee, sugar, and bananas.

Dependence on one or a few primary product exports left the country perennially vulnerable to volatile international markets. Governments relied principally on import taxes for revenue. Because export swings determined the quantity of imports the country could buy, they also determined government revenues – contributing to political instability.

During much of the nineteenth century, the heavy dependence on widely fluctuating cocoa export revenues thus created recurring economic and political instability in Ecuador.



Source: Wikimedia Commons available at
<https://commons.wikimedia.org/wiki/File:Cocoa_Pods.JPG>

Pods on a Cocoa Tree (Theobroma cacao), the Source of Chocolate – Ecuador Led the World in Cocoa Production in the 19th century

Panama – A Neglected Northern Isthmus of New Granada.

Panama became a part of New Granada in the mid-18th century, when it was transferred from the Viceroyalty of Peru. That change was not welcome, since rule from Lima was familiar and that capital was reachable by sea and thus more accessible than Bogotá. Soon thereafter the presidency of Panama was dissolved, and Panama was placed under direct rule from New Granada. Furthermore, Spain began to ship goods around Cape Horn rather than use the Isthmian convoy system, and

British pirates destroyed Portobelo (Panama's Atlantic port) and sacked Panama City. Panama thereby lost its primary economic role as well as its political status and was reduced to an impoverished and neglected hinterland of New Granada until the California gold rush a century later.



Source: Wikimedia Commons available at
<https://commons.wikimedia.org/wiki/File:United_States_of_Colombia.GIF>

The United States of Colombia (including Panama, an Impoverished Hinterland), 1863-1886

The departure of Venezuela and Ecuador from the Gran Colombian union in 1830 encouraged secessionist sentiment in Panama. With the onset of the gold rush, Panama received a tremendous

economic stimulus as a transit point and developed strong relations with the outside world that heightened its distinction from New Granada.

The construction of the Panama Railroad between 1850 and 1855 provided an enormous economic impetus for the region. The railroad was very profitable for its American owners, even after the completion of the trans-continental railroad in the United States in 1869 diverted traffic away from Panama.



Source: *Wikimedia Commons* available at
<<https://commons.wikimedia.org/wiki/File:CulebraSummit.jpg>>

*The Panama Railroad at the Culebra Summit Station –
Lithograph by Fessendon Nott Otis, December 1854*

Panamanian merchants again rose to economic power in the region, and between 1830 and the end of the century periodic attempts were made for the province to secede from Colombia. All of them failed because of the superiority of Colombian military forces.

Panamanian Independence (1903). The disaffection built up over 150 years reached a climax in 1903. In addition to Panama's generating more revenue for the Colombian treasury than the services it received from Bogota, Panama's economic prosperity was threatened by U.S. prospects of building a trans-isthmian canal in Nicaragua. When the Colombian Congress rejected the Hay-Herrán treaty that would have allowed the U.S. to build a canal in Panama, the Panamanians rose in revolt and declared independence.

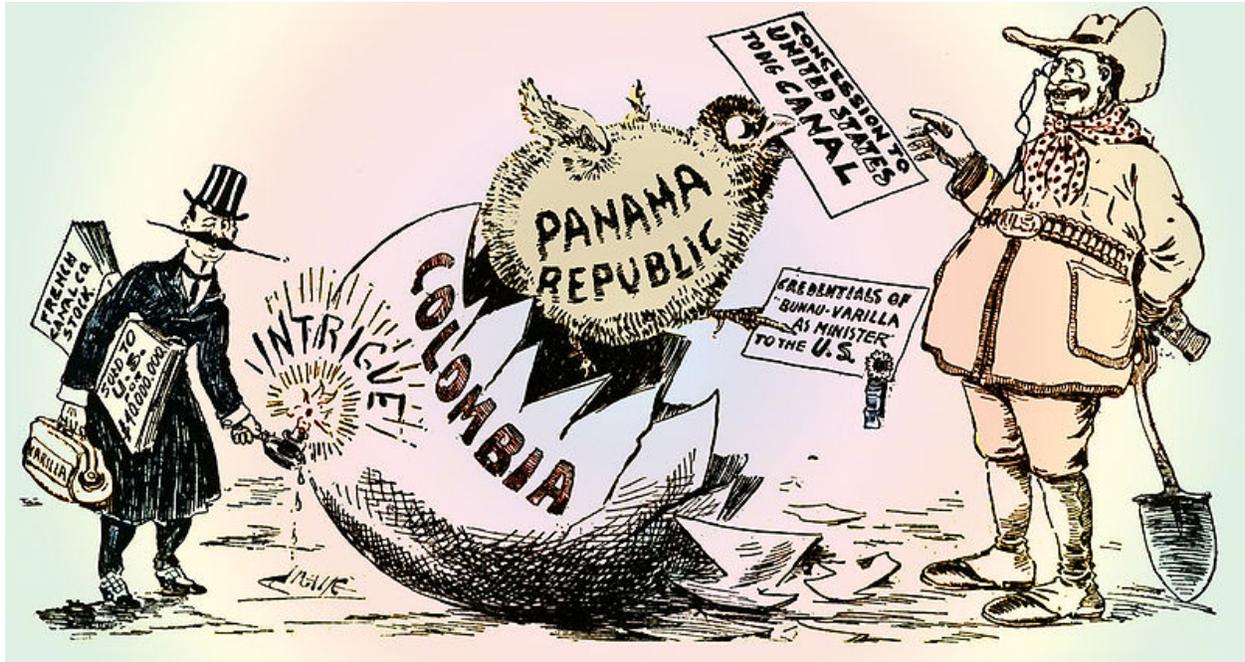


Source: *Wikimedia Commons* available at
<https://commons.wikimedia.org/wiki/File:Momotombo_1900_Edition_Stamp.jpg>

Volcanos in Nicaragua – Philippe Bunau-Varilla, Lobbying for U.S. Approval of the Panamanian Route, Sent a Copy of This 1900 Nicaraguan Stamp to Every Member of the U.S. Congress in 1902

That uprising would have been easily quashed by Colombian forces. But American gunboats prevented the landing of Colombian troops on the pretext of safeguarding the transit of goods across the isthmus. Under threat of withdrawal of the gunboats, the newly independent Panama granted the U.S. virtual sovereignty over a ten-mile-wide strip across the isthmus called the Canal Zone. The resulting rift between Colombia and the United States was not resolved until the Urrutia-Thomson treaty of 1922, which normalized relations between

the two countries and provided for a U.S. indemnity of \$25 million to Colombia as compensation.



Source: Wikimedia Commons available at
<https://commons.wikimedia.org/wiki/File:Man_Behind_The_Egg.JPG>

“The Man Behind the Egg”, 1903 Cartoon – Depicting the Duplicitous Roles of Theodore Roosevelt (Right) and Philippe Bunau-Varilla in Hatching the Republic of Panama

The Colombian Economy in the Early Twentieth Century. In the early 1900s, Colombia made concerted efforts to expand its railway network, develop roads, and improve river navigation. The government also took steps to stabilize the currency and resume debt service, thereby restoring flows of foreign capital into the country. The government

promoted industrialization through infant industry programs. For example, a 1905 tariff reform raised duties on imported textiles and reduced them for imported yarn and fibers, thus encouraging imports of raw materials for domestic manufacture and re-export. Tax concessions and preferential purchasing also targeted industries for development. Policies for textiles were most successful; the industry represented 25 percent of manufacturing capital in the early 20th century.



Source: Wikimedia Commons available at
<<https://commons.wikimedia.org/wiki/File:Colbanana04.jpg>>

Banana Plantation in Cali, Colombia

Government policies also supported export agriculture, especially coffee and bananas. In addition to growing world demand for coffee,

transportation improvements, such as rail facilities and the Panama Canal, boosted Colombia's ability to deliver competitively to world markets. Between 1910 and 1920, exports grew by more than 10 percent per year, largely due to the coffee sector, and by 1930 Colombia was the world's second largest exporter after Brazil. By 1924, coffee accounted for almost 80 percent of Colombia's export earnings. Foreign capital was welcomed to support development of export industries such as petroleum and bananas.



Source: Wikimedia Commons available at
<https://commons.wikimedia.org/wiki/File:Cafe_Quimbaya_2005-08-27.jpg>

Coffee Plantation in Quimbaya, Quindío, Colombia

The Colombian Economy in the Later Twentieth Century.

World War I created a number of shortages of previously imported goods, due to interrupted transportation for exports. The shortages prompted the emergence of import-substituting industries, such as a tire manufacturing plant. When the Conservative Party returned to power in the 1940s, they supported import substitution through tariff measures and other benefits, a development policy that continued into the 1980s.



*Source: Wikimedia Commons available at
<<https://commons.wikimedia.org/wiki/File:Hilanderia.jpg>>*

*Textile Factory Near, San José de Suaita, Colombia, Late 1970s –
Benefitted from Colombian Policies Promoting Import-Substitution*

However, a small domestic market constrained the success of that approach. The Conservatives also embarked on nationalist economic

projects such as the creation of state steel and petroleum industries. Similarly, automobile production commenced in Colombia in 1969 in collaboration with a French automaker, Renault. However, capital-intensive industries in the hands of foreigners conveyed limited benefits with respect to employment and balance-of-payments relief.



*Source: Wikimedia Commons available at
<https://commons.wikimedia.org/wiki/File:Renault_4L_Colombia.jpg>*

*Renault 4L, Made in Colombia in 1977 –
Decorated for a Wedding in 2012*

Therefore, regimes of the 1960s and 1970s also promoted exports of non-traditional products through provision of credit, market information, and tax rebates. For example, Colombian exports of cut

flowers were second only to those of the Netherlands as a direct result of this effort. Similarly, in the 1980s Colombia became Latin America's largest exporter of books, as a mass producer of specialized publications in many languages.



*Source: Wikimedia Commons available at
<https://commons.wikimedia.org/wiki/File:Flower_market,_Bogota.jpg>*

Cut-Flower Market in Bogotá – The Cut-Flower Industry in Colombia Generates \$1 Billion Export Earnings

The Impact of the Panama Canal on Colombia. Given the critical role of transportation costs in Colombia's economic opportunities, the Panama Canal had a significant economic impact. The secession of Panama entailed a great loss of potentially valuable real

estate, but promoted national unity in Colombia by removing a volatile element from the country and creating a common nationalist cause – resentment of the United States. The completion of the Canal removed the need for costly overland transport of export goods for trans-shipment in Cartagena. That change proved especially important with respect to coffee, since the principal coffee growing areas were closer to the Pacific than the Caribbean coast as of the early twentieth century.



Source: Wikimedia Commons available at
<https://commons.wikimedia.org/wiki/File:View_of_Cartagena_from_the_fortification_East_of_the_city_-_2016_c.jpg>

*Caribbean Port of Cartagena – Colombia Benefitted
Significantly from the Construction of the Panama Canal*

The western areas of Colombia also contain major industrial centers such as Medellín. Thus, due to both cost and time savings for exports

from Colombia's Pacific regions to world markets, Colombia may have benefited more than any other South American country from the canal built through its lost province.



Source: *Wikimedia Commons* available at
<<https://commons.wikimedia.org/wiki/File:Co-map.png>>

Contemporary Colombia

The Ecuadorian Economy in the Twentieth Century. Political turmoil in Ecuador continued in the twentieth century. Intermittent civil war lingered until 1916, a military coup ousted the government in 1925, and another civil war erupted in 1932. Between 1931 and 1948, the executive office changed hands nineteen times and no ruler completed his constitutional term of office. The coastal region, especially the bankers of Guayaquil, was necessarily important to the government, but this situation facilitated mobilization of anti-coastal sentiment among the majority who lived in the sierra region. Economic reforms adopted in 1927 on the advice of foreign experts in the Kemmerer Financial Mission underwent permutations that allowed old patterns of corruption and patronage to continue and were undermined by the local impact of the global economic depression of the 1930s.

Dependence on primary commodity exports meant that Ecuador could do little to soften the blow of the Great Depression. Exports derived from the coastal region included cocoa, which was most important until 1952, coffee, which surpassed cocoa in 1952, and

bananas, which came to dominate exports, accounting for 40 to 60 percent of export value in the mid-1950s.

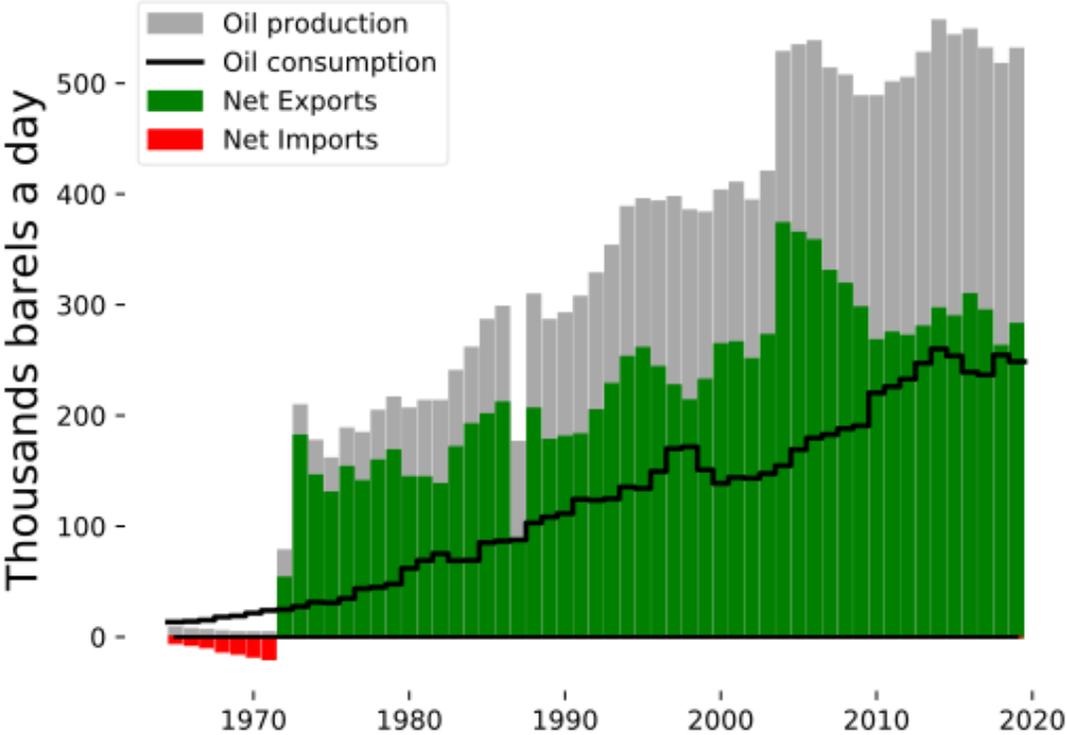


*Source: Wikimedia Commons available at
<https://commons.wikimedia.org/wiki/File:Culture_de_bananes.JPG>*

*Production of Bananas in Ecuador –
World’s Leading Exporter, 7 Million Tons*

After limping along for decades, the third and hitherto neglected region in Ecuador provided an unprecedented boost for the country. The Oriente, the portion of Ecuador that lies in the Amazon basin to the east of the sierra, consists of dense rain forest, a few navigable rivers, and land with little agricultural potential. However, the discovery of oil in the 1960s propelled that marginal region to the economic forefront. Oil exploitation in the 1970s fueled rapid economic expansion (averaging

about 9% per year), financing increases in public services, state enterprises, infrastructure, and import-substituting manufacturing.



Source: Wikimedia Commons available at https://commons.wikimedia.org/wiki/File:Oil_Balance_Ecuador.svg

Ecuador's Production, Consumption, and Net Exports of Petroleum, 1970-2019

But the collapse of oil prices in the early 1980s was not accompanied by sufficient reductions in government expenditure, leading to deficits, high inflation, and economic stagnation. Economic adjustment packages under the guidance of the World Bank and the IMF

did not lead to a recovery in the 1990s, and Ecuador defaulted on foreign debt payments.



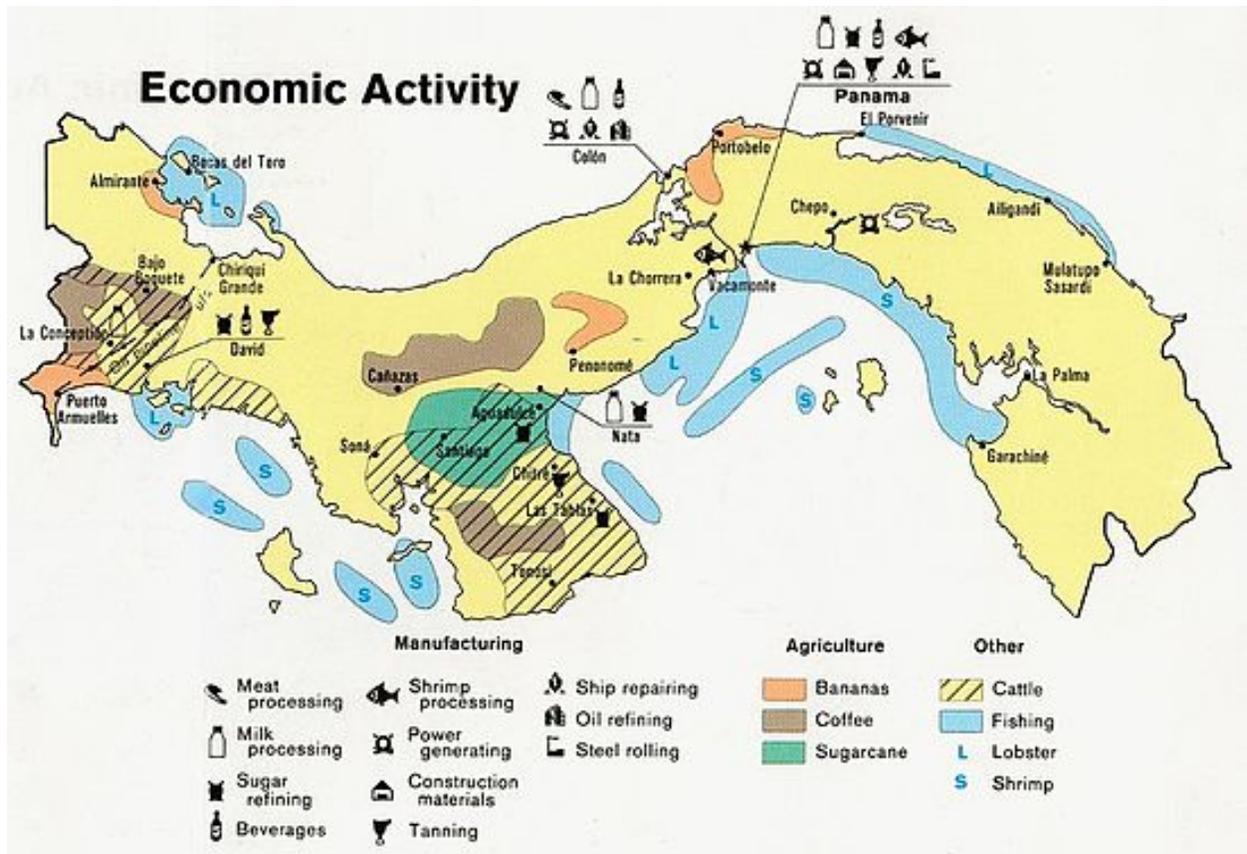
Source: *Wikimedia Commons* available at <https://commons.wikimedia.org/wiki/File:Ec-map.png>

Contemporary Ecuador

Panama's Economy in the Twentieth Century – Services.

Because of Panama's long-standing economic reliance on its strategic location, the ruling oligarchy at independence in 1903 consisted principally of merchants rather than landowners, of urban rather than rural elites. In the 1930s, military leaders of largely middle class origin joined those business-oriented oligarchs in setting economic policy for Panama. Military leaders ruled the country between 1968 and 1989, and thereafter political and economic leadership returned to business-oriented politicians.

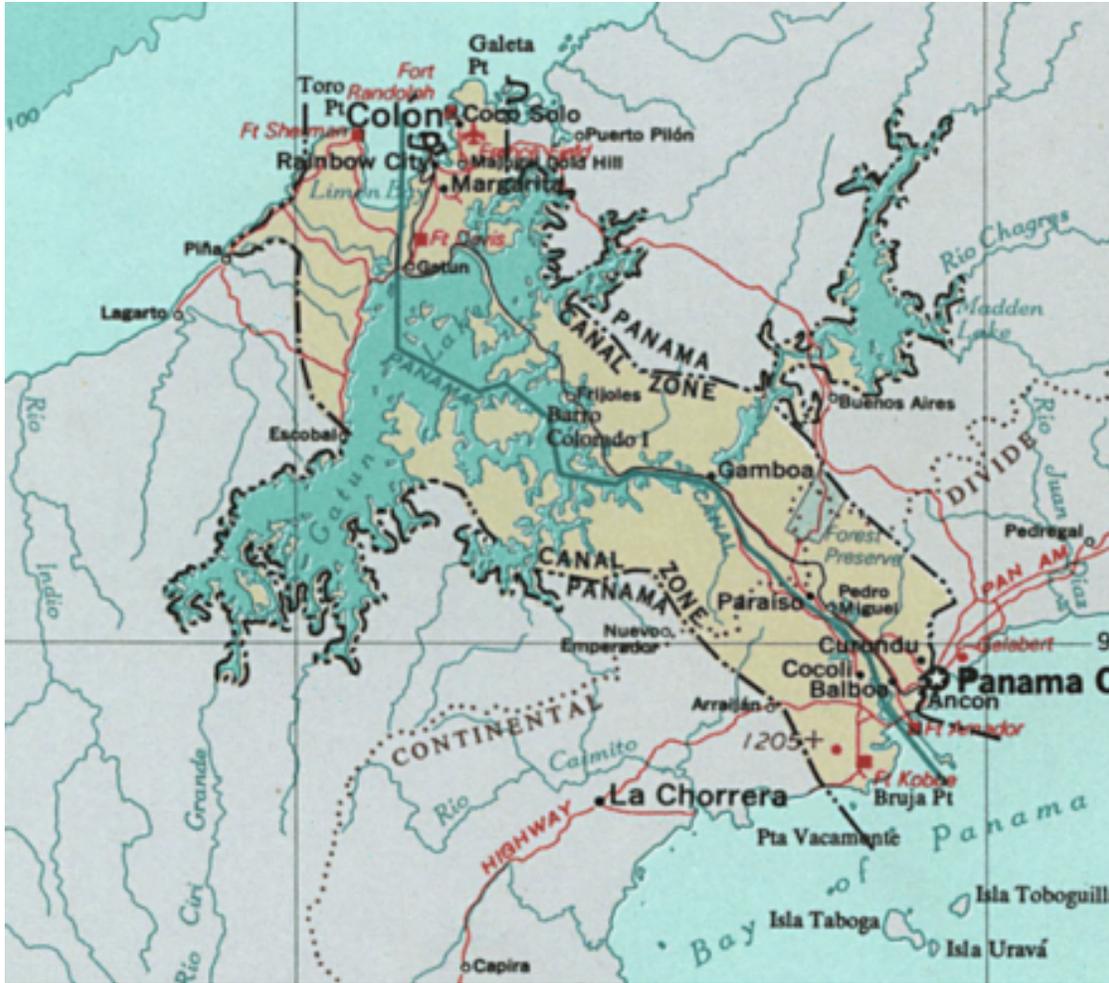
The orientation of Panama's economy is unusual because it depends principally on services rather than agriculture and manufacturing. In recent years, about 80 percent of national income in Panama has been generated by service activities.



Source: Wikimedia Commons available at
https://commons.wikimedia.org/wiki/File:Panama_econ_1981.jpg

Economic Activities in Panama, 1981

The Panama Canal has been the major source of income and employment in Panama since it opened in 1914. In addition to government revenues from Canal fees, the Panamanian economy benefits from salaries and benefits paid to Panamanian workers and from profits associated with supplying goods and services for Canal operations.



Source: Wikimedia Commons available at
<<https://commons.wikimedia.org/wiki/File:CanalZone.png>>

*The Panama Canal and Canal Zone –
Transferred by U.S. to Panama, December 31, 1999*

The Colon Free Zone (CFZ) is a specially designated area in the city of Colon in which foreign companies, mostly from Asia, take advantage of tax-free privileges to warehouse, process, and transship their products throughout Latin America. The CFZ is the largest free trade zone in Latin America and the second largest in the world after

Hong Kong. The rapid growth of Panama City as a banking center has resulted from successful promotional efforts by the Panamanian government, the use of the US dollar as the currency in Panama, the passage of legislation that maximizes secrecy and ease of offshore banking, and (prior to the late 1980s) the perception that Panama enjoyed political stability backed by the nearby presence of the US military. Panama has been successful in becoming one of the two leading countries in the world in registering ships (by charging low fees, providing tax benefits, and offering few labor restrictions).



Source: Wikimedia Commons available at
<https://commons.wikimedia.org/wiki/File:Panama_City_skyline.jpg>

*Panama City, The Capital and Financial Center of Panama –
Political Stability and Lack of Transparency*

Panama's Economy in the Twentieth Century – Inequalities.

The heavy reliance of the Panamanian economy on services has resulted in quite rapid, albeit choppy, economic growth and highly skewed distribution of incomes within Panama. The expansion of Canal-related service activities has been complemented by modest growth of commodity exports – principally bananas, shrimp, sugar, coffee, and refined petroleum products (from Venezuelan crude petroleum).

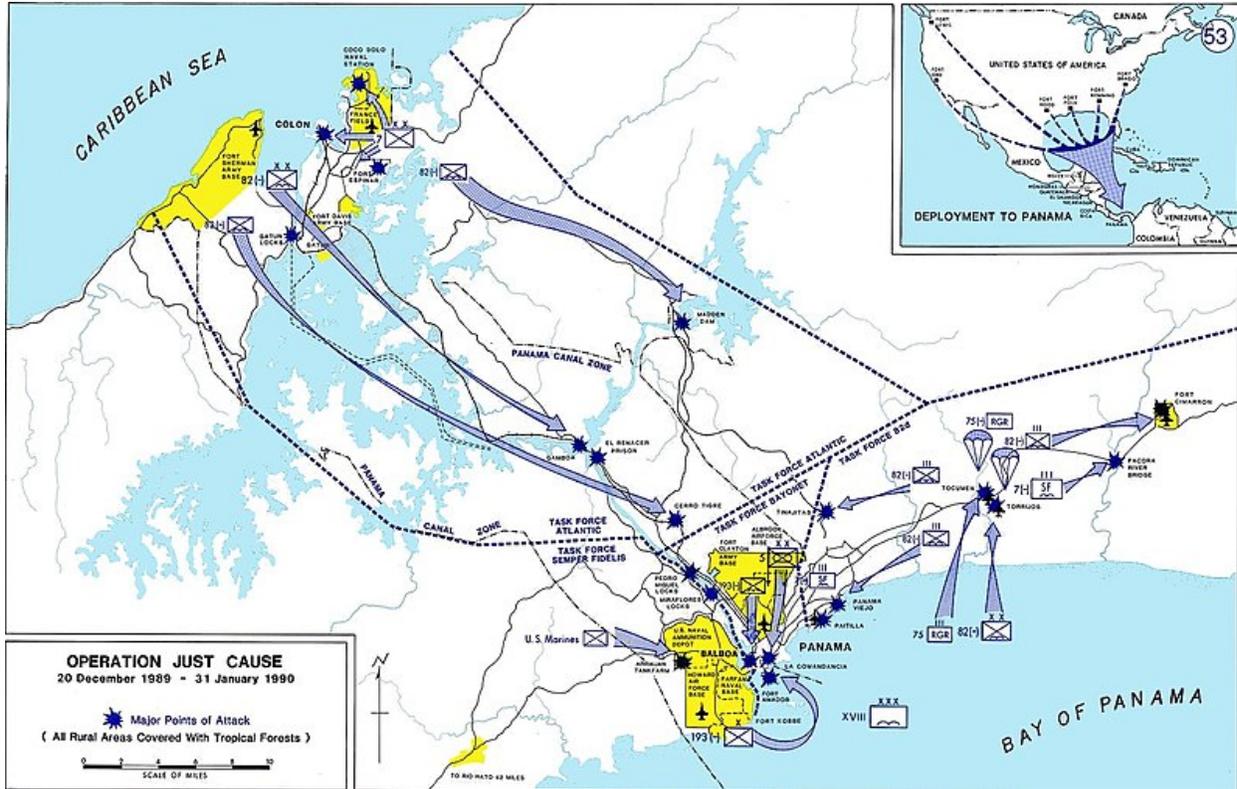


*Source: Wikimedia Commons available at
<https://commons.wikimedia.org/wiki/File:Coffee_drying_panama.jpg>*

Traditional Drying of Coffee Beans in Boquette, Panama

The economy of Panama grew very rapidly in the decades following the Second World War – at annual growth rates of nearly 5

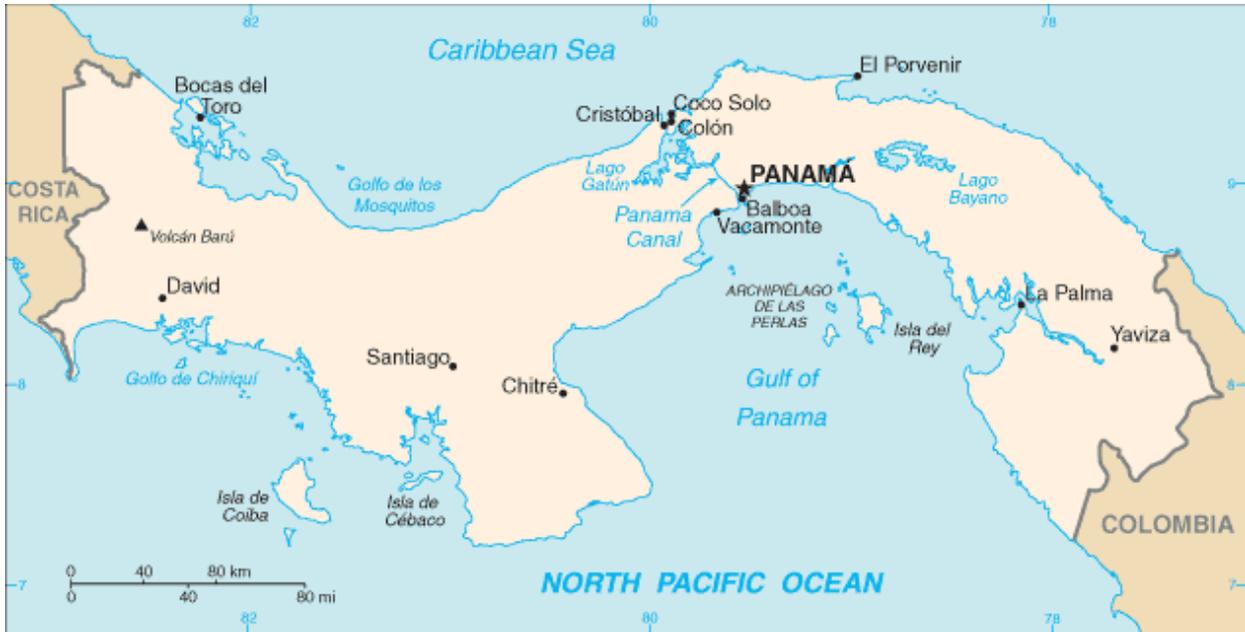
percent in the 1950s and almost 8 percent in the booming 1960s. Economic progress slowed in the following three decades; annual growth rates averaged between 3 and 4 percent between 1970 and the end of the 1990s. Most of that disappointing outcome was caused by three economic crises in that period. The first (1973-1974) was caused by the global recession associated with the first large rise in petroleum prices. The second (1982-1983) was due to the aftermath of the Latin American foreign debt crisis and the associated economic recession in that region. The last (1989-1990) was a consequence of US economic sanctions and military invasion to depose President Manuel Noriega.



Source: Wikimedia Commons available at
https://commons.wikimedia.org/wiki/File:Operation_Just_Cause.jpg

US Invasion of Panama, December 1989-January 1990 – Operation Just Cause

Income distribution in Panama is extremely skewed, largely as a result of the economy's heavy reliance on service activities that provide very high incomes to a small number of skilled people. In Panama, the top fifth of income-earners receive 23 times as much income as the bottom fifth. That ratio is the second worst in Latin America (after Brazil) and nearly twice that of comparable Central American countries.



Source: Wikimedia Commons available at
<<https://commons.wikimedia.org/wiki/File:Pm-map.png>>

Contemporary Panama

Colombia, Ecuador, and Panama in 2019. Colombia's population of 50.3 million greatly exceeds those of Ecuador (17.4 million) and Panama (4.2 million). Panama's population is growing at an annual rate of 1.7 percent, Ecuador's is also expanding at 1.7 percent, whereas Colombia's is increasing at a rate of 1.4 percent. Panama has the longest life expectancy (78 years), one year longer than that in Ecuador and Colombia (each 77 years). The rates of adult literacy are also similar in the three countries – 95 percent in Colombia and Panama, and 93 percent in Ecuador.



*Source: Wikimedia Commons available at
<https://commons.wikimedia.org/wiki/File:Uniandes_Campus.jpg>*

*The University of the Andes, Bogotá, Colombia –
Founded in 1948, 25,000 Students*

In 1990, Colombia (\$4,900), Ecuador (\$4,829), and Panama (\$5,100) had similar levels of price-adjusted incomes per capita.

Between 1990 and 2019, Ecuador's GDP per capita (measured by the World Bank at Purchasing Power Parity in constant 2017 dollars) grew slowly at an annual rate of 1.1 percent, to reach \$11,879 in 2019. In that same period, Colombia's GDP per capita tripled, growing at an annual rate of 2 percent, to \$15,635 in 2019. In contrast, Panama's per capita

GDP boomed at 3.8 percent during that time, one of the fastest rates in the world, and grew to \$32,851 in 2019. Although Panama remained a backwater of the Republic of New Granada for many years, the Panama Railroad, the Panama Canal, the Colón Free Zone, and the continuing importance of the trans-isthmian transit have enabled Panama to perform substantially better than Colombia and Ecuador in economic terms. The two larger South American countries have not been able to overcome long-standing regional schisms and political instability to take advantage of export-led growth opportunities.

The Incas and Predecessor Andean Kingdoms

Coastal Peru before the Incas (c. 1800 BCE-1470). Cultural sophistication in coastal Peru began about 1800 BCE with an integrated combination of fishing, agriculture, ceramics, and weaving. The Amerindian peoples exploited their natural resources in a challenging environment, featuring arid land, numerous rivers, a rich Pacific fishery, and episodic El Niño events. Farmers used river-fed irrigation to grow maize, cassava, peanuts, beans, and peppers. Fishermen cultivated *totara* reeds for boats, cotton for nets, and gourds for floats and caught small fish near the shore.



Source: Wikimedia Commons available at
<https://en.wikipedia.org/wiki/File:Peruvian_fishing_boats.jpg>

*Totara Reed Fishing Boats, Huanchaco, Northern Peru –
Used by Indigenous Peruvians and Still in Use Today*

The first large coastal kingdom, Moche, arose about CE 100 and ruled 400 miles of coastal valleys in northern Peru for six centuries. Moche's dual economic bases were fishing and farming, and its crop agriculture relied on labor-intensive canals within river valleys. The Moche Kingdom conquered kin-based fiefdoms and ruled them indirectly, by co-opting local leaders.



*Source: Wikimedia Commons available at
<https://commons.wikimedia.org/wiki/File:Carte_Moche.png>*

Moche Kingdom (Orange Area) in Ancient Peru, c. 100-700 CE

In Cerro Blanco, the capital, Moche nobles built two monumental temples – Huaca del Sol (Temple of the Sun) and Huaca de la Luna (Temple of the Moon) – to serve as religious and administrative centers.

Moche fell after a devastating El Niño event in the late 6th century and was replaced a century later by Chimú (c. 700-1470).



Source: Wikimedia Commons available at
<https://commons.wikimedia.org/wiki/File:Huaca_Sol_lou.jpg>

*Archeological Ruins of Huaca del Sol (Temple of the Sun) –
Moche Valley, Near Cerro Blanco and Trujillo, Peru*

Chimú leaders promoted fishing, expanded farming by constructing inter-valley canals, and engaged in maritime trade with Ecuador, Central America, and western Mexico. The Chimú kings conquered 600 miles of coastal valleys by land and by sea. In their capital of Chan Chan, they built monumental palaces (*ciudadelas*) and housed 30,000 artisans who specialized in textiles and metal products.

Chimú overcame a serious El Niño event c. 1100, which interrupted irrigated agriculture, but later fell to a strong Inca army in 1470.



Source: Wikimedia Commons available at
<https://commons.wikimedia.org/wiki/File:Mantle_LACMA_M.80.71.7.jpg>

Chimú Mantle, c. 1250-1350, Camelid Fiber and Cotton Tapestry Weave – Los Angeles County Museum of Art

Highland Peru before the Incas (c. 1800 BCE-1400 CE). The cultural package of fishing, agriculture, ceramics, and weaving also appeared in the highland Andean region about 1800 BCE. Amerindians adapted to live at very high elevations, using a strategy of agropastoralism. In the high Andean valleys (9,000-13,000 feet elevation),

they domesticated tubers (potatoes, oca, and ulloco) and grains (quiñoa and cañihua), and in the grassland *puna* (13,000-16,000 feet), they herded llamas and alpacas. Each *ayllu* (kin group) held land and irrigation water rights in return for providing *mita* (labor service) to the ruling class. An *ayllu* ideally practiced “verticality” by growing crops in the lower ecological zone and herding animals in the higher one.



Source: Wikimedia Commons available at
<https://commons.wikimedia.org/wiki/File:Camino_a_Puno_Golpeando_quinoa.JPG>

Farmers Threshing Quiñoa (Chenopodium quiñoa), Near Puno, Peru

The Tiwanaku Kingdom (c. 400 BCE-1100 CE) was the earliest and longest-lasting Andean highland state. Tiwanaku’s wealth came

from productive ridged-field farming (high ridges were built between canals), pasturing vast herds of llamas and alpacas, and fishing in Lake Titicaca. Starting about 600, the kingdom expanded to govern southern Peru and northern Chile, in part to exploit copper and tin resources there. Nobles in the large capital city of Tiwanaku (115,000 residents) built monumental edifices, including the famed Gateway of the Sun. Tiwanaku collapsed after a severe El Niño c. 1100.



Source: Wikimedia Commons available at https://commons.wikimedia.org/wiki/File:Zonnepoort_tiwanaqu.jpg

*Gateway of the Sun, Tiwanaku Kingdom –
Kalasasaya Archeological Site, Andes Region, Western Bolivia*

The largest kingdom in the Central Andes, prior to the Incas, was Huari (c. 600-800 CE). Huari pioneered vast land reclamation projects,

constructing underground canals and terraces to grow high-yielding maize. The kingdom expanded rapidly into the central Andean highlands and built a key regional center at Pikillacta in the Cuzco Valley. The 30,000 residents of the capital city of Huari constructed elaborate stone monuments and traded widely with nearby states.

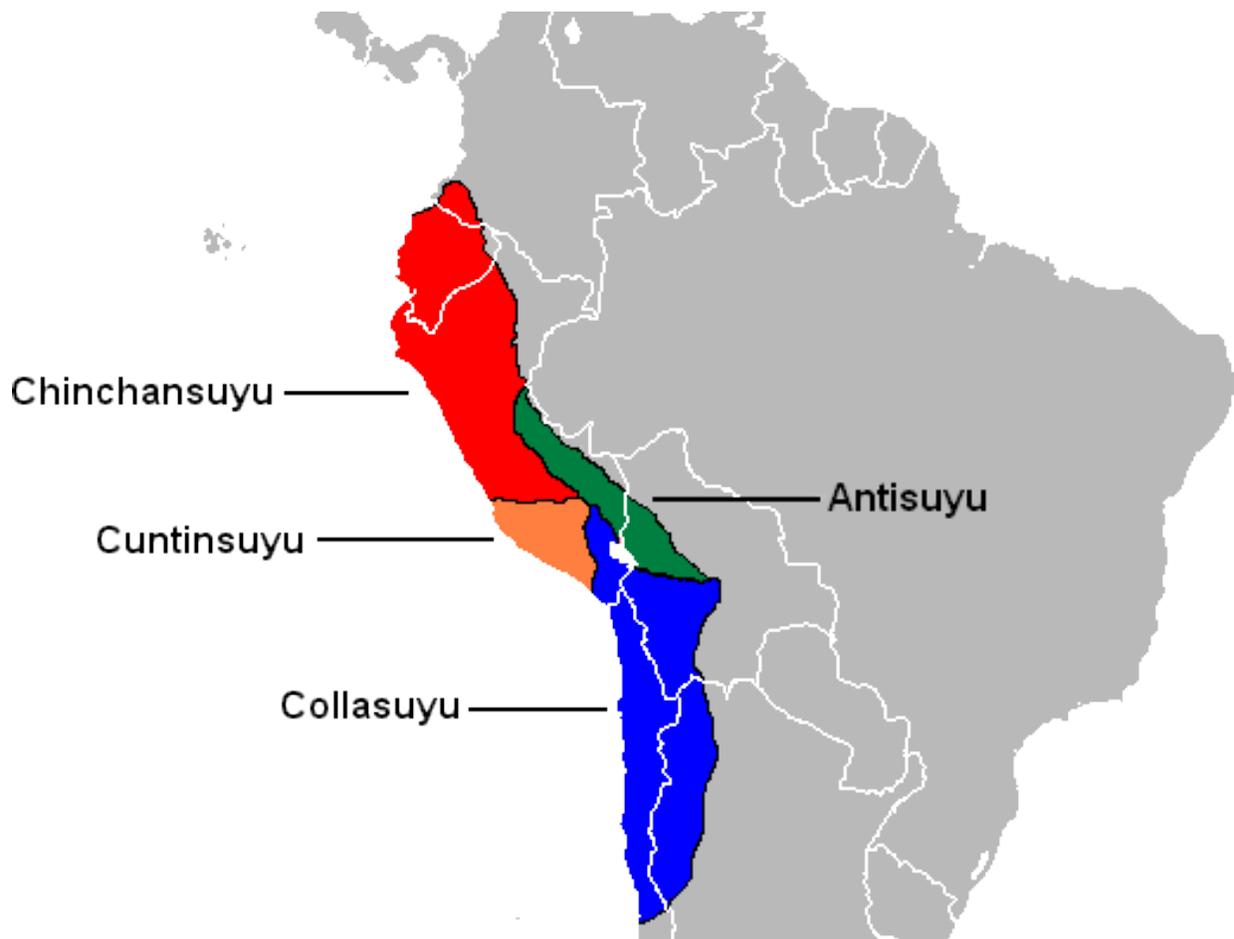


Source: Wikimedia Commons available at
<<https://commons.wikimedia.org/wiki/File:Huari-with-tiahuanaco.png>>

*Tiwanaku Kingdom (c. 400 BCE-CE 1100, Aqua Area) and
Huari Kingdom (c. 600-800 CE, Purple Area)*

Conquest and Government in the Inca Empire (1400-1532).

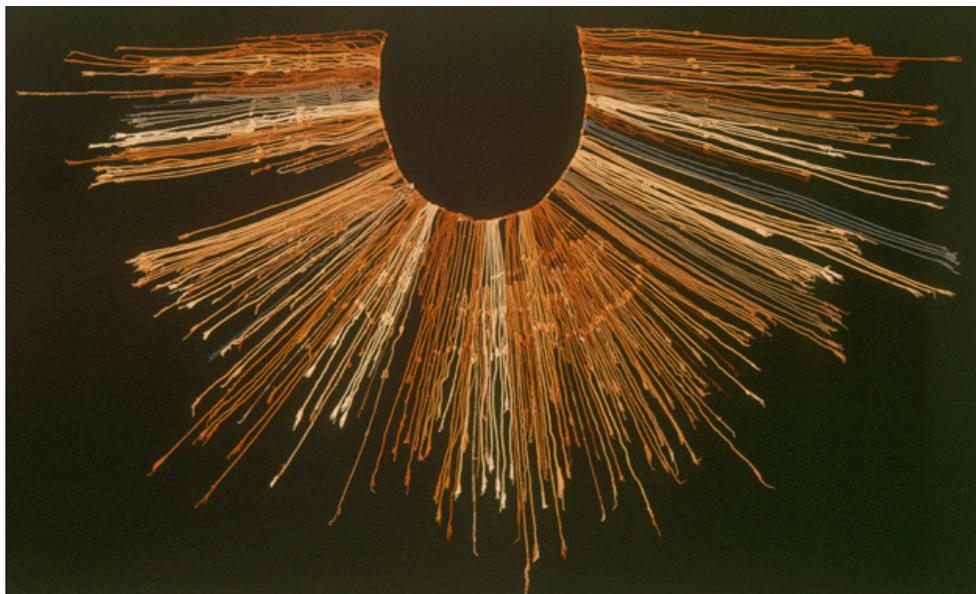
The Inca Kingdom emerged in the 14th century as a small regional polity, centered in Cuzco. Pachacuti Inca conquered the powerful Aymara kingdoms (Colla and Lupaqa) in the Titicaca Basin to the south during the 1460s, and his son, Topa Inca, moved northward, defeated wealthy Chimú in 1470, and expanded to northern Ecuador.



*Source: Wikimedia Commons available at
<https://commons.wikimedia.org/wiki/File:Inca_Empire_South_America.png>*

Four Quarters of Tawantinsuyu – The Inca Empire, 1438-1525

Inca rulers desired to demonstrate strong military leadership, expand their holdings of crop and pasture lands, and control mineral-rich regions. The Incas' military strategy was to apply force to targeted areas, build garrisons along borders, fill gaps with mobile armies, and hold the system together through tight control. Their logistical system was based on massive use of *mita* (taxed labor services) and detailed record-keeping through *kipu* accounting (using knotted strings).



Source: Wikimedia Commons available at
<https://commons.wikimedia.org/wiki/File:Inca_Quipu.jpg>

*Inca Logistics Depended on Khipu Accounts –
Inca Khipu, Larco Museum, Lima*

Their road network – 24,000 miles of carefully maintained roads emanating from two north-south trunks – permitted llama caravans and

human porters to supply the growing empire without wheeled vehicles. A vast chain of storehouses (*qollqa*) was kept fully stocked with food and military supplies (arms, clothing, blankets, and coca leaf) to underpin security.



Source: Wikimedia Commons available at
<[https://commons.wikimedia.org/wiki/File:Ollantaytambo,_storage_rooms_\(qollqas\).jpg](https://commons.wikimedia.org/wiki/File:Ollantaytambo,_storage_rooms_(qollqas).jpg)>

Inca Complex of 27 Storehouses (Qollqas) – Above Ollantaytambo, Peru

The Incas called their empire, Tawantinsuyu (four parts together), and divided it into four divisions and 80 provinces. The *Sapa Inca* (supreme ruler) was omnipotent in political, military, social, and religious affairs. He ruled the Inca heartland directly, but allowed conquered regions to continue under local rulers so long as they paid

tribute, usually in labor services. All subjects had to practice the Inca religion, which combined a supreme deity (Inti, the sun god), his wife (Mama-Quilla, the moon goddess), minor deities, and ancestor worship.



Source: Wikimedia Commons available at
<https://commons.wikimedia.org/wiki/File:Intihuatana_in_Machu_Picchu.jpg>

Intihuatana, Inca Temple for Inti (the Sun God), Machu Picchu

Agriculture and Trade in the Inca Empire (1400-1532). Most wealth in the Inca Empire came from crop agriculture and camelid herding. The Incas extended the agricultural innovations of earlier Andean kingdoms to overcome the poor soils, steep slopes, and meager rainfall in their homeland – the *quechua* zone (9,000-13,000 feet elevation). Inca engineers reclaimed land by building a million acres of

labor-intensive, irrigated terraces. Inca farmers planted tubers (potatoes, oca) and grains (quiñoa, maize) with basic tools (foot plows, hoes, and clod-breakers). Most land was owned by the Inca state, although some was the private property of nobles.



Source: Wikimedia Commons available at
< https://commons.wikimedia.org/wiki/File:Moray_-_Qechuyoq.JPG >

*Inca Round Terraces, Moray Archeological Site –
30 Miles Northwest of Cuzco, Southern Andean Peru*

Commoners provided labor through the *mita* system of labor taxation and farmed state, temple, and *ayllu* (kinship group) lands. Males also were required to give off-farm *mita* labor services (2-3 months annually) for herding, public works, or military service. Both women and men wove state-owned materials into textiles in their homes.



Source: Wikimedia Commons available at
 <https://commons.wikimedia.org/wiki/File:Inca_road_system_map-en.svg>

*The Inca Road System, Coastal and Mountain –
 Built with Forced Mita Labor Services*

The Incas practiced agro-pastoralism in the *puna* grassland zone (13,000-16,000 feet). They raised two domesticated camelids – llamas and alpacas – in the rich *puna* pastures. *Mita* laborers herded huge flocks of animals, owned mostly by the state and temples. The invaluable camelids provided wool, leather, meat, transport (llamas only), dung (for fertilizer), wealth storage, and sacrifices for important state ceremonies.



Source: Wikimedia Commons available at
<https://commons.wikimedia.org/wiki/File:A_Quechua_girl_and_her_Llama.jpg>

*Quechua Girl with a Llama, Cuzco, Peru –
All-Purpose Llamas Were the Cadillacs of the Andes for the Incas*

The Andean and coastal peoples specialized in products that they could produce well in their ecological zones and then traded with each other within the Inca Empire. The principal Andean exports were llamas (for transport), alpaca and vicuña wool, *charqui* (llama jerky), and minerals (gold, silver, tin, and copper). The main coastal exports were cotton, coca, salt, pepper, beans, and fruit (guavas).



Source: Wikimedia Commons available at
<<https://commons.wikimedia.org/wiki/File:Erythroxylum-coca-foliage2.jpg>>

*Coca (Erythroxylum coca) Leaves –
Source of Coca Narcotic and Traditional Inca Export Item*

Spanish Conquest of the Incas (1532-1572). The Inca emperor, Huayna Capac, established a northern capital in Tumipampa after conquering Ecuador. Upon his death in 1525, his son, Huascar,

inherited the throne in Cuzco, but another son, Atahualpa, claimed the empire from Tumipampa. Atahualpa emerged victorious in the ensuing civil war.



Source: *Wikimedia Commons* available at
<https://commons.wikimedia.org/wiki/File:Cuzco_D%C3%A9cembre_2007_-_Panorama_1.jpg>

Cuzco, Peru – Its Nobles Lost the Inca Civil War in the 1520s

In 1532, Francisco Pizarro and 260 Spanish conquistadors (62 horsemen and 198 foot soldiers) marched to Cajamarca to meet the new emperor, Atahualpa. Although the Inca army could have obliterated the Spaniards, they did not perceive the foreigners as a threat. Atahualpa went unarmed to meet Pizarro who deceitfully captured the emperor. With Atahualpa in their custody, the Spaniards had little to fear.

Atahualpa attempted to buy his freedom by ordering his people to melt

down precious objects that yielded \$60 million of gold and \$2 million of silver. But after accepting the ransom, Pizarro murdered the Inca emperor in 1533.



Source: Wikimedia Commons available at
<https://commons.wikimedia.org/wiki/File:Luis_Montero_-_The_Funerals_of_Inca_Atahualpa_-_Google_Art_Project.jpg>

The Funeral of Inca Atahualpa, 1533 – Painting by Luis Montero, 1867

The Spaniards aligned themselves with the Cuzco nobility (who had supported Huascar) and installed puppet emperors in Cuzco. About half of the Inca subjects supported the invaders. By 1536, some of the Incas organized unified resistance against the intruders. Manco Inca established an Inca state in the mountainous rainforests of Vilcabamba in 1539 and harassed the Spanish colonists. The Inca forces were

defeated in 1572, and their emperor Túpac Amaru was taken to Cuzco and executed. The Spanish conquistadors were able to conquer the Inca Empire because they introduced European diseases, took advantage of the Inca civil war and convinced half the population to support them, had military superiority (horses, steel swords, and armor), and moved decisively when the Incas were divided into factions.

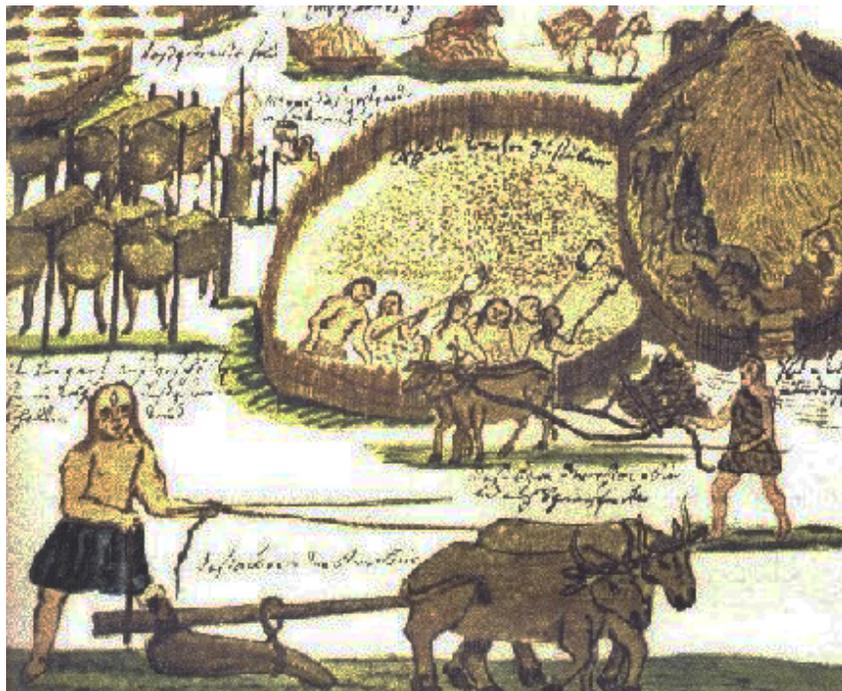


Source: *Wikimedia Commons* available at
<https://commons.wikimedia.org/wiki/File:Over_Machu_Picchu.jpg>

*Machu Picchu, Built in the 16th century –
Reflects Inca Strength, Religion, and Craftsmanship*

Colonial and Independent Peru (1572-present)

Spanish Colonization (1572-1824). As did earlier Chimú and Inca leaders, the Spaniards superimposed their rule on existing institutions. They co-opted lower level native rulers and adopted the Inca *mita* system to extract labor from the indigenous population. Colonial Peru also applied the *encomienda* system, which rewarded conquistadors with lands and the Amerindians living on them to serve as labor, inviting widespread abuse and exploitation.



Source: Wikimedia Commons, available at
<https://commons.wikimedia.org/wiki/File:Encomienda_en_el_Tucum%C3%A1n.jpg>

*Encomienda System in Tucumán, Colonial Peru –
Painting by Florián Paucke, 18th century*

Peru provided vast revenues for Spain, especially from Potosí silver in the 16th and 17th centuries. The Patio Process, introduced in 1571, used mercury to refine low-grade silver ore, so mercury mining became critically important. Under the Spanish mercantilist system, Peru exported commodities to Spain, imported processed goods like wine and olive oil, and covered the trade deficit with transfers of gold and silver.



Source: Wikimedia Commons available at
<[https://commons.wikimedia.org/wiki/File:Miners_at_Work_Potosi_\(pixinn.net\).jpg](https://commons.wikimedia.org/wiki/File:Miners_at_Work_Potosi_(pixinn.net).jpg)>

*Miners Working at the Cerro Rico Silver Mine, Potosí, Bolivia –
Source of 60 Percent of the World's Silver in the Late 16th century*

To control exchange of goods and taxes, trade was limited to two Spanish American ports, Mexico's Veracruz and Peru's Callao (reached

after overland trans-shipment across Panama). Peru profited from commissions on goods transhipped to Ecuador, Chile, Bolivia, and Argentina.

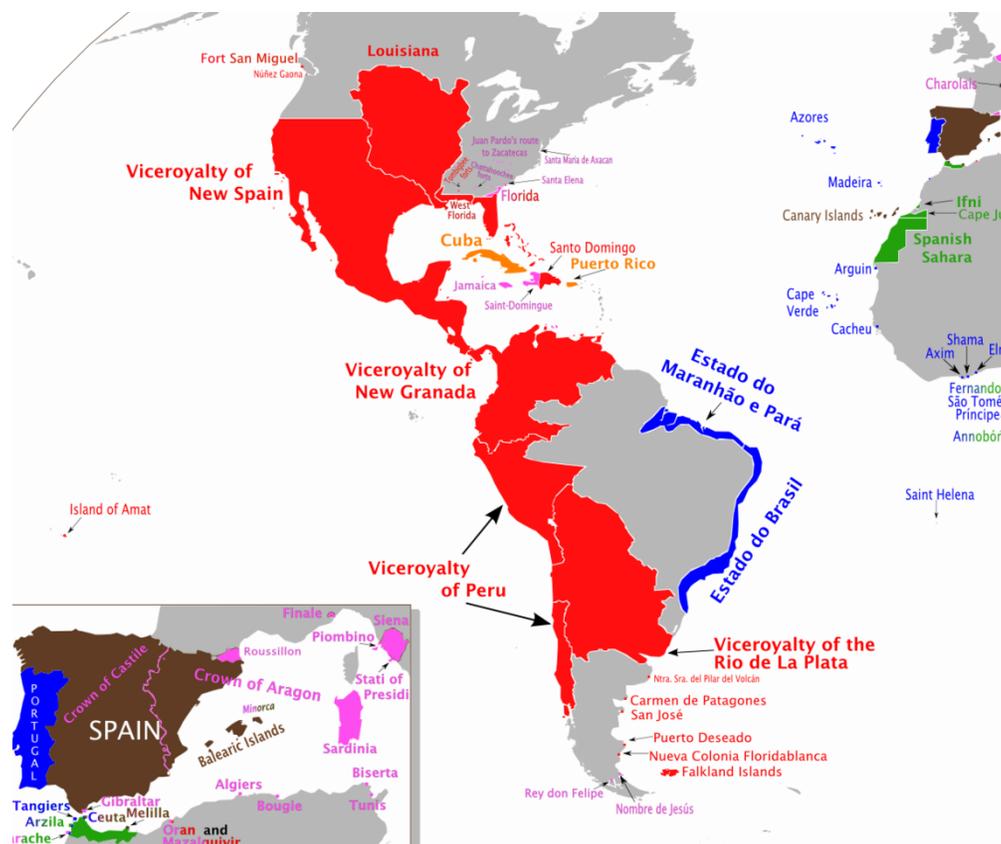


Source: Wikimedia Commons available at
<https://commons.wikimedia.org/wiki/File:16th_century_Portuguese_Spanish_trade_routes.png>

Spanish (White) and Portuguese (Blue) Convoy Routes in the 16th century – Spanish Ships Brought Silver and Gold from Callao and Veracruz to Havana and Later Moved by Convoy to Seville

In the 17th century, development of coastal plantations in Peru brought self-sufficiency in foodstuffs and textiles. As the Spanish economy declined, the crown attempted to squeeze the colonies through

increased taxes. That policy encouraged smuggling and tax evasion and weakened the links between Spain and its colonies. Trade liberalization in the 18th century removed the protected status of Lima's merchants. Lima further declined in status with the creation of the Viceroyalty of New Granada, which included Ecuador, and the Viceroyalty of Rio de la Plata, centered in Buenos Aires, which included upper Peru (modern Bolivia), formerly the source of much of Peru's silver.



Source: Wikimedia Commons available at
https://commons.wikimedia.org/wiki/File:Spanish_Empire_Anachronous_0.PNG

The Viceroyalty of Peru in the Spanish American Empire, 18th century

In 1820, General José de San Martín, the leader of Argentine forces fighting for independence, sought to drive royalist forces from Peru. San Martín, who believed that the secure independence of any South American nation required ridding the entire continent of the Spanish, had taken Chile in 1818 and installed an independent regime there. He then used Chile as a base for a naval invasion of Peru in 1820.



Source: Wikimedia Commons available at
<https://commons.wikimedia.org/wiki/File:La_Independencia_del_Per%C3%BA.jpg>

José de San Martín's Proclamation of the Independence of Peru, July 28, 1821, Lima, Peru – Painting by Juan Lepiani, 1904

After Argentine and Chilean forces returned to their homelands and Peruvian enlistments declined, the diminished liberation forces

could not decisively defeat the remaining royalists. San Martín sought help from Simón Bolívar, but Bolívar refused to support the Argentine, whom he suspected of holding personal imperial ambitions. San Martín then went into exile in Europe.

In 1823, Bolívar sent General Antonio de Sucre to Lima with Colombian troops. Sucre won the deciding Battle of Ayacucho in the Peruvian Sierra in December 1824. Bolívar was chosen to head the new Peruvian state. His protégé, Sucre, became the president of Bolivia, created as a buffer state between Peru and Argentina to avoid the threat of a large unified Peruvian-Bolivian state on Gran Colombia's southern border. In 1826, after the last remaining royalists surrendered in the fortress at Callao, Bolívar returned to rule Gran Colombia.



Source: Wikimedia Commons available at
<https://commons.wikimedia.org/wiki/File:Capitulaci%C3%B3n_de_Ayacucho1.jpg>

General Antonio de Sucre Defeated Spanish Forces in the Battle of Ayacucho (1824) and Secured Peru's Independence – Surrender at Ayacucho, Painting by Daniel Hernández, 1924

Republican Peru (1824-1879). Newly independent Peru opposed the independence of Bolivia and claimed the port of Guayaquil, then part of Gran Colombia. Peru's successful invasion of Bolivia in 1827 forced Sucre to resign the Bolivian presidency. He then led the forces that defeated Peru's invasion of Ecuador and forced Peru to relinquish Guayaquil. Peru next faced a war against Chile, where the Peru-Bolivia union had aroused strong apprehensions. Chile destroyed Peru's navy in 1836 and finally defeated Peru three years later to force the dissolution of the confederation.



Source: Wikimedia Commons available at
<https://commons.wikimedia.org/wiki/File:Martin_Tovar_y_Tovar_12.JPG>

*Antonio José de Sucre, Forced Peru Out of Ecuador –
Painting by Martin Tovar y Tovar, 19th century*

War and political chaos caused economic and social deterioration in Peru. Military campaigns exhausted Peru's labor and capital resources, and foreign capital shunned the turbulent country. Ramón Castilla was elected president in 1845 and played a dominant role in politics for the next 30 years, emphasizing conservative fiscal policy and resumption of debt service.



Source: *Wikimedia Commons* available at
<<https://commons.wikimedia.org/wiki/File:RamonCastilla.jpg>>

Conservative President Ramon Castilla (Intermittently, 1844-1863)

José Balta became president in 1868 and inaugurated a new direction in economic policy. Balta believed that heavy borrowing would promote economic stability, government solvency, and infrastructure investment, and under his leadership Peru's debt increased more than tenfold. Although some funds went to build schools, make harbor improvements, and construct a telegraph network, much went to prestige projects, such as a National Exhibition Palace, and to increased payments to civil servants and armed forces. Railroads, constructed in

the highlands, were some of the world's most expensive to build and maintain, and they served areas that produced little freight. Global recession in 1873 made matters worse, and Peru was on the verge of bankruptcy by 1878, when war with Chile again became imminent.

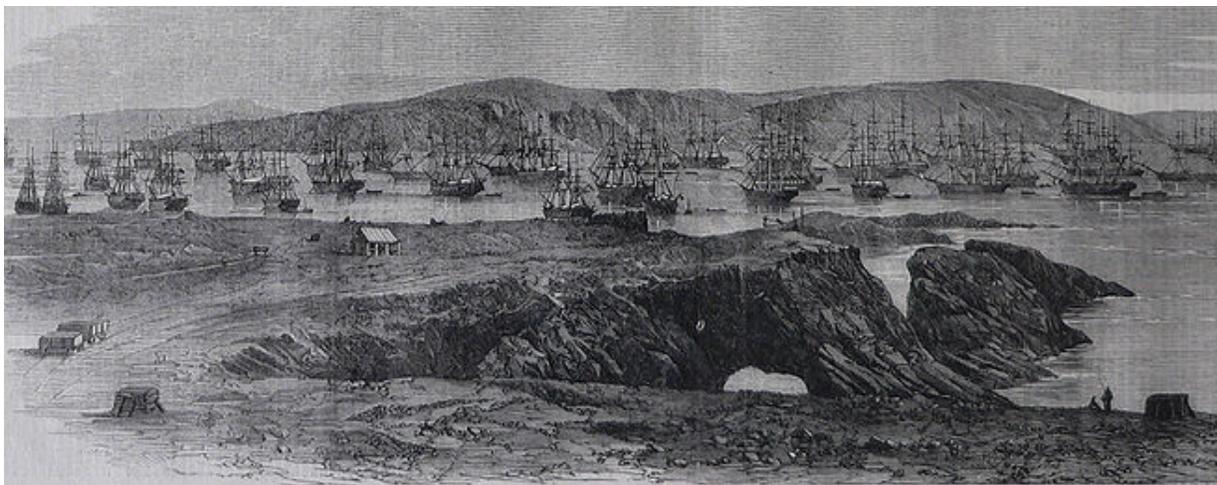


*Source: Wikimedia Commons available at
<[https://commons.wikimedia.org/wiki/File:Peru_Lima-Huancayo_line_1987,_Up,_over,_and_down_the_Andes,_from_near_sea_level_to_higher_than_15,000_feet_in_a_few_hours,_highest_standard_RR_in_the_world._\(114604912\).jpg](https://commons.wikimedia.org/wiki/File:Peru_Lima-Huancayo_line_1987,_Up,_over,_and_down_the_Andes,_from_near_sea_level_to_higher_than_15,000_feet_in_a_few_hours,_highest_standard_RR_in_the_world._(114604912).jpg)>*

*The Lima-Huancayo Railroad Line in Peru –
Elevation Gain of 15,000 Feet Through the Andes Mountains*

Exports and the Peruvian Economy (1824-1879). The coastal region became economically dominant as a result of the guano boom (1840s-1870s). Guano, used for fertilizer, was collected in vast quantities from offshore islands that had received centuries of bird

droppings. The increase in economic activity occasioned a labor shortage, which stimulated a brutal trade in Chinese coolie labor. Many Chinese immigrant laborers were forced to work in the guano pits. In addition to guano, Peru exported substantial quantities of cotton, especially during the United States Civil War, and sugar, which came to replace guano as the leading export by 1878. Minor agricultural exports were rice, olive oil, cochineal and indigo dyes, and wine.

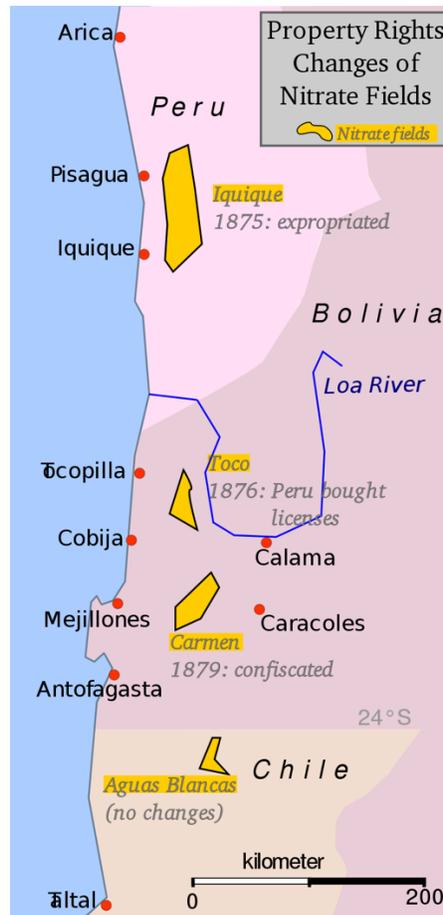


Source: Wikimedia Commons available at
<https://commons.wikimedia.org/wiki/File:Chincha_guano_islands.JPG>

Guano Ships in the Chincha Islands, Offshore Peru, Major Region of Guano Production – The Illustrated London News, February 21, 1863

Mineral extraction also expanded, following oil discoveries on the north coast in the 1860s and increases in international demand for nitrates (used in fertilizer) which were abundantly available in Peru's

southernmost province of Tarapacá. In 1879, Peru's exports of nitrates generated \$10 million.



Source: Wikimedia Commons available at https://commons.wikimedia.org/wiki/File:Saltpeter_fields_in_1876.svg

Nitrate Fields (Amber Color) in Peru, Bolivia, and Chile in 1876

Gold and silver production fell during that period, so the Sierra region declined somewhat in importance. However, copper and lead mining emerged in the Sierra, and Sierra agriculture benefited from a growing demand for food from the coast, as coastal plantations turned to

commercial cash crops. The Sierra also exported alpaca wool and cinchona bark used to make quinine, until plantations in the East Indies took over that industry. The Montaña region entered international commerce, after riverine transportation in the Amazon basin improved. The eastern region of Peru began exporting tobacco, fish, straw hats and hammocks, and forest products to Brazil.

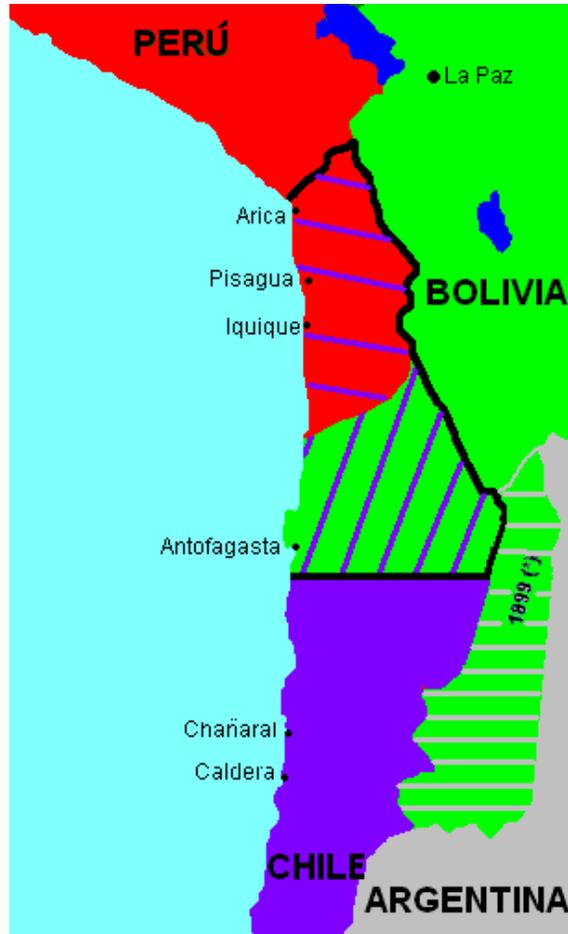


Source: Wikimedia Commons available at
<https://commons.wikimedia.org/wiki/File:Portrait_of_an_American_Clipper_Ship.jpeg>

*Clipper Ships Hauled Peruvian Exports in the Late 19th century –
Portrait of an American Clipper Ship, Painting by Lai Fong, c. 1870*

Decline and Recovery (1879-1914). Between 1879 and 1884, Peru and Bolivia fought Chile in the War of the Pacific over control of Bolivia's coastal Antofagasta province. That region had been neglected

by Bolivia, but the discovery of guano and nitrate deposits awakened interest in the area. Chilean entrepreneurs flocked to Antofagasta, and Chile forced Bolivia to give them generous tax concessions. Following disputes over the concessions, Chilean troops occupied the disputed portion of the province. Diplomacy failed to contain the conflict, and declarations of war were followed by the Chilean occupation of Lima in 1881. The Chileans plundered the occupied territories, shipping books from the national library, animals from the zoo, and rails from the railways back to Chile. Peru did not capitulate until 1883. In the peace treaty, Peru permanently ceded its southern province of Tarapacá to Chile and surrendered the Tacna and Arica regions for 10 years, after which a plebiscite was supposed to determine the final status of those departments.



Source: Wikimedia Commons available at
<https://commons.wikimedia.org/wiki/File:Borders-Bolivia-Chile-Peru-Before_and_after_Pacific_War_of_1879_SP.png>

*Chile's Territorial Gains from Peru (Red) and Bolivia (Green) –
After the War of the Pacific (1879-1884)*

Economic recovery following the war was thus hampered by the loss of Peru's nitrate-producing region. The total value of Peruvian exports did not reach pre-war levels until 1912. The recovery was helped by the emergence of copper mining, which also stimulated the coal mining industry and provided a lift to silver production as a by-

product of copper refining. Rubber exports from the Montaña region boomed in response to demand for bicycle and automobile tires, generating \$80 million between 1880 and 1915. But that industry collapsed due to the rise of Asian rubber plantations. On the coast, the consolidation of plantations and the adoption of modern technologies fueled rapid expansion of sugar and cotton production.

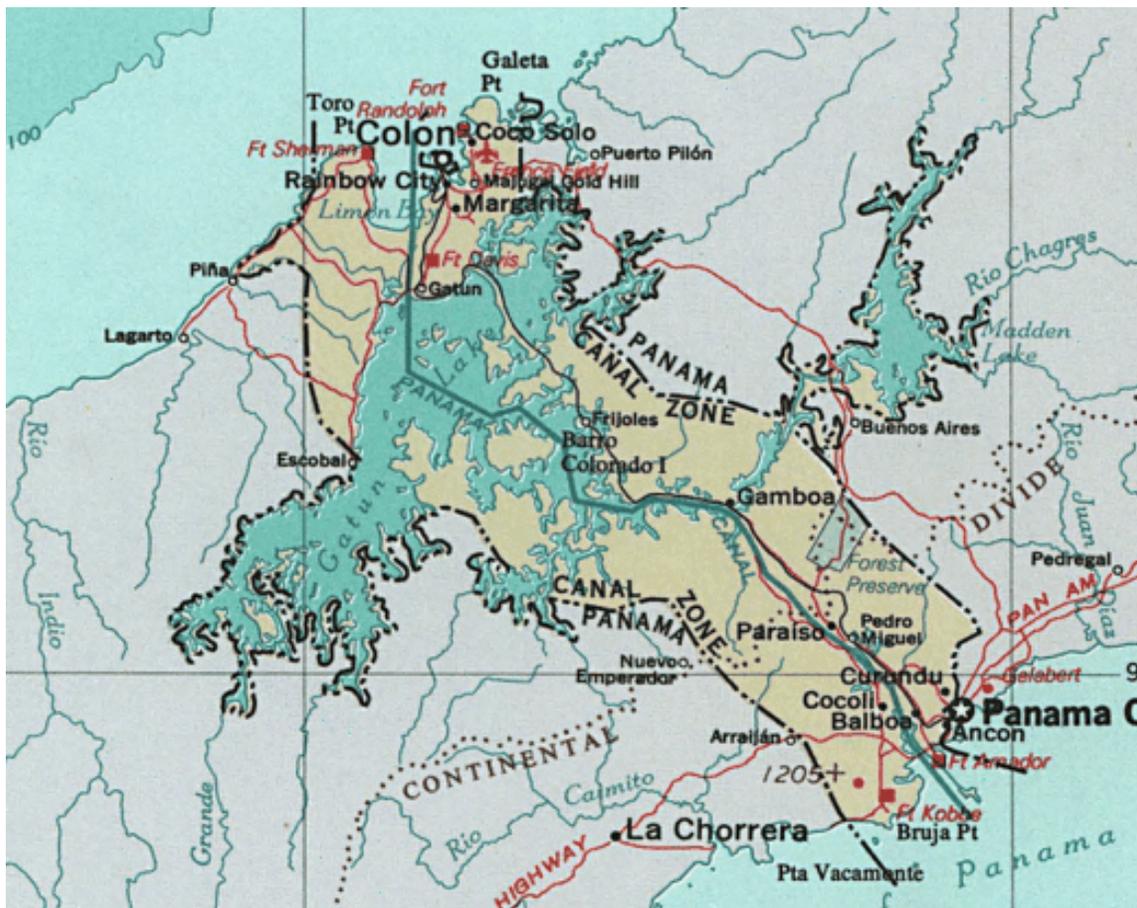


*Source: Wikimedia Commons available at
<https://commons.wikimedia.org/wiki/File:Mina_cerro_pasco.jpg>*

Cerro de Pasco Copper Mine, Cerro de Pasco, Peru

Peru's Stop-and-Go Economy (1914-1968). World War I stimulated industrialization in Peru because the conflict disrupted

shipping, forcing Peru to produce its own manufactured goods. Demand for Peru's raw material exports sharply increased, aided by the opening of the Panama Canal in 1914.

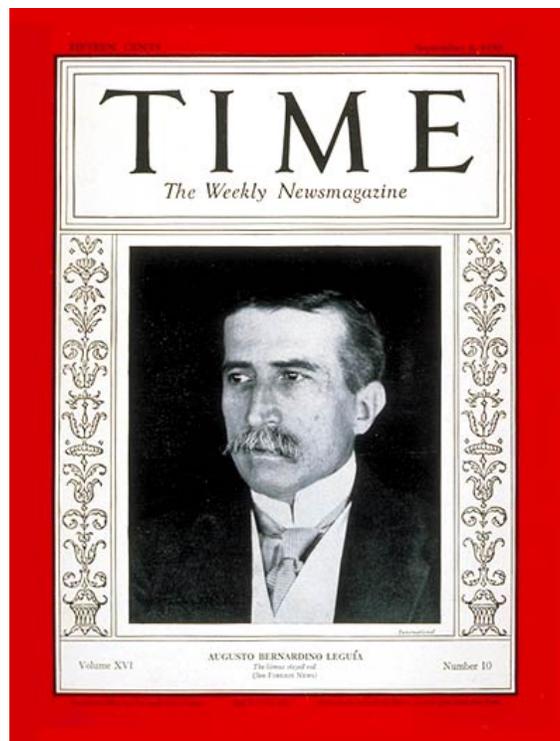


Source: Wikimedia Commons available at <https://commons.wikimedia.org/wiki/File:CanalZone.png>

Peru Benefited from The Panama Canal, Opened in 1914

Peru's organized labor movement developed as workers with fixed wages grew increasingly discontented. To avert violent labor uprisings, the army took over the government in 1914 and aided the accession to

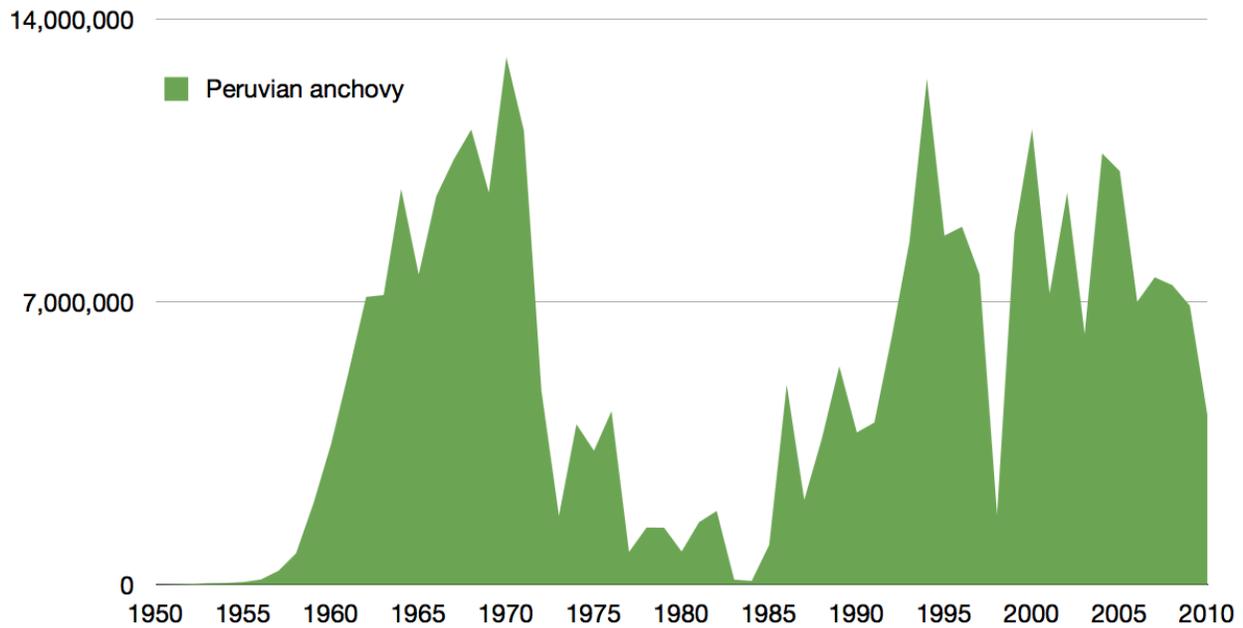
the presidency of Augusto Leguía in 1919. Under his 11-year dictatorship, Peru greatly increased exports – sugar by 50 percent, cotton by 100 percent, petroleum by 400 percent, silver and gold by over 100 percent, and copper by 40 percent. But the price collapses of the Great Depression eroded the value of those gains. Leguía’s regime resolved the boundary dispute with Chile in 1929, in an agreement that returned the Tacna region to Peru and gave Arica to Chile.



Source: *Wikimedia Commons* available at https://commons.wikimedia.org/wiki/File:Augusto_B._Leguia_on_TIME_Magazine,_September_8,_1930.jpg

*Augusto Leguía, President of Peru (1919-1930) –
Pictured on the Cover of Time Magazine, September 8, 1930*

The collapse of trade during World War II forced government finances to rely on printing money. The end of the war brought no relief, as inflation continued and controls designed to curb price increases created opportunities for graft. Conditions did not improve until 1950, when the dictator, General Manuel Odría, liberalized the economy by removing subsidies, quotas, and exchange controls. Loans from the World Bank and the IMF followed, as did private foreign investment. The recovery was aided by the emergence of Peru's fishing industry, particularly after technological advances took place in fish meal production from anchovies. By the late 1960s, Peru was the world's leading fishing nation, harvesting over 10 million tons per year, and ocean fishing contributed one-third of Peru's foreign exchange earnings.



Source: Wikimedia Commons available at
https://commons.wikimedia.org/wiki/File:Time_series_for_global_capture_of_anchoveta.png

*Global Catch of the Peruvian Anchovy (tons), 1950-2010 –
 Mostly from Peruvian Fishing Boats*

Reform, Disaster, and Recovery (1968-2002). Following a military coup in 1968, General Juan Velasco instituted radical reforms – land redistribution to the rural poor, restructuring of large agrarian enterprises into worker-owned cooperatives, and nationalization of banking, insurance, telecommunications, and electricity. The state took control of basic industries including steel, primary chemicals, fishing, fertilizer, and cement.



Source: Wikimedia Commons available at
<https://commons.wikimedia.org/wiki/File:Market_place_in_Raqchi,_Cusco,_Peru_-_panoramio.jpg>

Local Markets Avoided Nationalization in 1968 – Market in Raqchi, Cuzco

Inflation fell to single digit levels and per capita GNP grew by nearly 4 percent per year in the early 1970s. But then progress faltered. The fishing industry slumped as fish stocks dwindled, and prices for Peru's mineral exports remained low. In 1975, the armed forces replaced Velasco as head of state with General Morales Bermúdez, a moderate who instituted austerity measures and reversed Velasco's radical economic policies. Over the next decade conditions worsened, and by the late 1980s Peru's economy collapsed. GDP fell 30 percent in

three years, inflation rose to over 3,000 percent annually, and unemployment soared.



*Source: Wikimedia Commons available at
<https://commons.wikimedia.org/wiki/File:Inti_Raymi.jpg>*

*The Sun God Was Not Always Kind To Peru –
Inti Raymi, Festival to Worship the Sun, Saksaywaman, Cuzco*

In the early 1990s, Alberto Fujimori introduced harsh austerity measures and export-led programs designed to reverse trade and budget deficits and reestablish international credit-worthiness. National income grew modestly (3.2 percent annually) and inflation remained high (30 percent per year) during the 1990s. Following a tainted victory in his bid for a third term in June 2000 and an ensuing bribery scandal,

Fujimori resigned, went into exile in Japan, and was later arrested, convicted of embezzlement, and imprisoned for a term of 25 years.

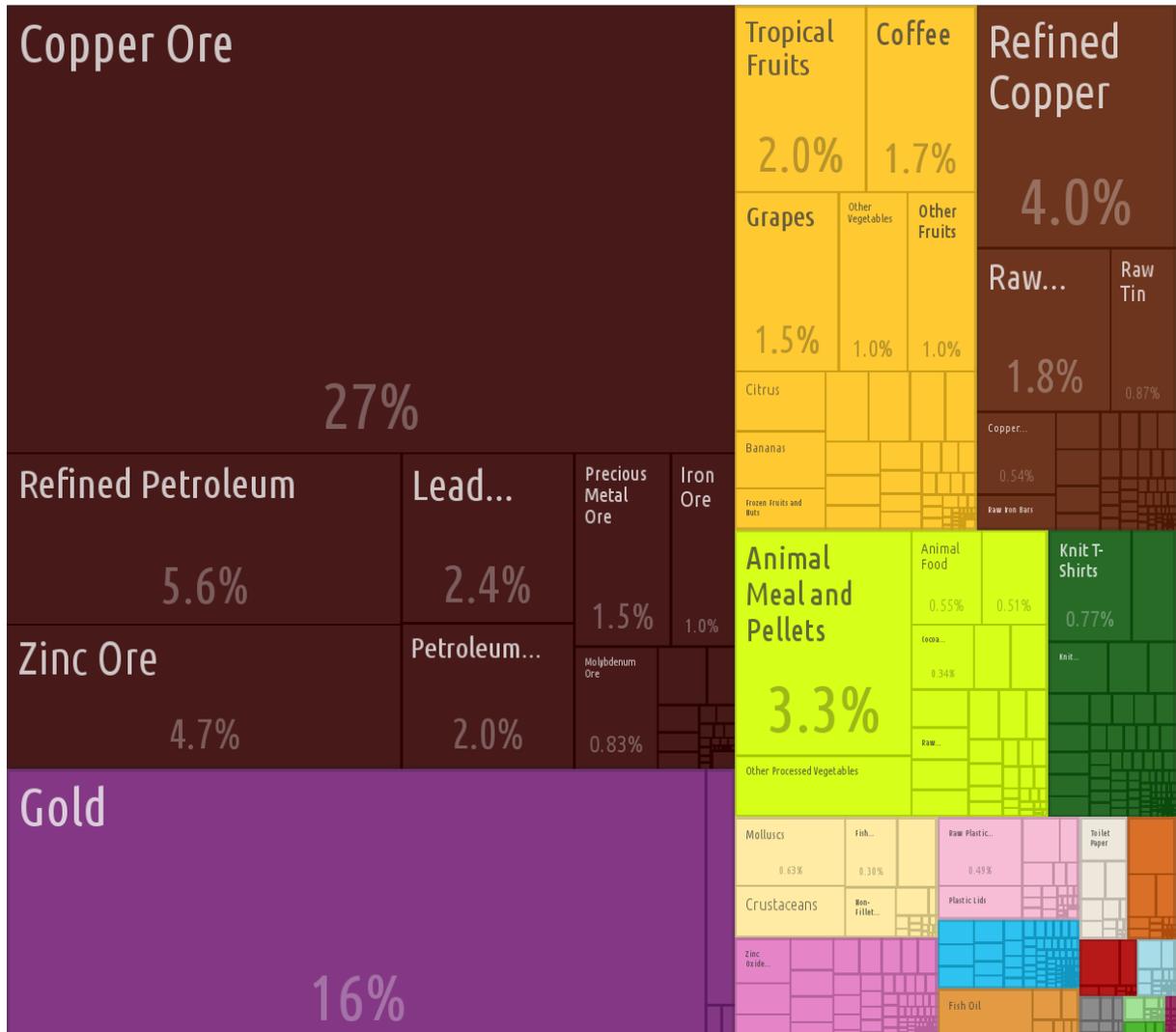


*Source: Wikimedia Commons available at
<https://commons.wikimedia.org/wiki/File:Al_Fujimori.jpg>*

Alberto Fujimori, President of Peru (1990-2000) – Arrested in 2005, Convicted, and Currently Serving a 25-year Prison Term

Peru in 2019. Peru's population in 2019 was 32.5 million, and it was growing at an annual rate of 1.6 percent. Life expectancy was 77 years, and the rate of adult literacy was 94 percent. In 1990, Peru's price-adjusted incomes per capita had been only \$3,361. Between 1990 and 2019, Peru's GDP per capita (measured by the World Bank at

Purchasing Power Parity in constant 2017 dollars) grew at an annual rate of 3.1 percent, to reach \$13,416 in 2019 (21 percent of the US level).



Source: Wikimedia Commons available at https://commons.wikimedia.org/wiki/File:Peru_Exports_Treemap_2017.svg

Proportional Representation of Peru's Export Earnings in 2017 – Main Items Were Copper, Gold, Refined Petroleum, Zinc, and Lead

In 2019, Peru ranked only 79th of 189 countries in the UNDP's Human Development Index (based on income, education, and health

indicators), 76th of 190 countries in the World Bank's Ease of Doing Business index, and a disappointing 101st of 198 countries in the Corruption Perceptions Index compiled by Transparency International.



Source: Wikimedia Commons available at
< https://commons.wikimedia.org/wiki/File:Peru-CIA_WFB_Map.png >

Contemporary Peru

The Long Road to Chilean Success

Native American Autonomy (pre-Columbian-1883). Chile is a long, thin sash of land between the Andes Mountains and the Pacific Ocean. The country is 2,600 miles long (north to south) and 90 miles wide (east to west). Chile consists of arid desert in the north, fertile Mediterranean valleys in the center, and forested fjord-land in the south.



Source: Wikimedia Commons available at
<[https://commons.wikimedia.org/wiki/File:Cretaceous_sedimentary_rocks_intruded_by_a_Miocene_granite_laccolith_\(Cuernos_del_Paine,_Torres_del_Paine_National_Park,_Andes_Mountains,_Chile\)_1_\(39500150134\).jpg](https://commons.wikimedia.org/wiki/File:Cretaceous_sedimentary_rocks_intruded_by_a_Miocene_granite_laccolith_(Cuernos_del_Paine,_Torres_del_Paine_National_Park,_Andes_Mountains,_Chile)_1_(39500150134).jpg)>

*The Andes Mountains in Southern Chile –
Cuernos del Paine, Torres del Paine (Blue Towers) National Park, Chile*

When the Spanish conquistadors, led by Pedro de Valdivia, arrived in 1540, Chile was inhabited by between 800,000 and 1,200,000 Native Americans. Those indigenous peoples spoke related languages but were

not united politically into a single nation. Most lived in the Central Valley and practiced rudimentary agriculture, supplemented by hunting and gathering.



Source: Wikimedia Commons available at https://commons.wikimedia.org/wiki/File:Pueblos_indigenas_de_Chile.svg

The Distribution of Pre-Hispanic Peoples of Chile (Before 1540)

The Picunche, in the northern part of the Central Valley, had been conquered by the Incas in the 15th century and were part of the Inca Empire at the time of the Spanish invasion. They quickly succumbed to Spanish rule in the 1540s. In stark contrast, the Mapuche, in the southern part of the Central Valley, had successfully fought off the Incas and maintained their autonomy. The Mapuche, called “Araucanians” by the Spanish, firmly defeated the Spanish colonists in 1598. The independent country of Araucania, located in the southern part of Chile’s

Central Valley, was grudgingly recognized by colonial Spain and later by independent Chile.



Source: Wikimedia Commons available at
<<https://commons.wikimedia.org/wiki/File:Araucanians.jpg>>

*Mapuche Family, Southern Chile – Pictured Between 1890 and 1900,
Shortly After the Chilean Appropriation of Most Mapuche Land*

During the agricultural export boom in the second half of the 19th century, Chilean farmers began settling in Araucania. The Chilean military defeated the Mapuche in 1883 and absorbed the land and people into Chile. They gave the Mapuche only 475,000 hectares of land and later took back a third of that inadequate area for European settlement.



Source: *Wikimedia Commons* available at
<<https://commons.wikimedia.org/wiki/File:FamigliaCastagnaColoniCapitanPastene1910.jpg>>

The Castagna Family, Italian Immigrants to Capitan Pastene, Araucania – Who Arrived Shortly After the Mapuche Were Dispossessed

Spanish Colonization (1540-1817). The Spanish conquistador, Pedro de Valdivia, invaded Chile in 1540. During most of the period of Spanish colonization (1540-1817), the captaincy-general of Chile was a small and neglected part of the Spanish American Empire. In the 16th century, Chile was the most isolated portion of Spain's colonial empire, and the region never achieved the economic importance of other parts of the empire.



Source: Wikimedia Commons available at
<https://commons.wikimedia.org/wiki/File:Pedro_de_Valdivia.jpg>

*Pedro de Valdivia, Spanish Conquistador, Invaded Chile in 1540 –
Posthumous Portrait by Federico de Madrazo y Kuntz, 1854*

As in the rest of Spanish America, the early conquerors established the encomienda system in Chile whereby aristocratic landowners received vast estates in return for promises to protect and Christianize Native American and mestizo workers. That system of extremely unequal ownership of land led to strict social stratification. A few Spanish settlers gained status, held power, and amassed wealth while the mass of mestizos and Native Americans remained poor and powerless workers or tenant farmers.

During the 17th century, Chile's enormous ranches produced cattle products – hides (for shoes), tallow (for soap and candles), and jerked beef (called charqui) – for export, mainly to Lima and Potosi (the silver-mining city in modern Bolivia).



Source: Wikimedia Commons available at
<https://commons.wikimedia.org/wiki/File:Campi%C3%B1a_Domestica_y_Silvestre_del_Reino_de_Chile_en_1744_-_AHG.jpg>

*Engraving, 1744, from a Travelogue Published in Spain –
Depicting Cattle in Rural Chile and a Square for Cattle Slaughter*

In the 18th century, many of the huge estates were converted into haciendas for the production of agricultural crops, mostly grain (wheat) and fruit for the Peruvian market. Chile also began to produce gold and by the early 19th century accounted for one-sixth of world gold output.

But during the period of Spanish colonization, Chile supplied only three percent of Spanish America's precious metals. The original encomenderos came mostly from Castile in Spain. Later they were joined by Basque immigrants so that power and wealth in Chile at the close of Spanish rule was held by a Basque-Castilian aristocracy.



Source: Wikimedia Commons available at
<https://commons.wikimedia.org/wiki/File:Moneda_Popper_5_Gramos.jpg>

Gold Coins (1889) from the Tierra del Fuego Gold Rush (1883-1906)

Republican Chile (19th century). Chile gained its independence from Spain in 1818. The Argentine liberator, José de San Martín, led his 4,000 troops in a renowned march over the Andes, accompanied by the main Chilean patriot, Bernardo O'Higgins, and freed Chile en route to liberating Peru.



Source: Wikimedia Commons available at
<<https://commons.wikimedia.org/wiki/File:Ohiggins.jpg>>

*Bernardo O'Higgins (1778-1842) –
Chilean Liberating Patriot and Supreme Director of Chile (1817-1823)*

The revolution that gained independence for Chile from the Spanish monarchy was, however, very conservative. The Basque-Castilian landed aristocracy further entrenched its power and wealth after Chile became an independent republic. As under Spanish rule, the Creoles (descendants of Spanish settlers) held political power, and the rural poor remained powerless until well into the 20th century. By the middle of the 19th century, 850 landowners received two-thirds of all

agricultural income and three-fourths of all agricultural land was occupied by large estates.



Source: Wikimedia Commons available at
<https://commons.wikimedia.org/wiki/File:Escena_Patri%C3%B3tica-Rugendas.jpg>

*Highly-conservative Rural Chile Still Enjoyed Festivals –
The Country Holiday, Painting by Johann Moritz Rugendas, c. 1845*

Unlike most other Latin American republics, Chile enjoyed unusual political stability during the 19th century and was free of palace coups, army mutinies, and civil wars. Part of this stability grew out of the ability of the president to fix elections. From mid-century, each sitting president became known sardonically as the “Great Elector.” Political power alternated between Conservatives and Liberals, and

politics was marked by numerous parties and shifting coalitions. All ruling parties supported the status quo of rule by the Creole hierarchy, and so there were no profound differences in policy (although Conservatives typically favored a greater role for the Catholic Church whereas Liberals wanted less government intervention in the economy). Prior to the mineral export booms in the second half of the 19th century, the Chilean economy relied principally on cereal (mostly wheat) exports. The government of Chile annexed Easter Island (Rapa Nui) in 1888, after purchasing most of the island from the Brander family of Tahiti.



Source: *Wikimedia Commons* available at
<https://commons.wikimedia.org/wiki/File:Escuadra_Nacional_Chilena_1879.JPG>

The Chilean Navy, Valparaiso Bay, 1879 – The Navy Was the Leading Force Favoring Chilean Territorial Expansion in the 19th century

The War of the Pacific (1879-1884). The War of the Pacific resulted in a significant victory for Chile and a crushing defeat for its two adversaries, Peru and Bolivia. The conflict had antecedents in the 1840s when all three countries began to take greater interest in the contested desert areas because of the discovery of the value of guano (seabird excrement) as fertilizer. When the value of nitrates as fertilizer became known in the 1860s, all three contestants increased their economic interest in the disputed territories. Chilean entrepreneurs had invested in mining the nitrate deposits in Antofagasta (then in Bolivia) and in Tarapacá (then in Peru) in the 1870s.

All three countries also tried to expand or maintain their geopolitical advantages in the area. Chile hoped to assert its dominance in the northern Andes region, Bolivia wanted to protect its only access to the sea, and Peru wished to secure its southern flank. Chile won an overwhelming military victory in the war, despite being out-manned in troop numbers, and demanded the transfer of Antofagasta from Bolivia and of Tarapacá, Arica, and Tacna from Peru. Final boundary treaties were long in negotiation.

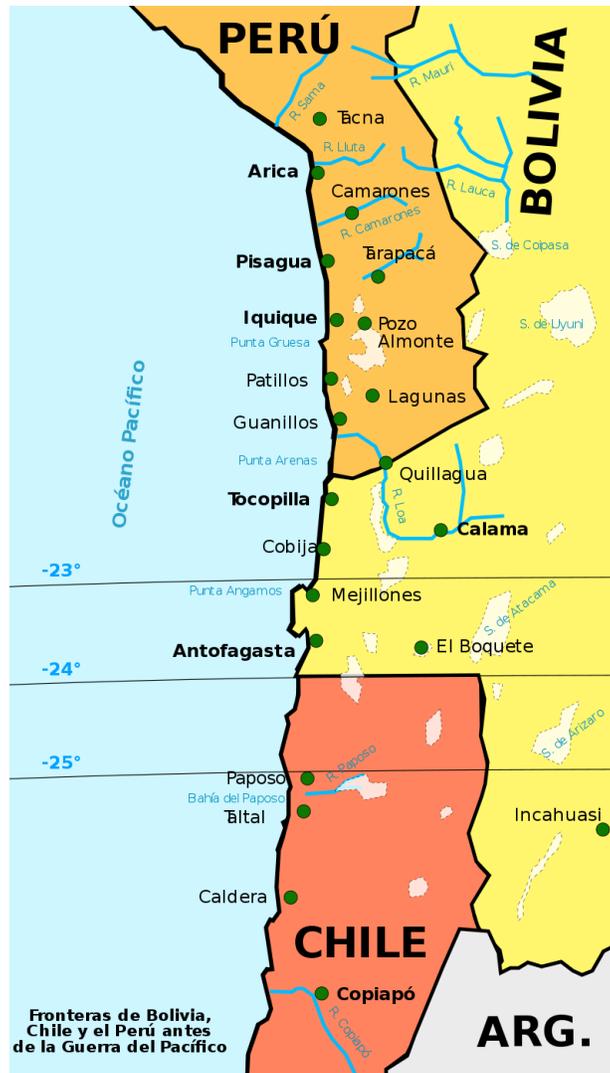


Source: Wikimedia Commons available at
<https://commons.wikimedia.org/wiki/File:Batalla_de_Tarapac%C3%A1.JPG>

The Battle of Tarapacá, Painting by Aguirre Jaramillo, 1926 – Peru Won the Battle But Lost the War, After a Retreat Through the Desert

In 1904, Bolivia ceded Antofagasta to Chile in return for Chile's agreeing to build a railway from Arica to La Paz (which opened in 1913). In 1929, Peru finally ceded Tarapacá and Arica to Chile and received Tacna back as well as a \$6 million indemnity from Chile. (Chile had occupied Arica and Tacna after the war under an agreement that a plebiscite would be held in 10 years, but that vote never occurred.) The War of the Pacific thus transferred extremely valuable nitrate deposits (as well as some copper deposits) from Bolivia and Peru to

Chile, strengthened Chile's role in South America, and weakened Peru and Bolivia economically and politically.



Source: Wikimedia Commons available at <https://commons.wikimedia.org/wiki/File:Guerra-del-pacifico-01-a.svg>

Borders Before the War of the Pacific (1879-1884) – Chile Gained Antofagasta from Bolivia and Tarapacá and Arica from Peru

Nitrate Exports (1870s-1920s). For nearly half a century, nitrate exports were the engine of growth for the Chilean economy. In the

1860s, Chilean entrepreneurs began exploiting nitrates in Peruvian Tarapacá and Bolivian Antofagasta. Production of nitrates from natural sodium nitrate deposits in those northern desert regions began to boom immediately after Chile assumed political control in 1883. Industrial countries used nitrates for fertilizer in agricultural production and for making chemical explosives.

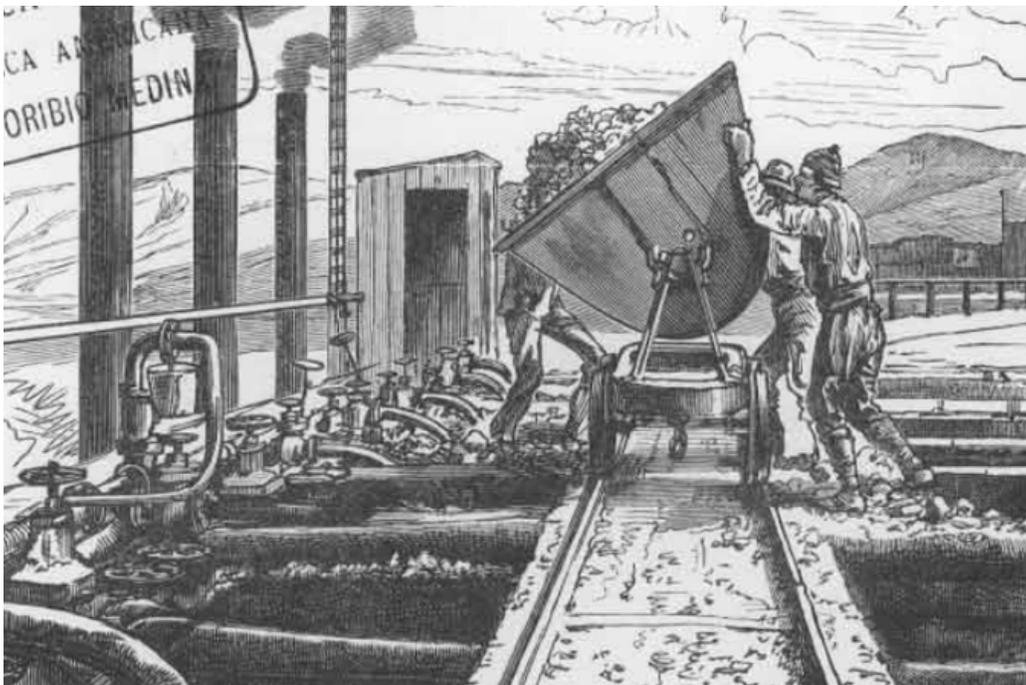


Source: Wikimedia Commons available at
<https://commons.wikimedia.org/wiki/File:Dusi%C4%8Dnan_sodn%C3%BD.JPG>

Sodium Nitrate (NaNO₃) – Used in Fertilizers and Explosives

Chile had a near monopoly on nitrate supplies, and nitrate producers in Chile (initially mostly British but increasingly Chilean) formed cartels to try to limit supplies in periods of weak prices. The major markets for Chilean exports of nitrates were the United States and

Europe, especially Great Britain, Germany, France, and Belgium. The production of nitrates involved mining and crushing sodium nitrate ore, liquidating, concentrating, and drying nitrate powder, loading the powder into burlap bags, and shipping the bags, often on clipper ships.



Source: Wikimedia Commons available at
<https://commons.wikimedia.org/wiki/File:A_Visit_to_Chile_1890_32.png>

Sodium Nitrate Production in Chile – “Filling the Crushers,” from A Visit to Chile, 1890, by William Howard Russell

Nitrate export earnings spurred the Chilean economy for much of four decades, accounting for about 70 percent of export sales and government revenues. However, the windfall earnings from nitrate export sales did not form the basis of sustained economic progress

because too much was appropriated by the ruling elites. The Chilean monopoly on nitrate production was broken in 1913 when the Haber-Bosch firm in Germany began producing synthetic nitrates. Chile gained a reprieve because of World War One and Germany's economic difficulties in the 1920s. In the early 1930s, competition from German synthetic nitrates and from other fertilizers along with the Great Depression ended Chile's nitrate export boom.



Source: Wikimedia Commons available at
<https://commons.wikimedia.org/wiki/File:Ammoniak_Reaktor_BASF.jpg>

High-pressure Steel Reactor for Production of Ammonia Fertilizer Via the Haber-Bosch Process – Karlsruhe Institute of Technology, Germany

Copper Exports (1840s-present). Most of Chile's copper production has come from two provinces – Atacama and Coquimbo – located north of the Central Valley and south of the regions acquired in the War of the Pacific. After a modest start in the 1840s, copper exports from Chile grew steadily to account for nearly half of the world total in the 1870s. The first copper export boom ended in the 1880s when the best ore deposits were exhausted and entrepreneurs shifted their investments to the nitrate industry. Chile's share of world copper production fell to one-tenth in the mid-1880s and to 4 percent in 1910.



Source: *Wikimedia Commons* available at
<https://commons.wikimedia.org/wiki/File:Chilean_Miners.jpg>

Chilean Copper Miners – Photograph by the National Institute for Occupational Safety and Health, 2007

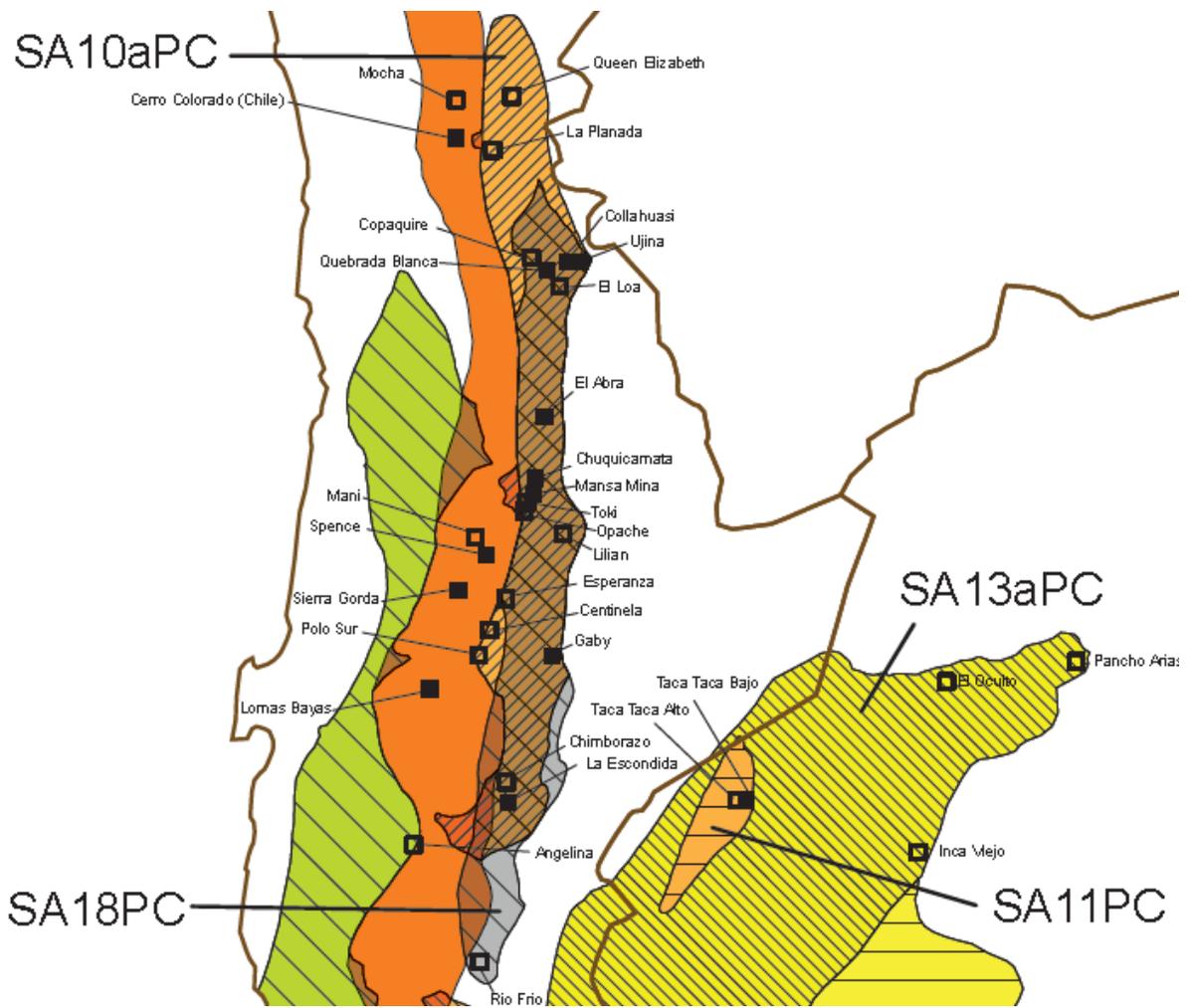
After 1900, copper production experienced a technical revolution, focusing mainly on a new capital-intensive smelting process. The rebirth of the Chilean copper industry came with American foreign investment. The Guggenheim family developed two huge copper mines – El Teniente and Chuquicamata – and sold them to the Kennecott Copper Company in 1915. Then in 1916 the Anaconda Copper Company opened a third great mine, Potrerillos.



Source: Wikimedia Commons available at
<https://commons.wikimedia.org/wiki/File:Chuquicamata_copper_mine_chile.jpg>

Chuquicamata Open-Pit Copper Mine, Northern Chile, The World's Largest – Formerly Owned by Kennecott, Now Owned by CODELCO

Those three mines required huge investments in capital equipment and supporting infrastructure and became known collectively as the “Gran Minería.” They tripled Chilean copper output and allowed the country to produce 10 percent of world production. But copper provided few jobs, and the most of the profits were repatriated. Gradually the government increased taxes, changed pricing bases, and took part ownership in an effort to keep more of the profits from copper in Chile. In 1971, the American copper firms were nationalized with the unanimous consent of the Chilean Congress, setting off a conflict over fair compensation. The government set up a public copper company, CODELCO, to manage the new state assets.



Source: Wikimedia Commons available at
 <https://commons.wikimedia.org/wiki/File:Copper_mines_in_Chile_-_3.PNG>

*Copper Mines in Chile and Argentina –
 Map by the United States Geological Survey*

Republican Chile (1900-1964). Between the 1930s and the 1960s, Chilean governments introduced a variety of policies – restrictions on imports, subsidies on inputs and industrial infrastructure, and preferential government contracts – intended to increase

employment and income from manufacturing. Although those inward-looking policies were successful in increasing industrial activity in Chile, they did so at a high cost of ignoring more profitable possibilities for efficient exports – when the world economy was expanding rapidly after the Second World War. Chile had a stop-and-go economy during the quarter century after that war, and the electorate became increasingly restless, especially during times of stagnation.



Source: Wikimedia Commons available at
<https://commons.wikimedia.org/wiki/File:Mercado_Central,_Santiago_de_Chile,_Chile1.jpg>

No Structural Reforms (1930s-1960s) – Central Market, Santiago, Chile

The electorate was widened substantially through reform legislation; women gained the vote in 1949, and reforms passed in 1958

and 1962 doubled the number of voters bringing many more poor people into the electorate. But four fundamental economic issues remained unresolved: land-holding continued to be extremely inequitable, leading to unrest and slow growth in rural areas; governments still relied heavily on mining revenues, mostly from copper, so that the tax base was very narrow; the tax system was highly regressive, forcing the poor to pay an unfair share; and governments were unable to match public spending with tax revenues, causing chronic inflation.



Source: Wikimedia Commons available at
<https://commons.wikimedia.org/wiki/File:Vi%C3%B1edo_Puente_Alto.jpg>

*Highly Unequal Land Holdings –
Large Estate Vineyard, Puente Alto, Chile*

The first two of those problems stemmed from Chile's earlier economic and social history, whereas the last two arose in the 20th

century. Together they set the stage for explosive experiments in policies intended to redistribute power, wealth, and income in Chile.

Reform and Failure – Frei vs. Allende (1964-1973). The Christian Democratic Party (PDC), led by Eduardo Frei, promised a “revolution in liberty” to Chile’s poor people. Frei was elected President in 1964 in part because center and right parties preferred him to Salvador Allende, the candidate for the Unidad Popular Party (UP). Frei introduced significant economic and social changes during his 6-year presidency (1964-1970). His program included three pillars: education and welfare (95 percent of primary age children were attending school in 1970); agrarian reform (1,300 haciendas, about one-fourth of the total, had been expropriated by 1970); and copper reform (51 percent of foreign copper companies were acquired by the Chilean Government and taxation was based on the much higher prices obtaining on the London Metal Exchange).



Source: Wikimedia Commons available at
<https://commons.wikimedia.org/wiki/File:Eduardo_Frei_Montalva_en_su_escritorio_de_La_Moneda.jpg>

President Eduardo Frei Montalva (1964-1970)

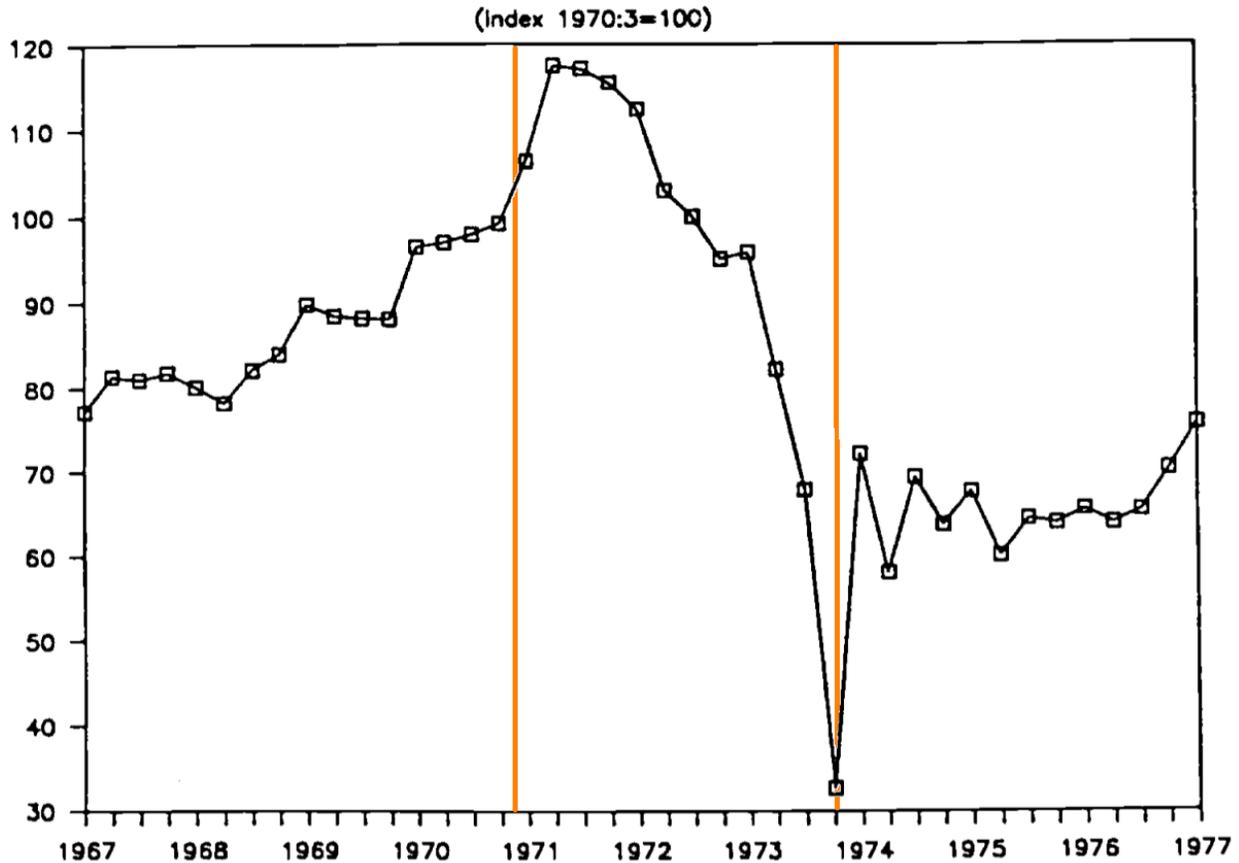
Salvador Allende was elected President in 1970, winning less than 40 percent of the votes cast, and he immediately moved to institute his “transition to socialism.” Allende nationalized 80 percent of industrial output, most banks, and all mining companies (including the Gran Minería copper companies). The agrarian reform was so extensive that only 3 percent of Chilean farms in 1972 were 80 hectares or larger compared with 55 percent in 1965.



*Source: Wikimedia Commons available at
<https://commons.wikimedia.org/wiki/File:Salvador_Allende_Gossens-.jpg>*

President Salvador Allende Gossens (1970-1973)

Allende's government enjoyed short-lived economic growth in 1971 by raising wages, freezing prices, expanding government spending, and increasing credit. That set of policies transferred income to urban workers, the UP's narrow power base, but it was unsustainable. By 1973, the economy was experiencing very rapid inflation, black markets, shortages of commodities, losses in state-owned enterprises, dwindling foreign exchange reserves, and a major economic crisis. The Chilean military executed a coup in September 1973.



Source: Wikimedia Commons available at
https://commons.wikimedia.org/wiki/File:Chile-the-real-wage-1967-1977_with_lines.png

Real (Inflation-adjusted) Wages in Chile, 1967-1977 – Salvador Allende’s Presidency Is Marked by the Two Vertical Orange Lines

Repression and Liberalization – Pinochet (1973-1990).

General Augusto Pinochet installed himself as the head of the new government and ruled Chile for 17 years. His approach to “national reconstruction” combined brutal political repression with liberal economic policies. Pinochet systematically destroyed the existing political system by dissolving Congress, suspending the constitution,

eliminating opponents, and ignoring human rights. Using economic technocrats trained largely at the University of Chicago (the so-called “Chicago Boys”), the Pinochet government introduced a drastic and very rapid process of economic reform.



Source: Wikimedia Commons available at
<<https://truecapitalist.miraheze.org/wiki/File:Pinochet.jpg>>

President Augusto Pinochet (1973-1990)

The Chicago Boys completely reversed the Socialist policies of the Allende government. They reduced the budget deficit (from 25 percent of GDP in 1973 to 1 percent in 1975), severely restricted credit (causing real interest rates to rise to over 50 percent), lifted price controls,

eliminated subsidies, imposed a uniform tariff rate of 10 percent, privatized industry and banks, and returned “reformed sector” land to private hands (half to peasants, a third to former owners, and a sixth to highest bidders). With the important exception of the state-owned copper firm, CODELCO, the Pinochet government largely returned the Chilean economy to private ownership. The result was rapid economic growth during 1976-1981 (7 percent per year), crisis and stagnation during 1981-1984 (when Chile was caught in a global recession), and rapid growth again during 1985-1990 (6 percent per year). The jury is still out on whether the excesses of the political repression were at all necessary to achieve the successes of the economic reforms.



Source: Wikimedia Commons available at
<https://commons.wikimedia.org/wiki/File:Memorial_DDHH_Chile_59_Plaza_Ictinos.jpg>

*Memorial To the Victims of Pinochet's Regime –
Museum of Memory and Human Rights, Santiago, Chile*

Recovery and Growth (1990s-present). Pinochet permitted a democratic election in 1988 and was surprised when his opponents constructed a successful coalition to defeat him. Patricio Aylwin was elected president and immediately faced a three-fold agenda: re-institute and protect democratic institutions; restore human rights and try those guilty of abuses; and continue rapid economic growth while achieving more equal distribution of income.

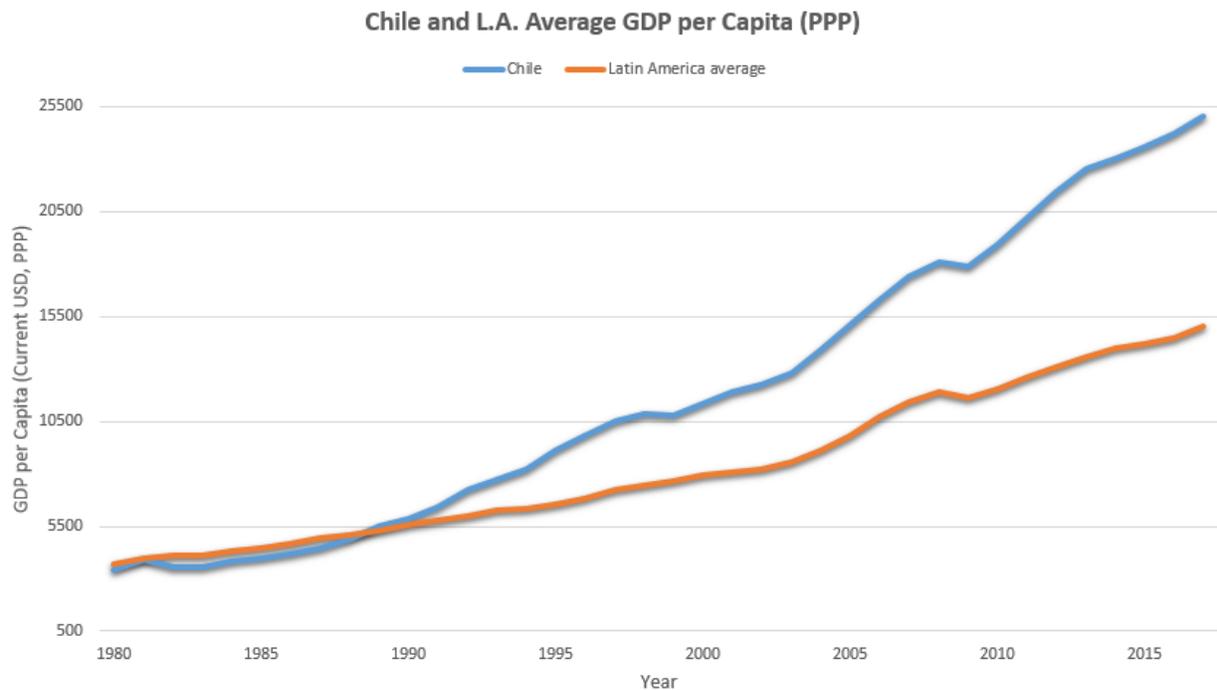


Source: Wikimedia Commons available at
<[https://commons.wikimedia.org/wiki/File:Patricio_Aylwin_\(1990\).jpg](https://commons.wikimedia.org/wiki/File:Patricio_Aylwin_(1990).jpg)>

President Patricio Aylwin Azócar (1990-1994)

During the 1990s, Chile was a rising Latin American superstar because of its economic successes. Chile's average annual growth of income per capita (measured by the World Bank at Purchasing Power Parity in constant 2017 dollars) was 4.7 percent – the highest in Latin America. The keys to Chile's success were: high savings and investment rates (27 percent of national income was invested during the 1990s); low inflation rates (the average inflation rate in 1990-1999 was 8 percent, an acceptable level in a rapidly growing developing country);

rapid growth of export earnings (exports grew at an annual rate of 10 percent during the 1990s); and high and increasing measures of agricultural productivity (Chilean farm workers produced an average of \$5,200 of agricultural income each in the mid-1990s).



*Source: Wikimedia Commons available at
<https://commons.wikimedia.org/wiki/File:Chile_and_Latin_America_GDP_Average.png>*

*Average Level of GDP Per Capita (Purchasing Power Parity) in Chile
(Blue Line) and Latin America (Red Line), 1980-2017*

Chile has continued to enjoy political stability as a reflection of working democratic institutions. The presidency has alternated between center-left and center-right leaders. Ricardo Lagos Escobar (2000-

2006), an American-educated economist, was elected president in January 2000 as the leader of a center-left coalition, the Concertacion, and served one six-year term. In 2006, Michelle Bachelet Jeria (2006-2010, 2014-2018), a Socialist and Concertacion candidate, became Chile's first woman president. Sebastian Piñera (2010-2014) of the National Renewal Party won the presidential election in 2010 and was the first conservative candidate since 1958 to be elected President in a democratic election. Bachelet, still representing the Socialist Party, was re-elected in 2014 for a second four-year term. Piñera, running as an Independent and supported by a center-right coalition, won the election in 2018 and is currently serving as President until 2022.



Source: Wikimedia Commons available at
<https://commons.wikimedia.org/wiki/File:Presidenta_Bachelet_y_Presidente-electo_Pi%C3%B1era.jpg>

Michelle Bachelet (Left), President of Chile (2006-2010 and 2014-2018) and Sebastian Piñera, President of Chile (2010-2014 and 2018-2022)

Chile in 2019. Chile's population in 2019, 19 million, was growing at an annual rate of 1.2 percent. Life expectancy was 80 years, and the rate of adult literacy was 96 percent. In 2000, Chile's price-adjusted incomes per capita had been only \$9,554. Between 2000 and 2019, Chile's GDP per capita (measured by the World Bank at Purchasing Power Parity in constant 2017 dollars) grew at an annual rate of 2.5 percent, to reach \$25,155 in 2019 (39 percent of the US level). In



Source: Wikimedia Commons available at
< <https://commons.wikimedia.org/wiki/File:Ch-map-CIA.png> >

Contemporary Chile

Retrogression in Argentina

Indigenous Population (pre-1500). Located between the Andes Mountains and the Atlantic Ocean, Argentina features some of the richest agricultural land in the world. Much of this agricultural potential is in the pampas of northeastern Argentina, near the capital and main port, Buenos Aires. That city serves as the outlet for two of southern South America's largest river basins – the Plate and the Paraná.



Source: Wikimedia Commons available at
<https://commons.wikimedia.org/wiki/File:Aut%C3%B3dromo_Eusebio_Marcilla.jpg>

*The Pampas, Junin, Northeastern Argentina –
Highly Productive Agricultural Region*

Pre-Columbian Argentina was the least populated region of the South American continent. Estimates of population density at the time of European arrival are as low as one person per 1.5 square miles. That

area did not have extensive political units such as the Maya, Inca, and Aztec Empires. The Diaguita were the largest tribe, centered in the northwestern region of present-day Argentina. Culturally, they were influenced by links with the Inca Empire, but they did not establish a centralized political structure. Like indigenous peoples throughout the continent, the Diaguita used irrigation and terraced fields to cultivate maize, potatoes, beans, and squash. Settlements in outlying areas also engaged in hunting-gathering activities to collect wild fruits, herbs, and roots and to hunt rhea, deer, and wild pigs.



Source: Wikimedia Commons available at
<https://commons.wikimedia.org/wiki/File:Ruinas_Quilmes.jpg>

Archeological Ruins of Quilmes, the Oldest Indigenous Ruin in Argentina – Built in the 9th century by the Quilmes, a Diaguita People

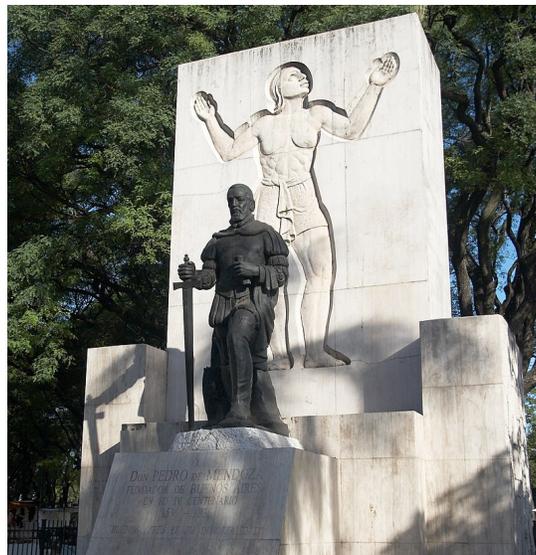
Like the Incas, the Diaguita domesticated llamas and alpacas for wool and transportation, and they hunted guanacos and vicuñas for wool. They also were skilled in metallurgy and ceramics. No other tribe in modern Argentina reached the size or the sophistication of the Diaguita. The rest of the indigenous peoples comprised small nomadic tribes or primitive settlements in remote areas. Many avoided contact with European invaders for generations. Throughout Latin America, when Spanish settlers were disappointed in their search for silver or other precious metals, they turned to the local population as an economic resource. In pre-colonial Argentina, both precious metals and indigenous laborers were in limited supply.



Source: Wikimedia Commons available at
<https://commons.wikimedia.org/wiki/File:AborigenesDistribucion.jpg>

Distribution of the Indigenous Peoples of Argentina

Spanish Exploration and Colonization (1536-1600). The first European explorer to venture into the River Plate region was the Portuguese Juan Díaz de Solís in 1516, but he and the rest of his expedition were slaughtered upon landing on the east bank of the river. Twenty years later an expedition led by Pedro de Mendoza established a small camp that he called Puerto Nuestra Señora María del Buen Aire. Within five years, the encampment was abandoned due to relentless Amerindian attacks. The expedition trekked north and established Asunción, in a region where the Indians proved more hospitable.

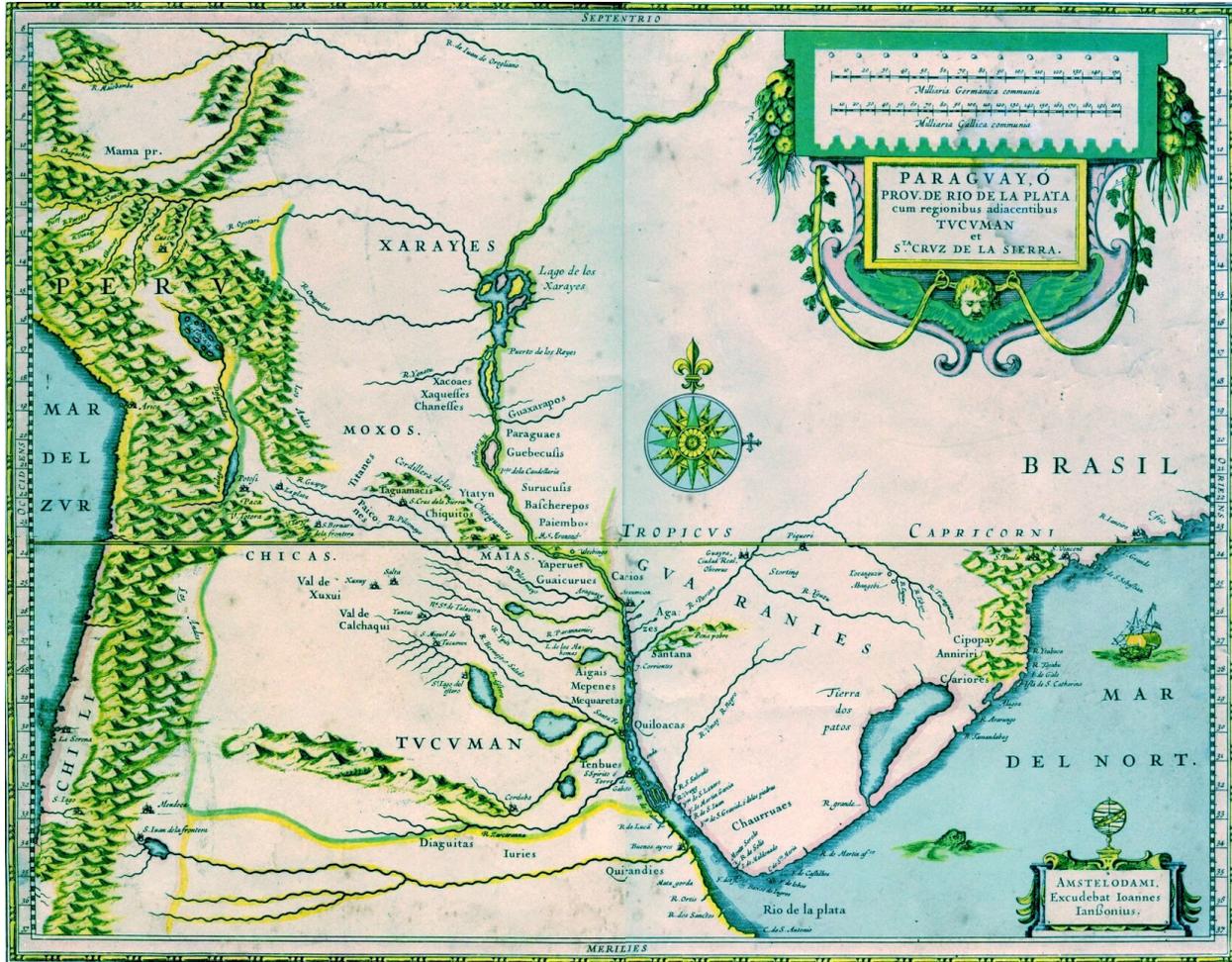


Source: Wikimedia Commons available at
<https://commons.wikimedia.org/wiki/File:Buenos_Aires_-_San_Telmo_-_Parque_Lezama_-_20071215c.jpg>

Argentine Monument of Pedro de Mendoza, Original Founder of Buenos Aires – Parque Lezama, Barrio de San Telmo, Buenos Aires

More intensive settlement efforts followed in the 1570s in the northwest region, emanating from activities surrounding the Potosí silver mine in Upper Peru. The Spanish established an arc of settlements between Potosí and the River Plate to serve as an Atlantic supply route for the mining area and to protect the rich silver deposits from threats from the south. In 1580, they permanently established Buenos Aires as an Atlantic port on the site of Mendoza's abandoned settlement.

The fifteen cities founded by the Spanish in what became Argentina started with extremely small Spanish populations; in 1570, no more than 2,000 Spaniards lived in the entire region. The region had yet to realize any substantial economic opportunities and thus could support only a small colonial presence. In the absence of mining resources, the settlers exploited the Indian population, both as a direct source of labor and to exchange with regions in need of labor. The Spanish colonists used the *encomienda* system and the *mita* system, adopted from the Inca practice of levying taxes in the form of labor services from conquered Amerindian communities.

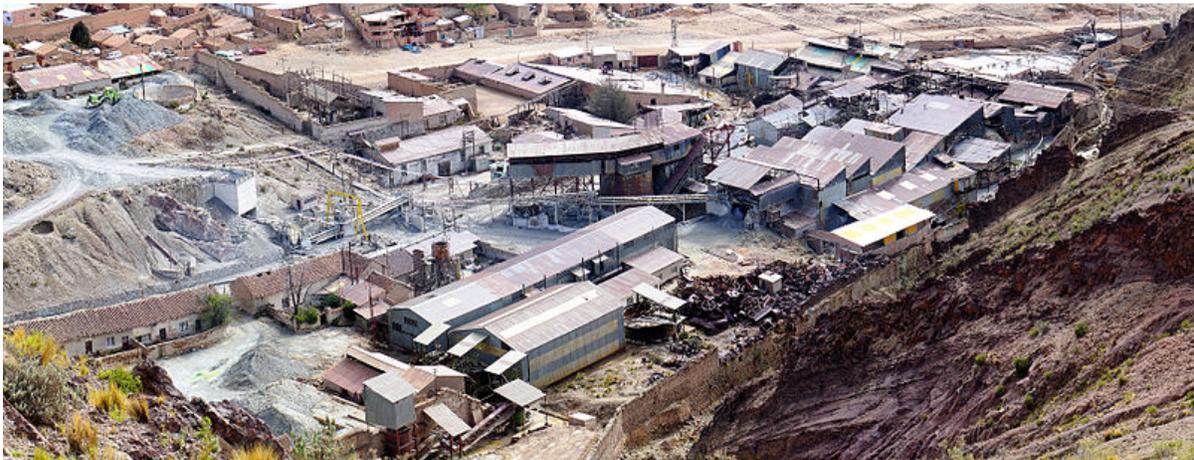


Source: Wikimedia Commons available at
[https://commons.wikimedia.org/wiki/File:Paraguay - O Prov de Rio de la Plata - cum regionibus adiacentibus Tvcvman et Sta. Cruz de la Sierra - ca 1600.jpg](https://commons.wikimedia.org/wiki/File:Paraguay_-_O_Prov_de_Rio_de_la_Plata_-_cum_regionibus_adiacentibus_Tvcvman_et_Sta._Cruz_de_la_Sierra_-_ca_1600.jpg)

*Rio de la Plata (Argentina) and Paraguay –
 Map Drawn c. 1600 by Jodocus Hondius, Flemish-Dutch Cartographer*

Spanish Colonial Economy (1600-1776). In the 17th century, the colonial Argentine economy centered on collection of silver to exchange for imports of manufactured goods from Europe. The encomendero and Church classes monopolized commodity trade with the Potosí region.

Portuguese traders from Brazil offered goods at much lower prices than Spanish traders, because the Spanish imperial convoy system required goods to pass across Panama, down to Lima, and across the Andes to reach Argentina. Buenos Aires became a focal point for contraband trade, initiating a tradition of commercial liberalism. Exports consisted primarily of silver, but also included grains, wine, flour, and cattle hides. Imports included European manufactured goods, Brazilian sugar, and slaves. Between 1630 and 1680, Atlantic-wide economic depression, declines in Potosí silver production, and falling native labor supplies caused a period of economic stagnation in Argentina.



Source: *Wikimedia Commons* available at
<[https://commons.wikimedia.org/wiki/File:Potosi_D%C3%A9cembre_2007 -
_Industrie_Mini%C3%A8re.jpg](https://commons.wikimedia.org/wiki/File:Potosi_D%C3%A9cembre_2007_-_Industrie_Mini%C3%A8re.jpg)>

*Potosí Silver Mines Today –
Serviced Via Buenos Aires in the Spanish Colonial Era*

In the 18th century, mercantilism gave way to more liberal trade, and Buenos Aires flourished as a trade entrepôt. By 1760, Buenos Aires provided a crucial link for Spanish trade to Chile, Paraguay, and Upper Peru, and Spanish merchants became financiers for the cattle industry and other activities, initiating the city's role as a financial center. The pampas became vast *estancias* (cattle estates), as wealthy landowners privatized the wild cattle herds. Cattle hides and jerked beef earned about 20 percent of export revenues.



Source: Wikimedia Commons available at
<https://commons.wikimedia.org/wiki/File:Yerra_en_Corrientes.jpg>

*Gauchos in the Argentine Pampas, Corrientes Province –
Cattle Hides and Jerked Beef in the 18th century*

The interior cities and towns benefited from the recovery of Potosí silver production, after the Spanish Crown revised tax and labor provisions in the mining industry. In the 1770s, Buenos Aires gained as Britain took over Spain's trade routes in the Caribbean, redirecting Spanish trade to South America's Atlantic ports. In 1776, the Spanish crown established the Viceroyalty of the Rio de la Plata, headquartered in Buenos Aires, which included Upper Peru (and Potosí silver), from regions formerly administered (de jure if not de facto) from Lima.



Source: Wikimedia Commons available at
<<https://commons.wikimedia.org/wiki/File:Virreinato.png>>

Divisions of the Viceroyalty of the Río de la Plata in 1783

Transition to Independence (1776-1820). Liberalization of trade within the Spanish empire only increased the Argentines' appetite for further trade with nations other than Spain. Spain was forced to legalize all colonial trade with foreigners after the British navy gained control of the Atlantic in the late 1770s and European wars disrupted commerce between Spain and its colonies. Portuguese ships bearing slaves, British manufactures, and Brazilian sugar and tobacco dominated imports into Argentina, and Argentine exports of silver and jerked beef to Brazil and Cuba became more significant than trade with Spain.



Source: Wikimedia Commons available at
<https://commons.wikimedia.org/wiki/File:Pellegrini_Buenos_Aires_Matadero.jpg>

*Slaughterhouse for Cattle (Matadero), Buenos Aires –
Painting by Charles Henri Pellegrini, 1829*

Links with Spain further deteriorated in 1806, when British forces easily defeated Spanish defenders and took Buenos Aires. Local militias retook the city in 1807, reinforcing a sense of self-reliance. Following Napoleon's removal of the Spanish king, Ferdinand VII, patriots in Buenos Aires established a junta in 1810 to rule in his name. That development sparked tensions between patriots, who generally favored freer trade and weakening ties with Spain, and loyalists, who supported imperial rule. The patriot forces were split between supporters of full independence and a faction that wanted the junta to represent the king.

In 1810, Peruvian loyalist forces invaded and occupied Upper Peru, causing economic crisis in the Argentine interior as silver flows dwindled, but Argentine forces were unable to eject the Spanish. An expedition to defeat opposition to the Buenos Aires-based junta in Paraguay met with disaster in 1810. That period also saw the beginning of the conflict between federalists and unitarists or centralists. Militias in outlying areas and the regions on the east bank of the River Plate objected to domination from Buenos Aires. The conflict led to Uruguay's breakaway from Argentina in 1815. The remainder of the

Viceroyalty declared independence on July 9, 1816, establishing the independent United Provinces of the River Plate.



Source: Wikimedia Commons available at https://commons.wikimedia.org/wiki/File:Retrato_m%C3%A1s_can%C3%B3nico_de_Jos%C3%A9_de_San_Mart%C3%ADn.jpg

José de San Martín, Argentine General and Liberator of Argentina (1816), Chile (1818), and Peru (1821) – Painted c. 1827-1829

Struggle between Federalists and Unitarists (1820-1852). In

1820, federalists gained control of the new country. But centralists soon regained leadership in Buenos Aires and tried to enforce a unified state controlled from the center by blockading the Paraná River and thus halting trade to and from the interior. That policy contributed to the rise to political dominance in the interior of a militaristic rancher class (led

by *caudillos*) at the expense of the town-based merchants. Buenos Aires further alienated the interior provinces by developing close links with British merchants and focusing on international trade. Expansion of the frontier areas, especially in the province of Buenos Aires, and the policy to give private ranchers cheap long-term leases on rural lands at low or no cost resulted in the establishment of vast ranching estates. About 6.5 million acres were distributed among 122 individuals and partnerships. By 1829, hides and salted meat contributed 65 percent of total exports.

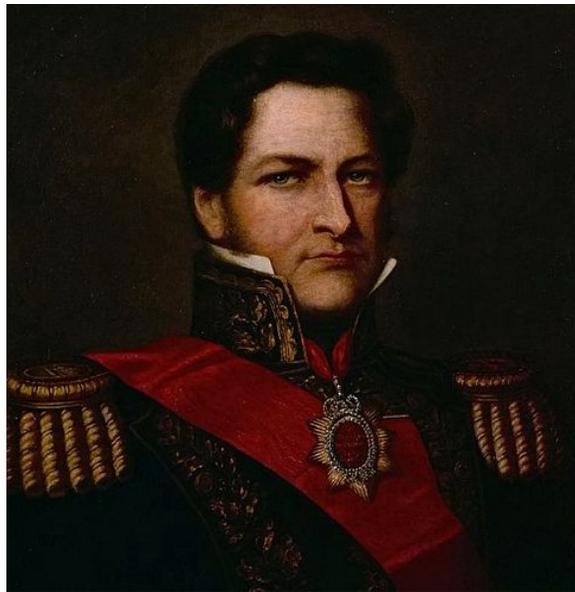


Source: Wikimedia Commons available at
<[https://commons.wikimedia.org/wiki/File:Cattle_Ranch_\(5451966167\).jpg](https://commons.wikimedia.org/wiki/File:Cattle_Ranch_(5451966167).jpg)>

Cattle Estancia (Ranch), El Calafate, Patagonia, Argentina – Cattle Hides and Salted Meat Contributed Two-thirds of Exports in the 1820s

During the late 1820s, civil war broke out again in a renewed struggle between federalists and unitarists. Federalist General Juan

Manuel de Rosas took Buenos Aires in 1829 and remained in control of the government until 1852. The Rosas era saw a boom in trade. Exports of cattle products doubled between 1837 and 1852. In 1848, Rosas blockaded the Paraná River to enable Buenos Aires to monopolize trade. But that move angered the interior provinces of Argentina as well as Brazil and Uruguay. The result of the ensuing conflict was that unitarist forces took control of Buenos Aires and Rosas fled to exile in England.



Source: Wikimedia Commons available at https://commons.wikimedia.org/wiki/File:Juan_Manuel_de_Rosas_by_Norris.jpg

*Juan Manuel de Rosas –
Governor of Buenos Aires (1829-1832, 1835-1852)*

The forty years leading to the mid-19th century had seen limited progress in Argentina. Political instability and economic fragmentation

persisted, and although international trade in cattle products was growing, those exports had not filled the void left by the loss of the silver flows and the special trade relationship with Spain.



Source: Wikimedia Commons available at
<https://commons.wikimedia.org/wiki/File:Gauchos_resting_in_the_pampas_by_Rugendas.jpg>

*Argentine Gauchos Resting in the Pampas –
Painting by Johann Moritz Rugendas, 1846*

The Creation of Modern Argentina (1852-1890). During the period after Rosas, the River Plate region enjoyed political consolidation and economic prosperity. Spates of civil war between federalists and unitarists ended when Buenos Aires and the other provinces recognized their mutual dependence. In 1860, Bartolomé Mitre became governor of Buenos Aires and established a system of reciprocal support. In return

for access to trade and investment flows, interior provinces acknowledged the supremacy of the province of Buenos Aires. Mitre was confirmed as the first president of the newly formed Argentine Republic in 1862.



Source: Wikimedia Commons available at https://commons.wikimedia.org/wiki/File:Bartolom%C3%A9_Mitre.jpg

Bartolomé Mitre, Governor of Buenos Aires (1860-1862) and President of Argentina (1862-1868)

Interior provinces benefited after railroad building linked the provincial capitals to Buenos Aires. National identity was further solidified in 1865-70 when Argentina was a winner in the War of the Triple Alliance. Paraguay, which had initiated conflicts with Uruguay,

Argentina, and Brazil in a bid to expand its borders, suffered a devastating defeat that nearly halved its population.



Source: Wikimedia Commons available at https://commons.wikimedia.org/wiki/File:Map_of_the_Paraguayan_War_1864-1870.png

The War of the Triple Alliance, 1865-1870 – Paraguay versus Argentina, Brazil, and Uruguay

The final step in nation building took place in 1880 when President Julio A. Roca made Buenos Aires the federal capital of the republic.

Political consolidation was facilitated by economic prosperity based on international trade. Total trade rose from 37 million pesos in 1861 to 104 million pesos in 1880 and to 250 million pesos in 1889. Cattle exports remained robust, but wool exports boomed from 7,600 tons in 1850 to 111,000 tons in 1882.



Source: Wikimedia Commons available at
<[https://commons.wikimedia.org/wiki/File:Los_Animales_en_la_Estancia_\(5451915873\).jpg](https://commons.wikimedia.org/wiki/File:Los_Animales_en_la_Estancia_(5451915873).jpg)>

*Sheep Estancia (Ranch), Western Argentina –
Wool Exports from Argentina Expanded Between 1850 and 1880*

By the late 1880s, Argentina became a major exporter of cereals (wheat, maize, oats, and barley) and linseed; wheat exports increased 23-fold between the 1880s and the 1890s. Those developments attracted over 3 million emigrants from Europe between 1871 and 1914.

Administrations of that period maintained free trade, subject to small revenue tariffs, and accorded tariff protection only to flour, sugar, and wine. Since manufacturing received little support, the economy remained dependent on primary commodity exports.



Source: Wikimedia Commons available at
<https://commons.wikimedia.org/wiki/File:Italian_immigrants_buenos_aires.jpg>

Italian Immigrants Arriving in Buenos Aires, 1907

Economic Boom and Stagnation (1890-1946). In the early 1890s, Argentina experienced an economic depression due to falling world prices and a failed wheat crop. Railroad building spurred a rapid recovery by expanding farm production in frontier areas and increasing

exports, particularly of wheat. The recovery revived massive immigration flows. By 1914, Argentina was a leading world economic power. Its per capita income was equal to those of Germany and the Netherlands and higher than those of Italy and Sweden. Argentina was the world's leading producer of maize and linseed, second in wool, third in cattle and horses, and among the top three exporters of wheat. But wealth remained concentrated in Buenos Aires and with the landed elite.



Source: Wikimedia Commons available at
<https://commons.wikimedia.org/wiki/File:Buenos_Aires_1915.jpg>

The Port of Buenos Aires in 1915 – Argentina Was a Leading World Exporter of Agricultural Commodities, Mostly Via Buenos Aires

After World War I, Argentina maintained its agricultural exports through mechanization. However, the onset of the Great Depression

reduced trade and tariff revenues, so government spending fell, generating popular support for a military coup in 1930. The military installed a conservative government that imposed austerity measures and helped Argentina weather the Great Depression by balancing the budget and eliminating trade deficits. Import restrictions promoted domestic manufacturing in the 1930s, but only in textiles and processed foods.



Source: *Wikimedia Commons* available at
<[https://commons.wikimedia.org/wiki/File:Crisis_del_30_Desocupados_Puerto_Villa_Desocupacion_Retiro_2_\(cropped\).jpg](https://commons.wikimedia.org/wiki/File:Crisis_del_30_Desocupados_Puerto_Villa_Desocupacion_Retiro_2_(cropped).jpg)>

*Unemployed Argentine Men –
Seeking Work at the Port of Buenos Aires, Early 1930s*

The conservative government's unwillingness to promote industry at the expense of rural interests led to another military coup in 1943.

The new military government was dominated by nationalists who sought economic independence through industrialization, but resorted to blunt political repression to counter opposition. The military became increasingly unpopular as it absorbed greater proportions of government finances. General Juan Perón positioned himself as an ally of the workers and convinced the fiercely anticommunist regime to appease labor and forestall a workers' revolution. When widespread opposition to the military government forced elections in 1946, a broad-based populist movement voted Perón into presidential office.



Source: Wikimedia Commons available at
<https://commons.wikimedia.org/wiki/File:Casa_Rosada02.jpg>

*La Casa Rosada, Buenos Aires, Argentina –
Office of the President and Executive Mansion*

The Rise of Perónism (1946-1955). Since industrial workers had swept Perón into power, his first priority was to secure their continuing support. Perónism embraced workers' rights that included "just wages," pensions, protection against retrenchment, the right to work, limits on hours worked, and accident compensation. Government-mandated real wage increases (20 percent between 1945 and 1948) benefited workers, but raised consumer product prices, fueling inflation. Populist spending programs expanded further at the behest of Eva Perón, through her charity foundation and her influence in the government, and her death in 1952 deflated Juan Perón's appeal.



Source: Wikimedia Commons available at
<https://commons.wikimedia.org/wiki/File:Juan_y_Eva_Oficial.jpg>

*Juan Domingo Perón, President of Argentina (1946-1955, 1973-1974),
and Eva Perón – Protocol Visit, 1947*

The Perónist doctrine of *justicialismo* proposed an economic “third way” between capitalism and communism. To court the nationalists, Perón nationalized foreign-held railways and embarked on a program of import-substituting industrialization. Perón heavily taxed agriculture. He established an agricultural export board to purchase produce at low prices from farmers, sell at international prices, and channel the proceeds to urban working classes. In 1948, the United States barred

Marshall Plan spending on Argentine goods, severely limiting Argentina's export markets. Argentina's shares of world wheat and maize markets fell from 23 to 9 percent and 64 to 23 percent, respectively, between the mid-1930s and 1952.

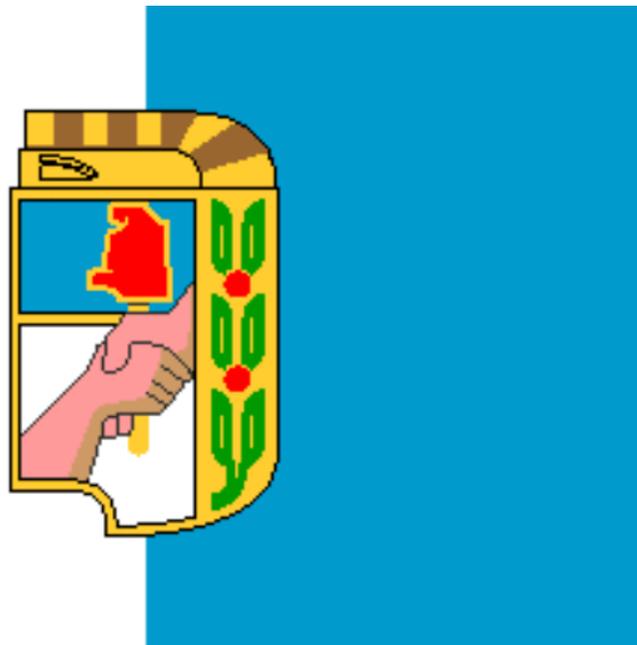


Source: Wikimedia Commons available at https://commons.wikimedia.org/wiki/File:Nacionalizacion_servicios.jpg

Propaganda Poster Promoting the Nationalization of Services in the First Five-year Plan (1946-1951)

Policy disincentives, weak markets, declining soil quality, and drought destroyed agricultural exports, leaving Argentina unable to finance imports of industrial goods or government intervention in the

economy. Perón's legacy was a dismal set of economic indicators. Per capita GNP grew by only 16 percent between 1943 and 1955, and annual inflation hovered around 40 percent in the 1950s. The broken economy incited discontent, and the military removed Perón from power in 1955.



Source: Wikimedia Commons available at
<https://commons.wikimedia.org/wiki/File:Bandera_del_Partido_Justicialista.png>

Flag of Juan Perón's Justicialist Party

Recurrent Crises and Mounting Repression (1955-1983). For nearly three decades following the removal of Perón, Argentina suffered economic decline and political strife. From 1950 to 1968, when world trade increased by 7.8 percent per year, Argentina achieved annual growth of less than 1 percent. Farm exports in the 1960s only exceeded

their levels of the 1930s by a paltry 3 percent. Manufacturing continued to rely on subsidized imports, and industrial expansion proceeded largely due to the entry of foreign multinational firms. The enduring strength of the trade unions forced governments to support workers. Those conflicting imperatives led to 16 changes of government between Perón's fall in 1955 and the South Atlantic War of 1982.



Source: Wikimedia Commons available at
<https://commons.wikimedia.org/wiki/File:02_Rosariazo_Saldi.jpg>

The Rosariazo, May-September 1969 – A Protest in Rosario, Santa Fe Province Against the Military Dictatorship and the Worsening Economy

Repeated military coups failed to bring stability, despite the use of increasingly harsh measures to repress dissent. Violent left-wing guerrilla movements, the ERP and the Perónist Monteneros, emerged in the late 1960s. Their kidnappings, bank robberies, and bombings were

answered with abductions and killings by right-wing paramilitary organizations. In 1973, strikes and student revolts compelled the military government to hold elections, which were won overwhelmingly by a Perónist alliance. In June, Juan Perón maneuvered his return to the presidency. But during his 18-year exile, his program had changed little. The policies he enacted, before his death of heart failure on July 1, 1974, exacerbated the economic crisis as inflation soared, export earnings nose-dived, and trade deficits ballooned.



Source: Wikimedia Commons available at
<[https://commons.wikimedia.org/wiki/File:Palco_de_Per%C3%B3n_\(a_color!\).jpg](https://commons.wikimedia.org/wiki/File:Palco_de_Per%C3%B3n_(a_color!).jpg)>

*President Juan Perón –
Greeting Supporters in June 1974, At His Last Political Rally*

The resumption of guerrilla warfare and economic chaos led to another military coup in 1976. In 1982, General Leopoldo Galtieri unleashed the South Atlantic (Falklands) War in a desperate attempt to distract attention from the weak economy. Argentina's humiliating defeat by Great Britain in that conflict, the ruthless means employed to vanquish domestic guerrilla forces, and further demonstrations forced the discredited military junta to hold elections in 1983.



Source: Wikimedia Commons, available at
<[https://commons.wikimedia.org/wiki/File:Margaret_Thatcher_01_\(cropped\).jpg](https://commons.wikimedia.org/wiki/File:Margaret_Thatcher_01_(cropped).jpg)>

Margaret Thatcher, Prime Minister of the United Kingdom (1979-1990)
– *Defeated General Leopoldo Galtieri in the South Atlantic War (1982)*

Democracy, Recovery, and Crisis (1983-present). Raúl Alfonsín (President, 1983-1989) led the Radical Party, representing

middle class interests, to victory in the 1983 elections. Alfonsín pressed ahead with anti-inflationary measures that antagonized the unions, and he initiated inquiries into atrocities committed by the military in its campaign against guerrillas, intellectuals, and organized labor, causing much resentment among the armed forces.

The Austral Plan of economic liberalization, introduced in 1985, failed mainly because of continuing high fiscal deficits. Inflation reached nearly 5,000 percent in 1989, the unions conducted eight general strikes in four years, and Alfonsín was forced to compromise in the investigations of the military, thus sparking demonstrations by tens of thousands of family members of the *desaparecidos* (abduction victims of the military). Nonetheless, he avoided a military coup, strengthened democratic institutions, and laid the groundwork for Argentina's economic recovery.



Source: Wikimedia Commons, available at
<https://commons.wikimedia.org/wiki/File:Ra%C3%BAI_Alfonsin.jpg>

President Raul Alfonsin (1983-1989)

In 1989, the presidency passed to Carlos Saúl Menem (1989-1999) of the Justicialist Party in the first transfer of power between democratically elected leaders in over 60 years. Though Perónist in name, Menem's administration continued the liberal economic reforms. Privatization, deregulation, and reduced import barriers invigorated the economy. The cornerstone of Menem's economic program was a currency board that maintained parity of Argentina's currency with the US dollar. That fixed exchange rate policy sharply reduced Argentine inflation to among the lowest in the world.



Source: Wikimedia Commons, available at
<https://en.wikipedia.org/wiki/File:Menem_con_banda_presidencial.jpg>

President Carlos Menem (1989-1999)

Spurred by foreign capital inflows, Argentina enjoyed an economic boom in the 1990s. The average annual rate of growth of per capita income (measured by the World Bank at Purchasing Power Parity in constant 2017 dollars) was 4.3 percent between 1990 and 1998.

Argentina then went into a deep recession and suffered a decline in per capita income of 21.9 percent between 1998 and 2002. In December 2001, Argentina faced a severe economic crisis and defaulted on its international debt payments. Riots then forced Fernando de la Rúa (1999-2001) to resign from the presidency. Eduardo Duhalde (2002-

2003) became president in January 2002 and devalued the exchange rate by 40 percent.

Nestor Kirchner (2003-2007) was elected president in 2003 and presided over rapid economic recovery. In December 2007, Cristina Fernandez de Kirchner (2007-2015), Nestor Kirchner's wife, was elected as Argentina's first woman president. Rapid economic growth continued during her first term, 2007-2011. Between 2002 and 2011, Argentina experienced world-class growth of income per capita – averaging 5.3 percent per year. But then the overheated economy had another severe downturn, caused by risky macroeconomic policies, high inflation that required austerity measures, and downturns in export markets in Europe and Brazil.



Source: Wikimedia Commons, available at
<https://commons.wikimedia.org/wiki/File:N%C3%A9stor_Kirchner_and_Cristina_Fern%C3%A1ndez.jpg>

*Nestor Kirchner, President of Argentina (2003-2007) and
Cristina Fernández de Kirchner, President of Argentina (2007-2015)*

Mauricio Macri (2015-2019) won the presidential election in 2015 and promised to return Argentina to conventional macroeconomic management, efficient government, and market-oriented principles. But his efforts were frustrated by political infighting, a financial crisis, weak economic institutions, and continuing economic stagnation. Plagued by numerous allegations of corruption, Cristina Fernandez de Kirchner chose not to run against Macri in the 2019 election. Instead, she was elected Vice President on a Justicialist Party ticket led by Alberto Fernández (2019-present). Fernández (48 percent of the vote)) defeated

Macri (40 percent) and took office in December 2019. The inflation-adjusted income per capita in 2019 was 10 percent less than its peak level, attained in 2011.

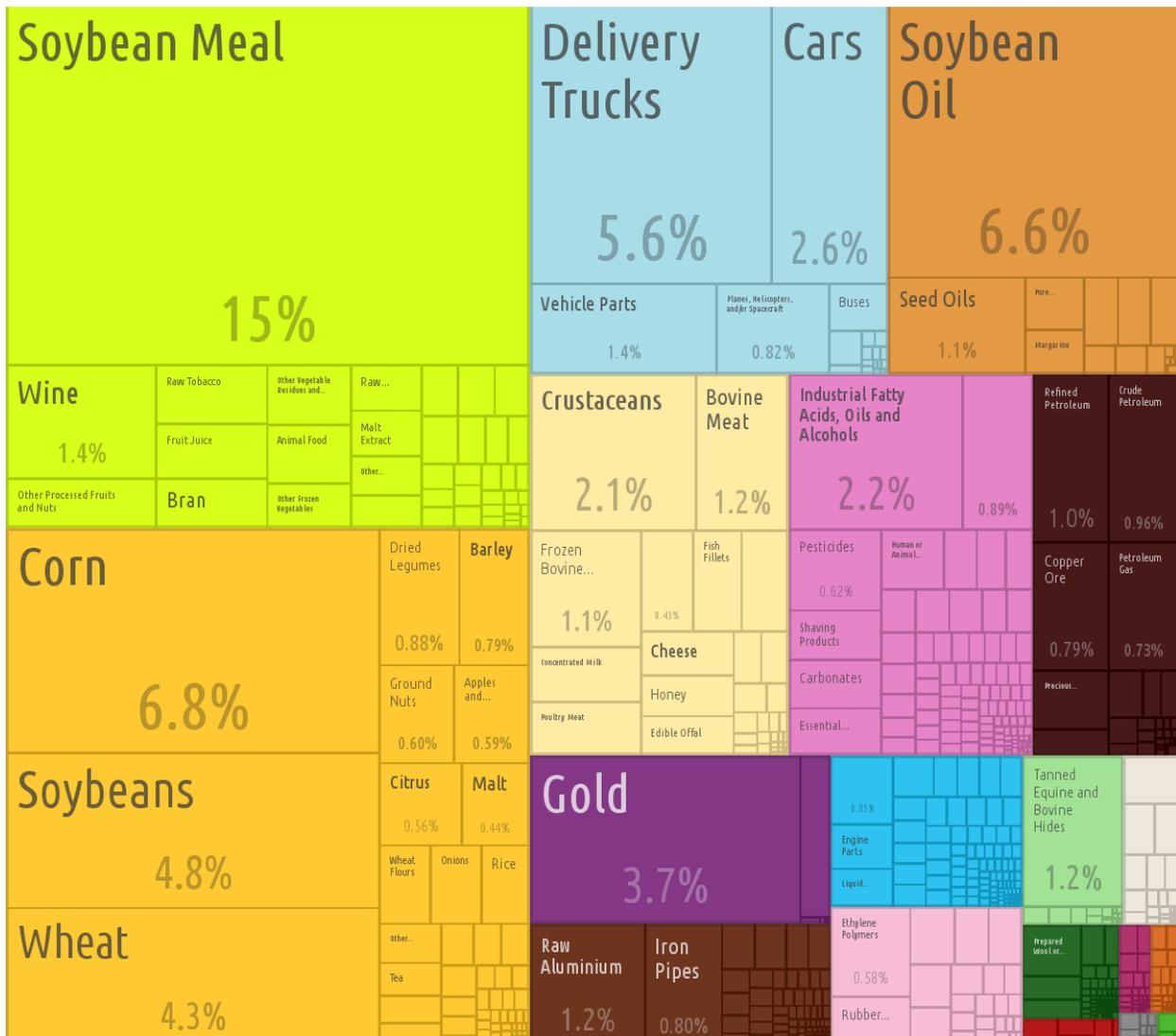


*Source: Wikimedia Commons, available at
<https://commons.wikimedia.org/wiki/File:Alberto_Fernandez_2020.jpg>*

Alberto Fernández, President of Argentina (2019-present)

Argentina in 2019. Argentina's population in 2019, 44.9 million, was growing at an annual rate of 1 percent. Life expectancy was 77 years, and the rate of adult literacy was 99 percent. During the past three decades, Argentina had two spurts of very rapid economic growth, each followed by a sharp decline. On average, between 1990 and 2019, Argentina's GDP per capita (measured by the World Bank at Purchasing

Power Parity in constant 2017 dollars) grew at an annual rate of 1.5 percent, to reach \$23,040 in 2019 (35 percent of the US level and 92 percent of Chile’s average level).



Source: Wikimedia Commons, available at https://commons.wikimedia.org/wiki/File:Argentina_Exports_Treemap_2017.svg

Proportional Representation of Argentina’s Export Earnings in 2017 – Main Items Were Soybeans (One-fourth), Vehicles, Corn, and Wheat

In 2019, Argentina ranked an impressive 46th of 189 countries in the UNDP's Human Development Index (based on income, education, and health indicators), a shameful 126th of 190 countries in the World Bank's Ease of Doing Business index, and a disappointing 66th of 198 countries in the Corruption Perceptions Index compiled by Transparency International. Continuing challenges are to rein in corruption, reduce high unemployment (10 percent in 2019) and improve income distribution, both legacies of Argentina's economic past, and to contain inflation, improve infrastructure, find new energy sources, and upgrade labor skills.



Source: Wikimedia Commons available at
<https://commons.wikimedia.org/wiki/File:Argentina-CIA_WFB_Map.png>

Contemporary Argentina

The Cape Horn Trade Route

Spanish Exploration (early 16th century). In the early 16th century, Spain sent an expedition of five patched-up ships to seek a western trade route to the Spice Islands (the Moluccas in contemporary Indonesia). The Spanish expedition departed Spain in 1519 under the leadership of Ferdinand Magellan, a Portuguese sailing captain.



Source: Wikimedia Commons available at
<<https://commons.wikimedia.org/wiki/File:ReplicaNaoVictoriaMagallanes.jpg>>

Replica of Ferdinand Magellan's Ship, Victoria – Punta Arenas, Chile

During October 1520, the expedition discovered Cape Virgenes (on St. Ursula's day), the most southerly point on the Atlantic side of South America. In November, three of Magellan's ships sailed westward through the Strait of Magellan between mainland South America and the

island of Tierra del Fuego (which Magellan’s men called the “land of fires”).

The expedition crossed the Pacific Ocean (which Magellan named in hopes that it would be calm). Although Magellan was killed on Mactan Island in the Philippines in 1521, his expedition continued on to the Spice Islands. Eventually, in 1522, one ship went on to make the first around-the-world sailing trip, landing in Spain in 1522 with a profitable cargo of spices.



Source: Wikimedia Commons available at https://commons.wikimedia.org/wiki/File:Magellan_Elcano_Circumnavigation-en.svg

The Around-the-world Sailing Route of Ferdinand Magellan and Crew (1519-1522) – Magellan Rounded Cape Horn in 1520

During the next century, Spanish merchants made little use of the Cape Horn trade route. Instead, they sailed on the Manila galleon trade route – from Manila in the Philippines to Acapulco in Mexico. Their merchandise was transhipped across Mexico to Veracruz where it went in convoy to Spain. Spanish trade with its colonies in western South America was carried out with mule-loaded transits across the Isthmus of Panama and convoys between Spain and Portobelo, Panama. To enforce its royal trade monopoly and convoy system, the Spanish monarchy banned trade around the southern tip of South America.



Source: *Wikimedia Commons* available at
<https://commons.wikimedia.org/wiki/File:Spanish_Galleon_Firing_its_Cannon.jpg>

*Spanish Galleon Ship, Firing Its Cannons –
Painting by Cornelis Verbeeck, 16th century*

English and Dutch Exploration (late 16th-early 17th centuries).

Francis Drake, later knighted by Queen Elizabeth I, was the first English explorer to sail around South America and into the South Pacific. Drake sailed six vessels westward through the Strait of Magellan in 1578, thereby breaking the Spanish monopoly of that route.



Source: Wikimedia Commons available at
<https://commons.wikimedia.org/wiki/File:Golden_Hinde,_Londres,_Inglaterra,_2014-08-11,_DD_107.JPG>

Replica of Francis Drake's Flagship, Golden Hind – Bankside, London

After Drake's ships entered the Pacific Ocean, strong winds pushed them southward. Inadvertently, Drake thus discovered Drake's Strait between Tierra del Fuego and Antarctica and disproved the

popular theory that Tierra del Fuego was the northern part of a vast southern continent.



Source: Wikimedia Commons available at
<https://commons.wikimedia.org/wiki/File:Kap_Hoorn_vs_Magellanstr.jpg>

The Cape Horn Route (Red Line) and the Strait of Magellan Route (Green Line) – Drake's Strait Lies South of the Cape Horn Route

Drake's fleet then used the element of surprise to plunder treasure-laden Spanish ships and defenseless Spanish settlements on the western coast of South America, Central America, and Mexico. Continuing north beyond areas settled by Spain, Drake claimed New Albion, north of San Francisco, for England. He then sailed westward across the Pacific and, between 1577 and 1580, completed the second circumnavigation of the world and the first by one commanding officer.



Source: *Wikimedia Commons* available at
 <https://commons.wikimedia.org/wiki/File:DRAKE_1577-1580.png>

The Around-the-world Sailing Route of Francis Drake and Crew (1577-1580) – Drake Rounded Cape Horn in 1578

In the early 17th century, the Dutch began to establish their trading and colonial empire in the East Indies (modern Indonesia). In the search for commercial routes to the Spice Islands in 1615, two Dutch explorers, Jacob Le Maire and William Schouten, were the first Europeans to sail south around Tierra del Fuego and then around Cape Horn (which they named in honor of Schouten’s home town in the Netherlands, Hoorn). However, the Dutch East Indies Company established Cape Town in southern Africa in the mid-17th century and thereafter used the Cape of Good Hope as the trade route to their empire in the East Indies.



Source: Wikimedia Commons available at
<<https://commons.wikimedia.org/wiki/File:CapeHorn.jpg>>

Cape Horn Island – Discovered and Named By Willem Schouten (in 1616) After His Home Town, Hoorn, in the Netherlands

English Exploration (late 18th century). James Cook is widely renowned as England's finest 18th-century explorer, seaman, and surveyor. Between 1768 and 1780, he (and his surviving crew) made three exploratory circumnavigations of the world. On his first voyage (1768-1771), Cook sailed around Cape Horn from east to west on his way to explore the South Pacific. He disproved that New Zealand was the western part of a vast southern continent, and he discovered what later became New South Wales in Australia.

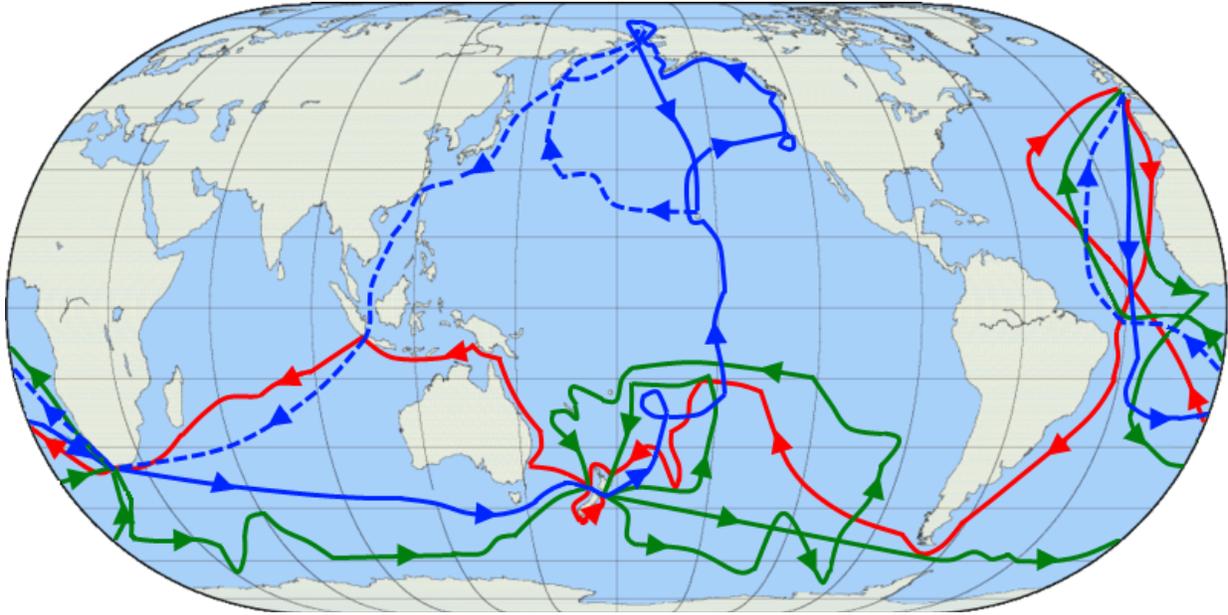


Source: Wikimedia Commons available at
<<https://commons.wikimedia.org/wiki/File:Captainjamescookportrait.jpg>>

Captain James Cook – Portrait by Sir Nathaniel Dance-Holland, c. 1775, National Maritime Museum, Greenwich, UK

The main purpose of Cook's second voyage (1772-1775) was to search for a mythical southern continent that was thought to penetrate quite far north into the South Pacific Ocean. Cook explored much of the South Pacific and three times crossed the Antarctic Circle, disproving the existence of a north-lying southern continent in a voyage of 60,000 miles. On that voyage Cook returned home by way of Cape Horn, sailing it from west to east. Cook's third voyage had the greatest impact

on the future commercial importance of the Cape Horn trade route – even though Cook’s focus of exploration was the North Pacific.



Source: Wikimedia Commons, available at
<https://commons.wikimedia.org/wiki/File:Cook_Three_Voyages_59.png>

Three Circumnavigations of Captain James Cook – First (1768-1771, Red), Second (1772-1775, Green), Third (1776-1779, Blue)

On his third and final voyage, Cook discovered Hawaii (which he called the Sandwich Islands), sailed through the Bering Strait into the Arctic Ocean, and was killed in Hawaii after his return trip there.

Cook’s men sailed to Siberia and China before returning home to England. While in China, they sold sea otter pelts, obtained for trinkets on the Northwest coast of North America, at an enormous profit.

Shortly thereafter, English merchants exploited that opportunity and opened the first important Cape Horn trade route.

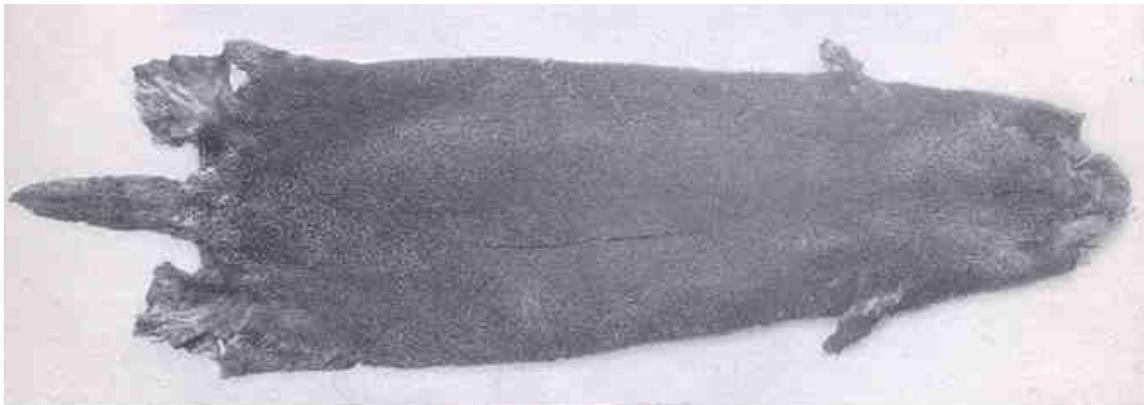


Source: Wikimedia Commons available at
<https://commons.wikimedia.org/wiki/File:Sea_otter_cropped.jpg>

Sea Otter (Enhydra lutris) – The Market in China for Its Valuable Pelts Was the Basis for the First Cape Horn Trade Route

The China Trade (late 18th-early 19th centuries). English merchants pioneered the China trade around Cape Horn, beginning in the 1780s. Yankee merchants then dominated from the early 1790s to the decline of the China trade in the 1840s. The Chinese had little use for the crude manufactured goods then made in New England. The astute Yankee traders thus had to convert their manufactures into

specialty goods that were in demand in China. In the early stages of the China trade, the Chinese bought principally two exports from America – ginseng grown in New England, and sea otter pelts that the Yankee traders obtained from Northwest Coastal Amerindians in exchange for cloth, firearms, rum, kettles, knives, and hatchets made in New England.



Source: Wikimedia Commons available at
<https://commons.wikimedia.org/wiki/File:FMIB_33982_Sea-Otter_Skin,_Dressed,_Natural.jpeg>

Sea Otter Skin, Dressed and Natural – c.1901-1902

Soon the enterprising Yankee traders supplemented those limited exports by obtaining other commodities en route to China. Seal pelts, initially captured and cured in the region surrounding Cape Horn, especially the Falkland Islands and the Pacific island of Masafuera, were the most important of those new export items. In addition, the Yankee merchants bartered for specialty items in various Pacific islands –

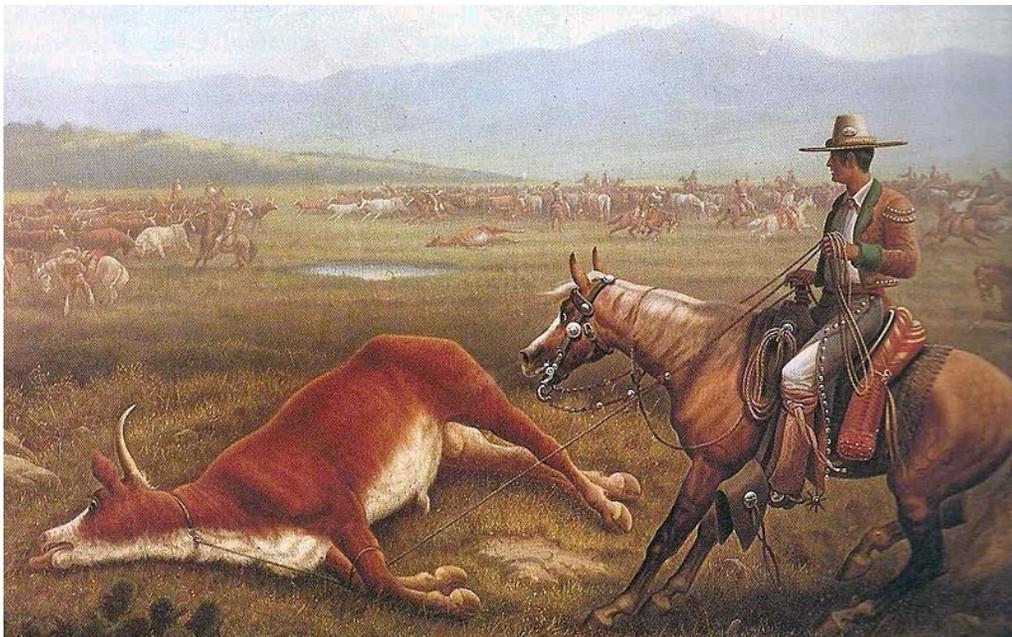
sandalwood (a fragrant wood mainly from Hawaii), birds' nests (for Chinese soups), bêche-de-mer (foot-long sea slugs), coral moss, and mother of pearl. In return for those exports to China, the New Englanders obtained tea, silk, porcelain (“china”), and medicines produced in China. The China trade prospered for a half century, featured private, merchant-owned vessels and stock companies, and provided an important portion of the capital that was invested in manufacturing in the northeastern United States during the first half of the 19th century.



Source: *Wikimedia Commons* available at
<https://commons.wikimedia.org/wiki/File:View_of_the_Hongs,_Canton.jpg>

*Canton, China, c. 1850 –
Leading Chinese Port on the China Trade Route Around Cape Horn*

The California Trade (first half of 19th century). The California market was closed to all but Spanish traders while California was a part of Mexico and a Spanish colony. Although much smuggling did occur, the California trade became important only after Mexico won its independence from Spain in 1821 and opened international commerce. The merchants were principally enterprising New England Yankees who used the Cape Horn trade route in sailing ships. Under Mexican rule, California was divided into enormous rancheros through a system of government land grants. The land was used mainly to graze cattle.



Source: Wikimedia Commons available at
<<https://commons.wikimedia.org/wiki/File:Vaqueros.jpg>>

Vaquero (Cowboy) Roping a Steer, Mexican California, 1830s

The Yankee merchants provided both an export market for cattle products and developed an import market in California for their manufactures. California cattle produced hides for export to New England and New York (for use in tanneries and shoe factories) and tallow (animal fat) for export to Peru and other Latin American republics (for use in the manufacture of soap).



Source: Wikimedia Commons available at
<https://commons.wikimedia.org/wiki/File:Hide_Droughing.jpg>

*Moving Cattle Hides to a Ship for Export in the 1830s –
Illustration in Richard Henry Dana, Two Years Before the Mast, 1840*

Yankee traders sold a wide range of merchandise in California including cotton and linen cloth, glass, tools, rice, cocoa, and gunpowder. The entrepreneurial merchants encouraged trade by turning

their ships into floating stores, hiring permanent sales agents, easing the delivery of export products, and extending long-term credit. Those merchants made higher margins on their sales of merchandise in California than they did on their sales of tallow in Latin America or of hides in the US northeast. The California trade ended abruptly with the California gold rush, the war between Mexico and the United States, and the subsequent transfer of California to the United States in 1850.



Source: *Wikimedia Commons available at*
https://commons.wikimedia.org/wiki/File:U.S._Territorial_Acquisitions.png

Mexico’s Territorial Losses to the US – Secession of Texas (1836, Blue), Mexican Cession (1848, Pink), Gadsden Purchase (1853, Tan)

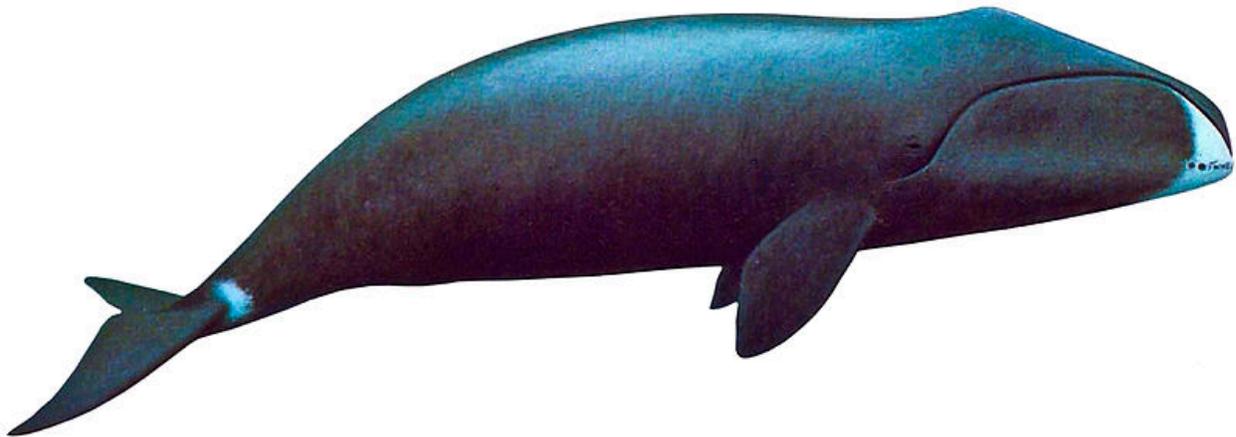
Whaling (late 18th-19th centuries). A significant number of the ships rounding Cape Horn in the late 18th century and in the first two-thirds of the 19th century were whaling ships. During the last quarter of the 18th century, American whalers, working mostly out of Nantucket and New Bedford, dominated the world whale fishery until much of the U.S. fleet was destroyed in the Revolutionary War. American and British whalers moved into the South Atlantic in the 1780s. There operations occurred principally in the Falkland Islands and, to a lesser degree, in Tierra del Fuego.



Source: Wikimedia Commons, available at
<https://commons.wikimedia.org/wiki/File:New_Island_Whaling_Station.jpg>

Former Whaling Station, New Island, West Falkland, Pictured c. 1910

The first whaling ship to go around Cape Horn into the Pacific Ocean was the *Amelia*, a British ship manned with an American crew, in 1787. The first major Pacific whale fishery was coastal Chile, but by the turn of the 19th century Pacific whaling centered on the Galapagos Islands (off Ecuador) and the whaling fleet consisted of several hundred ships. Pacific whaling gradually moved north and by the mid-19th century took place mainly off Japan and in the Bering Sea.

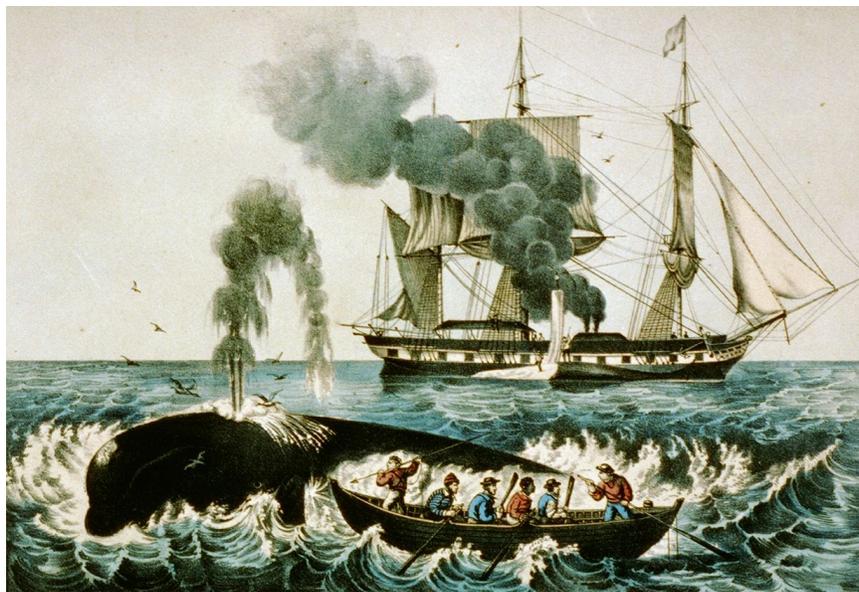


Source: Wikimedia Commons available at
<[https://commons.wikimedia.org/wiki/File:Bowhead-Whale1_\(16273933365\).jpg](https://commons.wikimedia.org/wiki/File:Bowhead-Whale1_(16273933365).jpg)>

*Bowhead Whale, Key Species Caught in Pacific Whaling –
Adult Males Reach 60 Feet, Weigh 60 Tons*

American whalers regained their dominance over their British counterparts when Britain stopped protecting imports of whale oil in 1846. In that year more than 700 of the 900 whaling ships in the world

were registered in the United States. The American fleet suffered a major blow in the U.S. Civil War when the Confederate ship, *Shenandoah*, destroyed 38 Union whaling ships in the Pacific. After the American transcontinental railroad was completed in 1869, most whale oil and baleen shipments moved by rail from San Francisco to the U.S. east coast rather than by ship around Cape Horn. Whaling firms then moved their operations from New England to San Francisco.

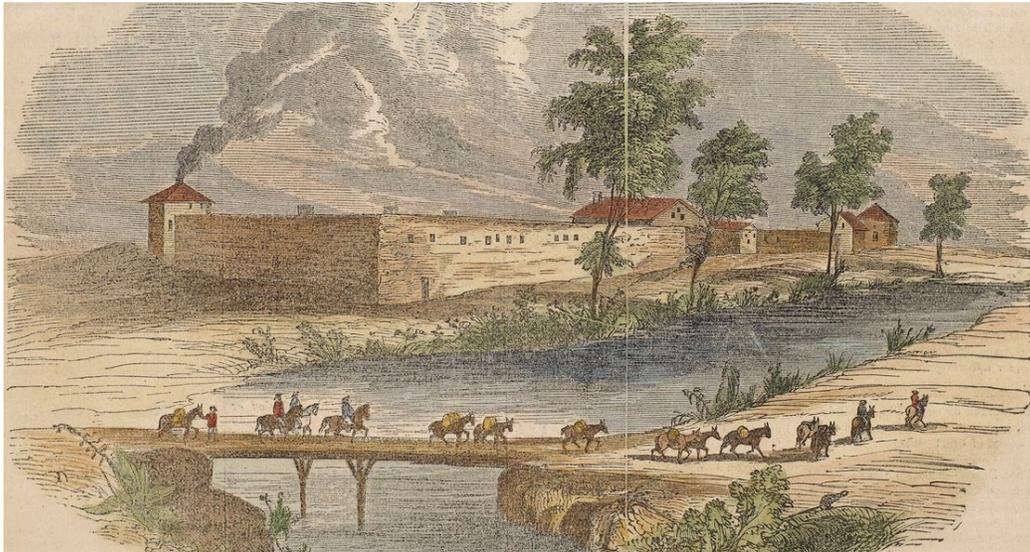


Source: Wikimedia Commons available at
<https://commons.wikimedia.org/wiki/File:Walfang_zwischen_1856_und_1907.jpg>

*New England Whaling in the Pacific Ocean, c. 1860 –
Attacking a Bowhead Whale, Currier & Ives*

The California Gold Rush (mid-19th century). The Cape Horn trade route received a large stimulus from the gold rush to California

that began in 1849 and lasted for about a decade. Gold was discovered near Sacramento, California in January 1848, but the extensive ore deposits were not widely publicized until December of that year.

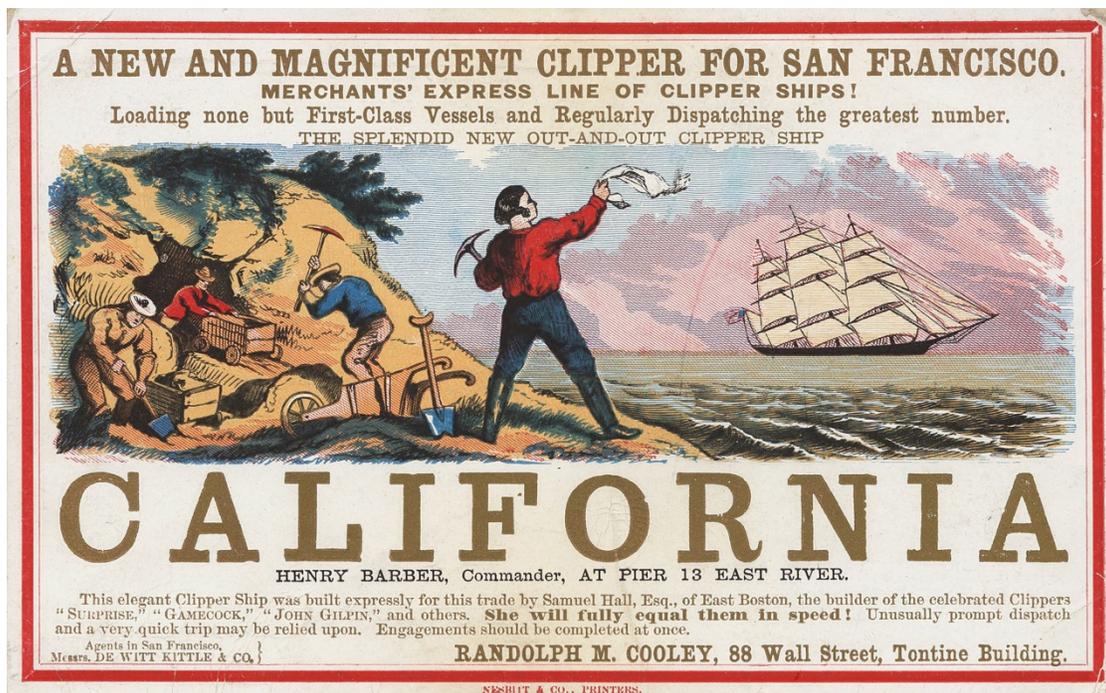


Source: Wikimedia Commons available at
<https://commons.wikimedia.org/wiki/File:Sutter%27s_Fort_from_Gleason%27s_Pictorial_Drawing_Room_Companion.jpg>

*Contemporaneous Illustration of Sutter's Fort in the 1840s –
Where Gold in California was First Discovered in 1848*

For most prospectors, the gold rush took place in 1849. Most gold rushers from New England and New York chose to go to California by ship around Cape Horn because the shipping route was well-known in the northeastern United States, many were comfortable aboard ships, and travel by sea permitted migrants to carry extra baggage to sell in California. In 1849, about 40,000 gold rushers went to San Francisco by

sea, about half around Cape Horn (others went across the Isthmus of Panama). Perhaps 70 percent of those going around the Horn were Americans. The trip from northeastern United States to San Francisco covered 13,000 miles, took about six months, and caused passengers to experience a wide variety of climates – from frigid to torrid.



Source: *Wikimedia Commons* available at
<https://commons.wikimedia.org/wiki/File:California_Clipper_500.jpg>

*Advertisement Promoting Sailing from New York to California –
Aboard an American Clipper Ship for the Gold Rush, c. 1850*

Most New England gold-rushers organized themselves into joint stock companies and purchased or rented vessels for the trip, but all of those companies quickly dissolved upon arrival in California. The gold

rush to California created a crisis in American shipping capacity. Of the 300 ships that rounded the Horn in 1849, half never sailed again because of desertions by their crews or conversion of the ships into riverboats, temporary warehousing, or building materials.



*Source: Wikimedia Commons available at
<https://en.wikipedia.org/wiki/File:SanFranciscoharbor1851c_sharp.jpg>*

*Gold-Rush Merchant Ships in San Francisco Harbor in 1851 –
Yerba Buena Island Is in the Background*

The Yankee Clippers (second half of 19th century). The shipping shortage was resolved by construction of Yankee clipper ships. Clipper ships were built to emphasize speed over cargo capacity. The

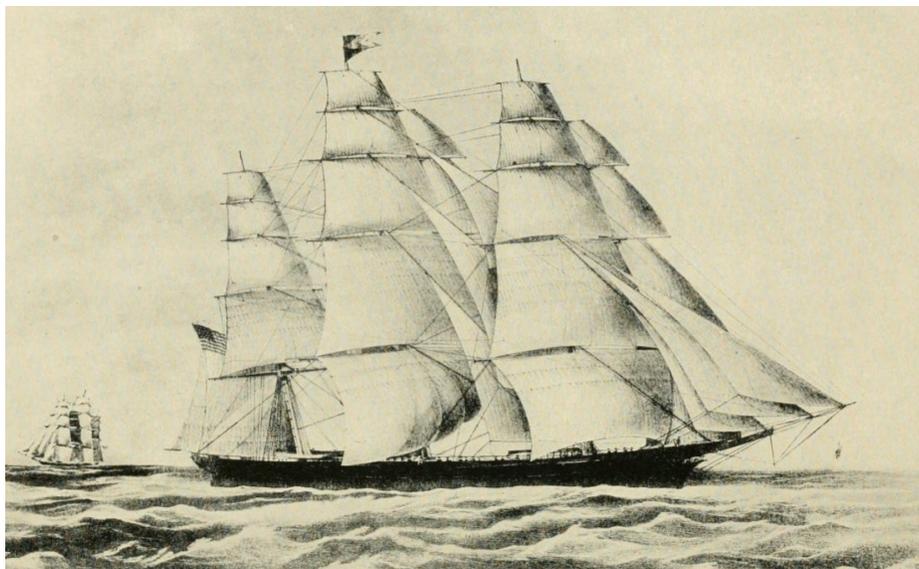
sleek body, tall masts, and maximum sail (“clouds of canvas”) created the most beautiful sailing ship ever constructed for carrying cargo. The clipper, first constructed in Baltimore in the 1830s, allowed America temporarily to overtake Britain as the leading shipping nation in the world. The clipper ship era of the 1850s is often called the Golden Age of the U.S. merchant marine. American sailing techniques improved greatly with Mathew Maury’s publication of *Sailing Directions and Wind and Current Changes*.



Source: Wikimedia Commons available at
<https://commons.wikimedia.org/wiki/File:Portrait_of_an_American_Clipper_Ship.jpeg>

*19th-century Yankee Clipper Ship –
Painting by Lai Fong, Calcutta, India, Late 19th century*

Yankee clippers carried most of the premium freight (but not the passengers) around Cape Horn during that decade. Use of the clippers reduced the average time for the Cape Horn trip from 200 days to 90 days. The *Flying Cloud*, designed by Donald McKay, made the westward journey in 89 days in 1851, whereas the *Northern Light*, under the command of Freeman Hatch, set the eastward record with a trip of 76 days in 1853.



Source: Wikimedia Commons available at
<<https://commons.wikimedia.org/wiki/File:Flyingcloudclipper.jpg>>

*Drawing of The Flying Cloud –
State Street Trust Company, Boston, 1913*

Several events led to the rapid decline of the importance of clippers in American shipping. The opening of the Panama Railroad in

1855 captured much of the premium freight and accelerated the decline in freight rates, the Depression of 1857 cut off speculative investment in new clippers, and the American Civil War (1861-1865) resulted in the destruction by the Confederate Navy of many of the Union clipper ships. The spectacular era of the Yankee clipper ships ended with the inglorious shift of many of the remaining clippers to haulage of grain and guano (bird droppings used for fertilizer).



Source: Wikimedia Commons available at
<https://commons.wikimedia.org/wiki/File:Panama_Canal_Railway.svg>

Route of the Panama Railway, Connecting the Atlantic and Pacific Oceans – Opened in 1855 and Undercut the Cape Horn Trade Route

Decline of Cape Horn Route (second half of 19th century).

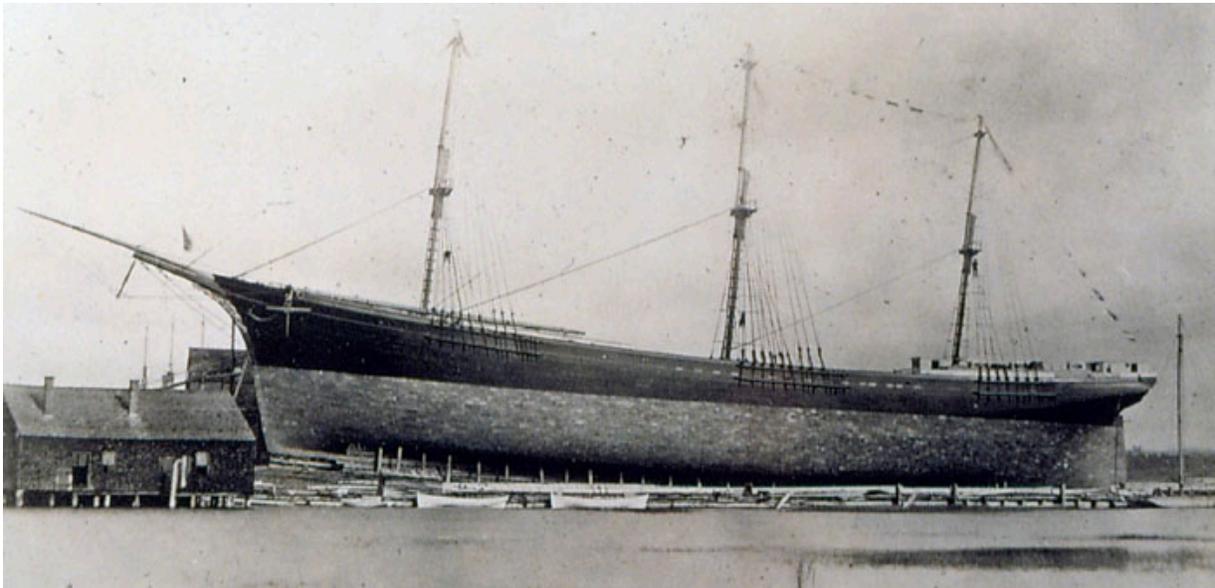
Between 1855 and 1869, two developments undercut the need to ship all but low value, bulky commodities around Cape Horn. The completion of the Panama Railroad in 1855 shifted premium freight to the trans-isthmian land crossing. For higher value goods, the time saved in avoiding the journey around Cape Horn more than offset the extra transportation and handling costs. Then in 1869, the construction of the U.S. Transcontinental Railroad out-competed the Panama Railroad for movement of very high valued goods.



*Source: Wikimedia Commons available at
<https://commons.wikimedia.org/wiki/File:The_Last_Spike_1869.jpg>*

*Completion of US Transcontinental Railroad At Promontory Point,
Utah, May 1869 – The Last Spike, Painting by Thomas Hill, 1881*

Clipper ships hauled only heavy, bulky commodities after their hey-days of the 1850s. Starting in the 1870s, they were replaced by “down-Easters,” large, strong ships, made in New England, designed to carry twice as much cargo per ton of ship weight as the clippers. Then in the 1880s, steamships gradually replaced the sailing ships.



Source: Wikimedia Commons available at
<https://commons.wikimedia.org/wiki/File:Down_Easter.jpg>

Launch of a Down Easter Ship, Maine, 1884

Fast, coal-burning vessels could make the trip around the Horn in 60 days, half the time of the down-Easters and two-thirds that of the clippers. Most of the modest profit from this trade originated in the commodities that moved from west to east – a reversal of the situation

before the 1860s. The mainstay of this bulk trade was grain, especially wheat from California. From the 1880s, the grain trade was supplemented importantly by sugar from Hawaii. Other commodities on this route included nitrates, guano, salmon, borax, hides, wool, and iron and copper ores. The main commodity moving from east to west was coal from Europe. Cargoes from the U.S. east coast were a diverse mixture of low value items – metals, cloth, hardware, naval stores, and hardwood. The route around the Horn thus was reduced to a “freight highway” for low value commodities carried on a shifting mix of ships.

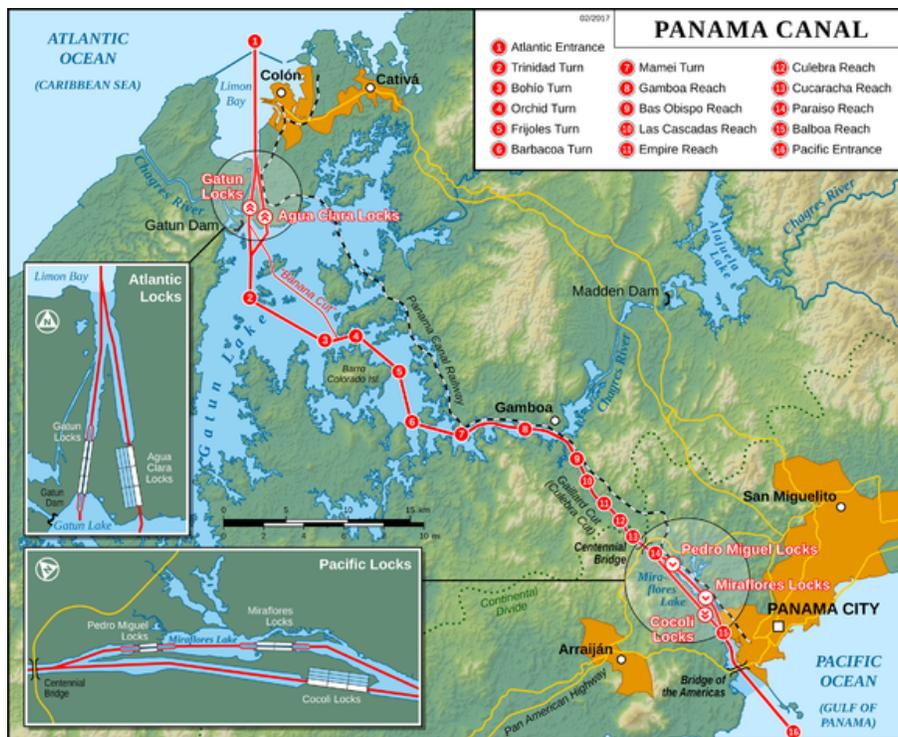


Source: Wikimedia Commons available at
<[https://commons.wikimedia.org/wiki/File:B\(1871\)_p307_ROUNDING_CAPE_HORN.jpg](https://commons.wikimedia.org/wiki/File:B(1871)_p307_ROUNDING_CAPE_HORN.jpg)>

*H.M.S. Endymion Rounding Cape Horn –
Steam-powered Ship Drawn by Herbert Roxby, 1871*

The Cape Horn Route After the Panama Canal (20th century).

The opening of the Panama Canal in August 1914 significantly affected the importance of the Cape Horn trade route. The initial effect of the Panama Canal was to limit trade around Cape Horn mostly to local traffic in goods moving between Chile and Argentina or their neighbors.



Source: Wikimedia Commons available at
<https://commons.wikimedia.org/wiki/File:Panama_Canal_Map_EN.png>

The Panama Canal, Opened 1914 – Limited Cape Horn Trade

However, since the end of the Second World War, use of the Cape Horn route for trade and military repositioning has enjoyed a modest rebirth. The locks of the Panama Canal impose a limit – the so-called

PANAMAX limit – on the size of ship that can transit the Canal. Until the Canal was enlarged in 2016, no ship greater than either 1000 feet in length, 110 feet in width, or 150 feet in height could use the Canal. In 2019, the *Triton* (1,211 feet in length, and 168 feet wide) became the largest ship ever to transit the Canal. In spite of the enlargement of the Canal, many enormous ships have been constructed that are too large to transit the Canal. Those ships – petroleum supertankers, huge cargo ships, and naval aircraft carriers – must use traditional means of inter-oceanic transit – rounding either Cape Horn or the Cape of Good Hope.



Source: Wikimedia Commons available at
<https://commons.wikimedia.org/wiki/File:Maersk_Mc-Kinney_Møller.jpg>

*Triple E-class Container Ship, Maersk Mc-Kinney Møller –
Too Large to Use the Panama Canal, But Able to Use the Suez Canal*

The importance of the Cape Horn trade route peaked during the early explorations of the Pacific Ocean in the 16th through 18th centuries and especially during the 19th century when inter-oceanic trade connected the west and east coasts of the Americas with each other and with Europe and Asia. But that trade route remains much more than merely an historical curiosity.



Source: Wikimedia Commons available at
<<https://commons.wikimedia.org/wiki/File:ClipperRoute.png>>

The Cape Horn Trade Route from Britain to Australia – late 19th century

Time Line for South America

- 15,000-11,000 BCE people from North Asia migrated into North and South America
- c. 4000 BCE-100 CE Tiwanaku Kingdom in Peru – southern highland valleys – Tiwanaku, capital
- c. 100-700 CE Moche Kingdom in Peru – northwest coast – Cerro Blanco, capital
- c. 600-800 Huari Kingdom in Peru – northern highland valleys – Huari, capital
- 700-1470 Chimú Kingdom in Peru – northwest coast – Chan Chan, capital
- 14th century emergence of Inca Kingdom – initially a small regional kingdom – capital, Cuzco
- 1460s Pachacuti Inca conquered Aymara kingdoms (Colla and Lupaqa) in the Titicaca Basin
- 1470 Topa Inca conquered Chimú and Ecuador
- 1492 Christopher Columbus discovered New World – for Spain
- 1500 Spanish explored coastal areas of Colombia
- 1502 200,000 Amerindians inhabited Panama at the time of Spanish contact
- 1502 1.5-2 million Amerindians inhabited Colombia at the time of Spanish contact

1503-1660	16,000 tons of silver and 185 tons of gold shipped from Spanish America to Seville
1513	Vasco Nuñez de Balboa discovered the passage across the Isthmus of Panama
1519-1522	Ferdinand Magellan and colleagues – first circumnavigation of the world – went through the Strait of Magellan in 1520
1520s	Spain conquered Colombia and Panama
1525	Huayna Capac Inca (emperor) died – succession war between two sons – Atahualpa defeated Huascar (Cuzco)
1526	Spanish established their first lasting city in Colombia at Santa Marta
1530s	Spain conquered Peru
1532	Francisco Pizarro began the Spanish conquest of the Incas – 260 conquistadors – captured Atahualpa Inca for ransom
1533	Pizarro murdered Atahualpa – after ransom was paid
1533	Spanish colonists established Cartagena – Spain’s main port, entrepôt, and naval base in New Granada
1534	Sebastián de Benalcázar, Pizarro’s lieutenant – defeated Incas, conquered Quito

- 1536 Pedro de Mendoza established a small camp. Buenos Aires – 1.5 million Amerindians inhabited Argentina
- 1538-1821 Spain ruled Panama
- 1538 Jiménez de Quesada founded Bogotá as the capital of Spanish New Granada
- 1539 Manco Inca established Inca state in Vilcabamba – harassed Spanish colonists
- 1540s-1740s Peruvian silver was transported across Panama (from Pacific to Caribbean) by mule caravans, loaded on Spanish convoy ships
- 1540 Spanish conquistadors, led by Pedro de Valdivia, arrived in Chile
- 1540 800,000 to 1.2 million Amerindians inhabited Chile at Spanish contact
- 1542-1819 Spain ruled Colombia – New Granada was part of the Viceroyalty of Peru (1542-1739)
- 1572-1824 Spain ruled Peru
- 1571-1815 Manila Galleon Trade Route operated – Manila to Acapulco – annual convoy – Canton silk, porcelain traded for silver
- 1571 Patio Process introduced in Peru – used mercury to refine low-grade silver ore

- 1572 Spanish conquistadors defeated Inca forces – executed Túpac Amaru Inca (emperor) – ended Inca resistance to Spanish rule
- 1577-1580 Sir Francis Drake – second circumnavigation of the world – went through the Strait of Magellan in 1578
- 1580 Spanish colonists established permanent base in Buenos Aires – site of Mendoza’s abandoned camp
- 1598 Mapuche, Amerindians in southern Chile, defeated Spanish colonists – retained their independence until 1883
- 1615 Jacob Le Maire and William Schouten – first Europeans to sail around Cape Horn (named in honor of Schouten’s home town in the Netherlands, Hoorn)
- 1739-1819 New Granada was a separate Spanish Viceroyalty – capital at Bogotá – included presidencies of Panama and Ecuador
- 1768-1771 Captain James Cook’s first circumnavigation – sailed around Cape Horn from east to west – explored South Pacific
- 1772-1775 Captain James Cook’s second circumnavigation – sailed around Cape Horn from west to east – crossed Antarctic Circle

- 1776-1779 Captain James Cook's third voyage – did not sail around Cape Horn – explored Bering Strait – Cook killed in Hawaii
- 1776 Spain established the Viceroyalty of the Rio de la Plata, headquartered in Buenos Aires – included Upper Peru (and Potosí silver)
- 1781 Comuneros Insurrection in New Granada – led by José Antonio Galán – anti-tax increases – easily suppressed by Spain
- 1780s-1860s American whaling ships dominated whaling in the Pacific – whale oil, baleen moved by ship around Cape Horn to Atlantic markets
- 1790s-1840s Yankee merchants dominated the China Trade Route – bought Chinese tea, silk, porcelain – sold ginseng, seal/sea otter pelts
- 1806-1807 British forces occupied Buenos Aires
- 1808 Napoleon deposed King Ferdinand VII of Spain – Viceroy José de Abascal in Peru remained loyal to the king
- 1816 Argentina declared its independence from Spain – established the independent United Provinces of the River Plate
- 1818 Chile declared its independence from Spain – forces led by José de San Martín, Argentine, and Bernardo O'Higgins, Chilean

- 1819 Colombia declared its independence from Spain – Simón Bolívar, key liberator
- 1819-1830 Colombia was a member of Simón Bolívar's short-lived Republic of Gran Colombia
- 1820 Ecuador declared its independence from Spain
- 1821-1848 The California Trade Route – New England merchants sailed to California – bought cattle hides, tallow – sold cloth, gunpowder
- 1821 Panama declared its independence from Spain
- 1821-1830 Ecuador and Panama (within Colombia) were in the Republic of Gran Colombia
- 1824 Battle of Ayachuco – General Antonio de Sucre (with troops from Simón Bolívar's Colombia) defeated Peruvian loyalists
- 1824 Peru declared its independence from Spain
- 1829-1852 Juan Manuel de Rosas governed Argentina – oversaw export boom in cattle products
- 1830 Colombia and Ecuador became fully independent
- 1830 Simón Bolívar declined an invitation to become dictator of Ecuador
- 1830s-1890s Era of the Yankee Clipper Ships – Cape Horn voyage reduced to 90 days – first, high-value goods – later, grain and guano

1830-1903	Panama was a province of independent Colombia
1839	Chile defeated Peru – forced Peru to dissolve its federation with Bolivia (1827-1839)
1849-1859	California Gold Rush – half of gold rushers sailed to California around Cape Horn – half of American fleet stayed in San Francisco
1850-1855	Construction of the Panama Railroad
1855-1869	Panama prospered from Atlantic-Pacific transit trade on the Panama Railroad – until the U.S. Transcontinental Railroad opened
1865-1870	War of the Triple Alliance (Paraguayan War) – Brazil, Argentina, and Uruguay defeated Paraguay – Brazil and Argentina gained land from Paraguay
1869	US Transcontinental Railroad completed – reduced haulage of high-value goods and passengers around Cape Horn
1879-1884	War of the Pacific – Chile defeated Peru and Bolivia – gained nitrate-rich Antofagasta from Bolivia and Tarapacá, Arica, and Tacna (until 1929) from Peru
1883	Chilean government troops defeated the Mapuche Amerindian forces – appropriated most Mapuche land
1888	Chilean government annexed Easter Island (Rapa Nui) – after purchasing most of the island from the Brander family of Tahiti

- 1899-1902 War of the Thousand Days (1899-1902) – civil war in Colombia, Conservative Party versus Liberal Party, 120,000 died
- 1903 Colombia refused to ratify Hay-Herrán Treaty (1902) – precipitated U.S. invasion of Panama to support revolt for independence
- 1903 Hay-Bunau-Varilla Treaty – Panama gave the U.S. sovereign authority over a ten-mile-wide canal zone in perpetuity
- 1903-1936 Panama was a virtual protectorate of the U.S. – politics in Panama were controlled by oligarchical parties
- 1904 Bolivia ceded Antofagasta to Chile in return for Chile's agreeing to build a railway from Arica to La Paz (which opened in 1913)
- 1914 Panama Canal opened on August 15, 1914 – limited trade around Cape Horn to goods moving between Chile and Argentina
- 1914-1918 World War I – Britain, France, Russia, Italy, Portugal, US defeated Germany, Austria-Hungary, Ottoman Empire
- 1922 Urrutia-Thomson Treaty – normalized relations between Colombia and US – US gave \$25 million indemnity to Colombia (compensation for loss of Panama)

- 1927 Kemmerer Financial Mission to Ecuador – advised economic reforms that were adopted to reduce corruption and patronage
- 1929 Peru officially ceded Tarapacá and Arica to Chile and received Tacna back as well as a \$6 million indemnity from Chile
- 1939-1945 World War II – Allies (Britain, France, US, USSR) defeated Axis (Germany, Italy, Japan, Finland) – Brazil joined the Allies
- 1946-1955 Juan Domingo Perón, President of Argentina – protected industry, taxed agriculture, subsidized urban workers –stagnation
- 1970-1973 Salvador Allende, President of Chile – nationalized 80 percent of industrial output, most banks, all mining companies
- 1973-1990 Augusto Pinochet, President of Chile – brutal political repression – liberal economic policies – privatization (except copper)
- 1977 Torrijos-Carter Treaties – guaranteed neutrality of the Panama Canal, phased transfer of ownership of the canal from the U.S. to Panama by December 31, 1999
- 1981-1989 Manuel Noriégá, brutal military dictator of Panama – opportunistic kleptocrat and drug-dealer
- 1982 South Atlantic War (Argentine invasion of Falkland Islands) – UK (Margaret Thatcher) defeated Argentina (Leopoldo Galtieri)

1989-1990	U.S. invaded Panama – to oust Noriéga and protect American interests in the Canal Zone
2007-2016	Third Set of Locks Project – \$5.6 billion investment – doubled the transit capacity of the Panama Canal
2020	Chile ranked 43 rd of 189 countries in the UNDP’s Human Development Index
2020	Argentina ranked 46 th of 189 countries in the UNDP’s Human Development Index
2020	Panama ranked 57 th of 189 countries in the UNDP’s Human Development Index
2020	Peru ranked 79 th of 189 countries in the UNDP’s Human Development Index
2020	Colombia ranked 83 rd of 189 countries in the UNDP’s Human Development Index
2020	Ecuador ranked 86 th of 189 countries in the UNDP’s Human Development Index

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Sites Visited in South America

A Cruise in South America and the Caribbean

Silversea Cruises

February 6-March 1, 2008

Ship-based, Aboard the Silver Wind

Buenos Aires, Argentina

We started our expedition in Buenos Aires, our only port of call in Argentina. A century ago, Argentina was one of the world's ten richest countries. But decline set in during the 1920s, and Argentina continues to struggle to regain the export-led momentum that propelled its rapid growth in the 19th century. The architecture in old Buenos Aires reflects the early wealth, based on agricultural exports (beef, wheat, and maize), when the city tried to emulate Paris in grandeur. Buenos Aires today remains one of the most impressive cities in Latin America. After my daughter, Sarah Pearson, arrived, we took full advantage of the opportunity to buy world-class leather products – jackets, purses, wallets, and gloves.

Montevideo, Uruguay

We sailed eastward down the Rio de la Plata (a wide estuary) to Montevideo, Uruguay, our second port of call. Uruguay is about the size of Iowa and has 3.3 million residents. Like Iowa, Uruguay's economy is based on highly productive agriculture. Our guided tour of Montevideo provided an excellent summary of Uruguayan history. During most of the colonial period (1500s-1810s), Uruguay was a Spanish colony. It was briefly part of Brazil (1821-1825), and in 1828 (following a three-year war between Argentina and Brazil) Britain intervened to ensure that Uruguay became an independent buffer state. Montevideo is a charming but slightly tired capital with 1.4 million people.

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**Around the World Expedition, By Private Jet
TCS Expeditions
December 28, 2004-January 19, 2005
Airplane-based**

Cuzco, Peru

In 1500, the Inca Empire was at its peak of power and territory, stretching more than 2000 miles from northern Ecuador to central Chile and 300-500 miles from the Pacific coast to the Andes Mountains. Cuzco was the Incan capital (and Machu Picchu was the Incan Camp David). Spanish conquistadors conquered the Incas in the 1530s and turned Peru into the center of Spanish colonial South America. By 1750, Peru had supplied Spain with enormous wealth (mostly silver from the Potosi mine in modern Bolivia). Contemporary Peru contains spectacular monuments of the Incan and Spanish pasts.

The Monasterio Hotel in Cuzco and the well-preserved ruins at Machu Picchu are spectacular touristic attractions (if one can adjust quickly to high altitudes). But independent Peru has struggled for nearly two centuries to build a viable nation-state. The high hopes following the recent election of Alejandro Toledo, a Stanford-educated economist, as president have yet to be fulfilled. In spite of ample mineral and agricultural resources, modern Peru continues to struggle to raise the standard of living of its impoverished people, especially its large population of Quechua Indians, descendants of the once powerful Incas. Peru has made significant strides in the past two decades, yet it still lags behind the faster growing economies of Latin America (Chile, Brazil, and Mexico).

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**South America Expedition By Private Jet
TCS Expeditions
February 19-March 11, 2002
Airplane-based**

Cuzco, Peru

Quechua-speaking Indians constitute about half of the 26 million people of contemporary Peru. When the Spanish conquered the Incans in the 16th century (1532-1572), they adopted many of the Incan rulers' methods of political and economic control. Spanish exploitation of the Indians resulted in a massive decline in population, but the Quechuans rebounded in the 19th and 20th centuries under independent Peru. Cuzco today is a bustling, yet poor, city of a quarter million. The principal Incan monuments are located near but outside the former Incan capital city – mostly to the north in the sacred valley of the Urubamba River. To see Machu Picchu is a breath-taking experience. Specialists continue to debate what roles Machu Picchu played during its brief century of existence – spiritual retreat, military outpost, research and education center, or production area for specialty crops. Whatever the Incas intended, they created a spectacular town with amazing architecture and masonry in a beautiful mountain setting.

The Galapagos Islands, Ecuador

In 1835, two significant events occurred in the Galapagos Islands that were to have long-term impacts on the remarkable fauna and flora of these then uninhabited islands. First, the new government of Ecuador, which had gained independence in 1832, planted the Ecuadorian flag on the islands, which are located about 600 miles due west of Ecuador and north and south of the Equator in the Pacific Ocean. For the next one-and-one-half centuries, Ecuadorians used the islands intermittently as a base for whaling and fishing, a penal colony, and for agricultural settlement. Second, Charles Darwin and his shipmates on the *Beagle*

spent five weeks in the Galapagos in September and October of 1835. This brief visit placed the archipelago on the map of scientific enquiry because Darwin's observations of the unique plant- and animal-life of the Galapagos are believed to have aided his development of the theory of evolution. Those two events symbolize the longstanding controversy between use of the islands for economic development versus conservation of the natural resources and maintenance of biodiversity.

In recent years, the government of Ecuador has dedicated about 96 percent of the land area of the Galapagos Islands to national parks and encouraged tourism. However, the remaining four percent open to use by settlers contains some critical areas needed for more complete conservation and some endemic species remain endangered. The best way to visit the islands is by ship, and our group traveled very comfortably on the *Galapagos Explorer II*. In three days aboard that ship, we went ashore on many of the islands to hike and snorkel. We observed most of the bird, marine, and land mammal species for which the Galapagos has become renowned – the blue-footed booby, the frigate, sea lions, sharks, rainbow fish, rays, marine and land iguanas, sea turtles, and giant tortoises. The most impressive creature from my perspective was a giant tortoise that the guide claimed to weigh perhaps 600 pounds and be 80 years old. The Galapagos Islands are incredibly diverse in physiographic features as well as in plants and animals. Some islands are stark with barren lava flows and others are richly covered in tropical vegetation. This amazing archipelago fully lives up to its reputation as a treasure house for touristic observation and scientific enquiry.

Iguazu Falls, Brazil and Argentina

In recent travels, Sandra and I have had the opportunity to see Victoria Falls in southern Africa and Tis Isat Falls in Ethiopia, both spectacular sites. Neither, however, can hold a candle to the scope, power, and beauty of the Iguazu Falls in southern South America. These falls are located on the Iguazu River, which forms the contemporary border

between northeastern Argentina and southern Brazil, just a few miles east of the confluence of the Iguazu and Parana Rivers. Only about 15 percent of the enormous, horseshoe-shaped falls are in Brazil on the northern side of the river and the remaining 85 percent are on the southern side of the river in Argentina. Argentina gained its portion of the Iguazu Falls after the War of the Triple Alliance (1865-1870) in which Paraguay foolishly attacked Uruguay, Argentina, and Brazil and wound up losing the war, much of its territory, and nearly half of its total population. Part of the land ceded by Paraguay to Argentina contained the largest part of the Iguazu Falls.

Both Brazil and Argentina have done admirable jobs of creating touristic facilities to observe the falls. The Iguazu Falls look completely different when viewed from Brazil compared with observation from Argentina. From the north side in Brazil, one gains a full appreciation of the enormity of the falls because they are viewed at a distance. In contrast, from the south side in Argentina, one feels a part of the falls because the Argentines have constructed a long walkway that permits tourists to stand nearly on top of the falls and to enjoy their powerful mist. Relative to our (admittedly modest) expectations, Sandra and I felt that the magnificence of the Iguazu Falls provided the most pleasant positive surprise of the entire trip.

Bariloche, Argentina

The small city of Bariloche (officially called San Carlos de Bariloche) is located in northwestern Patagonia where the barren steppes evolve into glacial lakes in the foothills of the Andes Mountains. The northern portion of the lake and fjord district of Chile lies just across the Andes from Bariloche. Surrounded by lakes and mountain views, the site of the city is spectacularly beautiful. Bariloche was settled largely by German immigrants in the 1920s, and it resembles a town in the Bavarian Alps. From the outset the city has focused on tourism and specialty industries (such as the manufacture of chocolates). The stone-and-wood architecture of the city is distinctively attractive. It reaches its

peak in the Llao Llao Hotel, built in 1938 and justifiably noted as one of the leading hotels in the world. Our visit was dampened by unseasonable rain and cold, but we nevertheless enjoyed our visits to islands in the lakes and to caves containing early Indian stone paintings.

From the elegance of the Llao Llao and the bustle of the small city, it was difficult to discern that Argentina is suffering from a severe economic and political crisis. During the second half of the 19th century and the early part of the 20th century, Argentina exploited its agricultural potential to become one of the richest countries in the world. The sad and puzzling story of the decline of Argentina during the past six decades and the boom and bust of the 1990s is grist for the social scientists' mill.

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A Cruise Around South America
Holland America Line
January 3-February 5, 2000
Ship-based, Aboard the *MS Noordam*

Manta, Ecuador

We sailed on to Manta, Ecuador, our next port of call. Ecuador was quite depressed and very depressing. Unlike Panama, which has been improving economically with expanding service industries connected to the Canal, Ecuador has been a political and economic disaster area. In its 170 years of independence, the country has never been able to transcend the bitter political rivalry between the traditional, land-based power in the highlands and the later, commerce-based power in the coastal region. Shortly after our visit, the country experienced another military coup. That unfortunate event shook the rest of South America since the continent had proudly avoided any coups during the decade of the 1990s.

Lima and Pisco, Peru

Our two next shore visits were in Peru, another under-achieving country. Five hundred years ago, the Inca peoples ruled over one of the largest and richest empires in the world. Since then, neither the Spanish colonists nor the leaders of independent Peru have been able to match the feats of the Incas. Today Peru is one of the poorest countries in Latin America, despite some economic recovery in the 1990s. Sandra and I felt the museums we visited in Lima were the most spectacular of any on the entire trip. The gold and silver work accomplished by the Incas and their predecessors was truly remarkable, and much has been preserved for display in Lima's museums.

Arica, Coquimbo, Valparaiso, and Punta Arenas, Chile

We spent the next week exploring Chile, the amazingly shaped country (2600 miles long and less than 200 miles wide) that features deserts in the north, fertile valleys in the center, and forested and glaciated fjords in the south. (If Chile were in North America, it would stretch from Baja California to southeast Alaska, but upside down.) Chile was a breath of fresh air. The Chilean economy was growing faster than those of most of the Asian tigers, Chile had become the richest country in Latin America, and the country seems to have overcome quickly the horrors of the Pinochet regime. Our first day in Chile was election day. Chile elected a socialist to be its next president, and he is expected to continue the enlightened leadership that the country has had since 1990. The country suffers from a high rate of poverty and unequal income distribution, but those problems can be alleviated with continuing political stability and economic progress. In the far south, at Punta Arenas, we visited a penguin colony on the Straits of Magellan. These fascinating animals migrate to southern Chile from Antarctica (600 miles to the south) to breed and raise their young. (The males feed the chicks by regurgitating recently consumed fish.)

Cape Horn, Chile

Our ship next made the trip around the feared Cape Horn, known throughout maritime history to have some of the most difficult seas in the world. Three days before we were there, the Cape had experienced 40-foot-high waves, big enough to make it exciting even for cruise ships. Our crossing was pleasantly easy since the sea was barely rolling at all. This serenity was welcome since I was lecturing on Cape Horn trade routes just after we rounded the Horn. Trade around the Horn boomed during the first half of the 19th century, declined with the construction of the Panama Railroad (1855) and the U.S. trans-continental railroad (1869), and nearly disappeared after the opening of the Panama Canal (1914).

Colonia del Sacramento, Uruguay

We sailed from Buenos Aires back down the River Plate to Montevideo, Uruguay. In many respects, Uruguay's recent history is a miniature reflection of Argentina's. Uruguay, with only 3 million people, has recently emerged from a period of military dictatorial repression and last year had another peaceful democratic election. The economy, once heavily reliant on beef and wool exports, is diversifying into manufactures, services, and tourism. Sandra and I spent our day in Uruguay visiting Colonia del Sacramento, a town located 25 miles across the river from Buenos Aires. Colonia was first established in 1680 by Portuguese colonists and was used to smuggle goods into Buenos Aires. The Spanish finally succeeded in taking over Colonia for good in 1777. The town is now a World Heritage site and is very well preserved with interesting museums containing relics and old Portuguese maps.

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