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## **Trade contraction and economic regression: the Paraguayan economy under Francia, 1814-1840**

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TRADE CONTRACTION AND ECONOMIC REGRESSION.  
THE AGRARIAN ECONOMY OF PARAGUAY, 1810-1840.##

by Mario Pastore##

**Introduction**

I argue here that economic activity fell considerably in the first three decades of Paraguay's early national period, below levels it had attained in the late colonial period and would attain again only after mid nineteenth century. I attribute this economic depression to regional political fragmentation and the institutional regression it triggered. In the 1810s, the United Provinces of the River Plate sought to keep the former provinces of the Viceroyalty of the River Plate under a single federal government, but failed to prevent Paraguay's early secession. They then imposed trade blockades and military threats whose economic and political effects on Paraguay were profound: revenues from taxation of foreign trade fell, scale economies in the provision of defense and justice vanished, a standing Army emerged, public finance crises worsened, and mercantilist regulations were heightened. The fiscal burden and transactions costs in general increased. Proponents of federation, more representative governments, and freer trade progressively declined, while supporters of secession, political absolutism, and government

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##Department of Economics and Latin American Studies Program, Tulane University, New Orleans, LA. I wrote the first version of this paper while visiting at Washington University's Center in Political Economy and Miami University. I presented a later version at the Conference on Economic Consequences of Independence in Iberia and America, Universidad Carlos III, Madrid, August 1991. I thank Douglass North, Jeffrey Frieden, John Lyons, David Landes, Leandro Prados, the Madrid conference participants in general, and an anonymous referee for their comments and suggestions. I also acknowledge a Summer Faculty Research Fellowship from Tulane University's Latin American Studies Program, funded by the Andrew Mellon Foundation. It partially supported work on this final version. Any errors are "mea culpa."

regulation became ever more prominent. Producers and exporters of forest goods and relatively larger landowners constituted the majority of the first group, while the small peasantry is generally thought to have made up the bulk of the second group. In the 1820s, blockade relaxations exacerbated state economic intervention, which included a substantial redistribution towards the state of property rights in land. In the 1830s, renewed blockading had more than proportional negative effects on economic activity, which remained below late colonial levels at least until international waterways became freely navigable shortly after mid-century. Colonial absolutism and mercantilism may be said to have been restored with a vengeance. Long run economic performance worsened.<sup>1</sup>

Of interest, then, is the behavior of an originally fairly open, largely agricultural, relatively distant colonial economy which initially was a part of the broad economic region surrounding the mines of Alto Perú but which later became a relatively isolated political unit of the subregion defined by the Paraguay-Parana-Uruguay river system. One might expect economic issues arising in this context to be amenable to treatment with the tools of international trade, land and locational rent, and regional theories.<sup>2</sup> Late colonial economic activity involved substantial factor mobility and may be thought of in terms of the staple theory of economic growth.<sup>3</sup> The early national economy, by contrast, involved little factor mobility, and is therefore better conceptualized in terms of Ricardo's comparative advantage theorem. Moreover, the events I seek to account for are both economic and political in nature and may be better understood, I submit, by resorting to recent advances in political economy. Particularly useful are neoinstitutionalist contributions to the theory of property rights and of the predatory state.<sup>4</sup> Trade expansion and contraction bring about changes in political coalitions which may be analyzed using Rogowski's extension of the

Stolper-Samuelson theorem along collective action lines proposed by Olson.<sup>5</sup> In this view, trade expansion will benefit owners of abundant factors and producers of goods using those factors intensively, which in economies where land is abundant relative to labour and capital will lead to landowners aggressively seeking to further trade liberalisation vis-a-vis defensive labourers and capitalists; trade contraction, on the other hand, may be expected to benefit owners of relatively scarce factors and of goods produced using scarce factors intensively; that is, trade contraction may be expected to benefit small peasants, labourers, and artisans, who will seek protection, at the expense of landowners, who will oppose it.<sup>6</sup> Changes in the distribution of property rights and the institutional structure that affect incentive systems and economic performance have been linked to public finance crises. Particularly useful in this connection is North and Weingast's recent analysis of seventeenth century England, which argues that budgetary crises, in the absence of an Army and of crown lands, forced absolute monarchs to trade revenue for rule making power with Parliament. Constitutional rule facilitated the development of a market in government securities and, later, in private securities. The capital market that developed as a result helped the eventual launching of the Industrial Revolution.<sup>7</sup> These, then, are the theoretical foundations on which I will build my analysis of the Paraguayan case.

In contrast, the revisionist school has advanced a diametrically opposed interpretive view of Paraguay during the 1810-1840 span and the early national period as a whole. Dominant in the literature since at least the late seventies, its major hypotheses are consistent with an alternative theoretical vantage point. One of the latest proponents of these hypotheses has summarized them as follows:

"after gaining its independence in 1813 this republic experienced an original process of development. The experience began with a radical agrarian reform which concentrated most land in the hands of the state. Rented out at low cost, this vast state domain permitted the establishment of an important class of small farmers. Yields per hectare grew."<sup>8</sup>

In this view "a social revolution permitted the mobilisation of an important part of the agricultural surplus with a view to rapid accumulation in the modern sector of the economy." The process was "crowned, from 1852 to 1865, by a spectacular industrialisation effort."<sup>9</sup> This agrarian reform and industrialisation effort were led by the state, and scholars have therefore characterised the period as an early instance of "state-socialism." These hypotheses are purportedly supported by a body of quantitative evidence not previously available and are said to be consistent with dependency theory. I cannot here discuss the evolution of the revisionist school or the historiography of the 1810-1840 period. I will only cite the major revisionist works in English that concern this period and are supported by archival research, which are those of White, Williams, and Reber.<sup>10</sup> No critical assessment of Paraguay's revisionist school is yet available nor is there a recent historiographical discussion of the literature on the period at issue.<sup>11</sup>

The major proponent of the revisionist-dependency school for the period of concern here is still White. His archival research furnished a data base that has been adopted by most subsequent contributors to the literature, friend or foe, and forms the core of the overall data base currently available on the early national period as a whole.<sup>12</sup> On close examination, however,

these data turn out to offer only weak support for the revisionist hypotheses concerning the period at issue.<sup>13</sup> Furthermore, they suffer from shortcomings that appear to have gone unnoticed. I will show here that even if these shortcomings are disregarded the quantitative data set available for 1810-1840 does not support claims of a social revolution, state-led agrarian reform, and state-led socialism during the period in question. I will also show that to the extent the evidence is reliable it more strongly supports the alternative hypotheses of this paper, which are consistent with additional evidence in secondary sources, as well as with new evidence for the preceding and subsequent periods.<sup>14</sup>

I attempt to support these claims in the sequel. To that end I have organised this paper as follows: section one reviews the late colonial period, in order to provide a benchmark by reference to which later changes in political and economic structure and performance may be judged. Section two consists of three subsections: subsection 2a describes in greater detail the failed attempts at federation of the early 1810's; subsection 2b relates the successful efforts of secessionists to prevail against external and internal foes by increasing the size of the army and moving progressively closer to absolutist rule; subsection 2c first discusses the blockade-induced economic recession and public finance crisis, which worsened as the 1810's wore on; it then describes the military reform of 1819 and the so-called Great Conspiracy of 1820, whose successful repression marked the secessionist regime's definitive consolidation. Section three considers the mounting public finance crisis of the early 1820's, the increase in international trade consequent upon the temporary relaxation of the blockades in the mid 1820's, the subsequent land expropriations by the state, the rise of state ranches, and the greater resort by the state to coerced labour that characterised that

decade. Section four considers the renewal of the blockades in the 1830's, whose recessionary effects were magnified by the now greater state economic intervention. Section five draws conclusions.

**Section 1. Late Colonial Trade Expansion, Institutional Change, and Economic Growth.**

In this section I draw on recent research results to paint a picture of the late colonial economy which portrays the period as one of substantial economic expansion, due mostly to exogenous economic stimuli and institutional innovation. As a result, by the early nineteenth century economic conditions and domestic political alignments differed from those of a century earlier.

Economic activity quickened in Europe as well as in the European periphery as the seventeenth century crisis lifted. Economic growth resumed earliest in Holland and England, partly as a result of institutional innovation. Particularly important in this connection was the exchange of revenue for rule-making power between sovereign and Parliament that characterised transitions from absolute to constitutional monarchies. Constitutional rule encouraged the development of capital markets, helping the Industrial Revolution eventually get under way in that and other ways.<sup>15</sup> British contraband trade with the peripheral Spanish colonies of the southern cone of South America increased in the eighteenth century, and begun to erode the generalised economic depression that had characterised that region for much of the seventeenth century. The center of gravity of the colonial economy shifted from the inland mines of Potosí, to Buenos Aires, the port through which the resource intensive silver and other output of the region could most easily be traded for European manufactures, which were comparatively more capital and labour intensive.<sup>16</sup> To increased British competition for its

empire's economic rents, Spain responded with the Bourbonic Reforms, which were partly economic and partly administrative in nature. The Edict of Free Trade (1778) further encouraged economic activity, in Paraguay by lifting some of the inter-provincial trade hindrances imposed by the Hapsburgs early in the seventeenth century. Administratively, the reforms included the creation of the Viceroyalty of the River Plate, with Buenos Aires as its seat. Government by intendants improved tax collections and the delivery of government services, defense included: the Buenos Aires garrisons were reinforced by larger silver subsidies from the Potosí treasury and men from the outlying provinces, Paraguay among them.<sup>17</sup> There, a corps of semi-professional, salaried officers drawn from among the scions of old land-owning families took over the leadership of the militias.<sup>18</sup>

Exports of Paraguay's main staple, yerba mate, increased particularly rapidly; those of hardwoods and tobacco increased as well, though not as rapidly. Asunción yerba exports in 1776 were only 26,429 arrobas but averaged 195,102 arrobas per year from 1792 to 1796 and 271,322 arrobas per year from 1803 to 1807. The rising regional trade increased demand for transportation (riverain as well as overland), and the rapidly growing city of Buenos Aires required hardwoods for construction and furniture. Imports increased as well but they remained substantially below exports. The Province enjoyed a balance of trade surplus and an inflow of specie.<sup>19</sup>

Increased exports raised the derived demand for inputs of labour, land, and cattle, as well as defense. As the price of labour rose, the state better enforced a 17th Century policy to grant no new encomiendas and to force vacant ones to revert to the crown. For all practical purposes, private encomiendas thus came to their final demise, and they were legally abolished in 1803.<sup>20</sup> However, coerced indigenous labour lingered on, since the crown assigned the



retrieved encomiendas to state enterprises like the tobacco monopoly and the naval stores factory, or to private enterprises it sought to encourage, like the shipyards set up by Basque immigrants. The colonial administration subsidized these private enterprises by assigning them Indians workers who were paid wages lower than those prevailing in the market. While state enterprises relied more heavily on coerced indigenous labour, African slaves predominated in the private sector. That some private encomiendas may have persisted after they were legally abolished is suggested by the fact that after Spanish rule ended, an early national government reiterated the encomiendas' evolution, in 1812. African slavery remained in force as well, both de jure and de facto.<sup>21</sup>

Rising wages -in the yerba industry in particular- also contributed to voluntary migratory movements. There was a comparatively large immigration from other provinces as well as intra-provincial migration, of landless peasants to the yerba area in particular. New towns were formed, the land frontier was pushed farther out.<sup>22</sup> As demand for yerba increased and wages rose, a greater number of free peasants tended to devote a greater part of their time to working for wages in the yerba trade. The old custom of growing two crops per year, consequently, was progressively abandoned.<sup>23</sup>

Staple production and transportation required land and cattle as well. Paraguay's royal forests were the main source of yerba mate and wood for the viceroyalty; thus, yerba gathering, logging, shipbuilding, and cartbuilding increased at several points along the Paraguay river. Land inputs into yerba mate or hardwood production typically were not privately owned since they grew mostly on crown lands. Entrepreneurs who wished to exploit resources owned by the crown could simply buy a license to that end. Licensing conditions were costly to enforce, however, and yerba mate and hardwood forests were exploited

much as a commonly owned resource. Greater yerba harvesting and logging thus led to deforestation, consistent with expectations based on the economic theory of common property resource use.<sup>24</sup> Tobacco, on the other hand, was the main cash crop of mestizo, guaraní-speaking small farmers, who grew it alongside subsistence crops on their privately owned farms.<sup>25</sup>

Yerba production and hard-wood logging also required large inputs of cattle. In turn, cattle raising required grazing lands, which were available in the south east and in the north. Private owners of herds could rent these grazing lands from the crown or come to privately own them through royal grants. Privately owned ranches were formed, in the south from lands and cattle abandoned by the Jesuits. Azara observed that "ranches in Paraguay were smaller than in Argentina, and the cows tamer and fatter." However, the absence of surface salt ("barreros") and the climate itself made cattle raising relatively more difficult in Paraguay than in more southern provinces of the viceroyalty. Thus, late colonial Paraguay was a net importer of cattle. One would expect land rents to appear as export demand for land-intensive staples and cattle expanded and population increased, and evidence to that effect can be found dating back to the 1780's.<sup>26</sup>

The eighteenth century expansion of the yerba and cattle frontiers caused conflicts with equestrian Indians which required that forts be built. To help defray the costs of providing defense the state sought to establish royal ranches on the vast royal lands; "estancias del Rey" emerged where troops could raise horses and cattle and grow crops, thus helping to equip and feed themselves. The colonial administration remunerated military commanders in land, granted according to rank. For this reason, as well as because of their access to indigenous labour, military commanders became relatively prominent among cattle ranchers.<sup>27</sup>

Increased production and exports attracted foreign capital. Greater domestic and foreign trade raised the demand for financial services; these had previously been furnished by the Church, but in the wake of the Reforms the state itself strove to furnish several types of financial services, a good example of which were the so-called "libranzas." Rapidly rising exports led to a surplus in the balance of trade, which was reflected in a net inflow of specie, absorbed partly by the greater volume of trade and partly by a price level increase. That a considerable inflation may have been observed is consistent with the fact that landowning families appear to have held significant hoards of silver plate. Conversely, such hoarding -by decreasing the stock of money- may have kept inflation below levels it might otherwise have reached.<sup>28</sup> Clearly, economic conditions in Paraguay in the first decade of the nineteenth century had improved substantially relative to the late 1770's, when a royal inspector reported that the Province "needed redemption." Depending upon whether one takes as a benchmark the first decade of the nineteenth century, as do I, or the late 1770s,' as does White, the early national period will appear in a very different light. In the first case, the contrast with the late colonial period is much greater than in the second. Estimates of late colonial provincial product are as yet unavailable, but one can say without much hesitation that late colonial economic activity far outstripped that of the early national period.<sup>29</sup>

During the late colonial period, the old land-owning families and the newly arrived immigrants entered into a mutually beneficial division of labour and intermarried. The landowners raised cattle in the countryside while the immigrants concentrated on urban commercial activities, though neither appears to have specialised completely. However, the immigrants' influence on the Asunción cabildo tended to increase at the expense of the landowners who

had formerly dominated it, on account of which some conflicts occurred between them. The colonial economy continued to boom until the European wars disrupted trade.<sup>30</sup>

The nature of provincial political intercourse changed as a result of the late colonial economic expansion, which became more rapid after the Bourbonic Reforms. Paraguay had previously been a highly militarised province, because it was located on the empire's Portuguese and Indian frontiers; it had also been a fairly unruly colony, because military power -in addition to being fairly high- was relatively evenly distributed among the settlers. The crown had -for budgetary reasons- delegated its defense responsibilities onto the settlers in exchange for "encomiendas de indios," which were comparatively numerous and relatively small.<sup>31</sup> In addition, due to the relatively greater distances that separated Paraguay from Spain, this province's settlers had been authorized to elect their own governors in emergencies subject only to royal confirmation, a right they frequently exercised the sixteenth and seventeenth centuries. However, the province lost that right in the 1730's, after the ill-fated "Comuneros Revolt." From then on, only the colonial administration named and removed governors. Furthermore, the Bourbons' determined effort to eliminate the decaying encomienda system implied that the military system would have to be reformed as well. As the encomiendas progressively disappeared, the self-financed encomendero-led militias gave way to a semi-professional officer corps largely paid out of royal revenues. In 1801, the old "urbano" system was strengthened by the "filiado" system, whose salaried officers came from among the most prominent creole landowning and encomendero families. As already noted, the encomiendas were outlawed shortly thereafter, in 1803. The Reforms centralised political power in the colonial bureaucracy and reorganised the military structure so that it more closely

resembled that of a standing army. Absolutism increased and coercive power became more concentrated in the hands of the state. No revolt comparable to that of the "Comuneros" again arose until the early nineteenth century.<sup>32</sup>

In addition, the expansion of foreign trade altered traditional political cleavages. Increased yerba harvesting and cattle ranching improved the fortunes of pursuers of those activities, but had deleterious effects on agriculture, that of tobacco in particular. Rising wages in the yerba industry bid some labourers away from tobacco growers, who were also negatively affected because the Real Renta monopolised tobacco exports. Expanding cattle herds could not but have negative externalities on peasant plantings in the era before barbed wire.<sup>33</sup>

## Section 2.

Collapse of Federation, Rise and Consolidation of Secession, 1811-1820.

This section analyzes in terms of the proposed theoretical framework the process by which political coalitions and their relative strengths altered during the course of the 1810's. It first considers how a coalition that favored more representative government, freer trade, and federation seized political power from the Spanish colonial administration after Napoleon's invasion of Spain, but collapsed relatively quickly. The resulting trade blockades and threats of invasion then led to a growing militarisation and absolute rule which favored secession and economic statism. The deepening economic contraction and an army reorganisation designed to strengthen absolutist rule in turn led to the Great Conspiracy of 1820, its repression, and the definitive consolidation of absolute rule.

a) Following Ferdinand VII's fall, Buenos Aires sent military expeditions to Paraguay and Alto Perú to subdue loyalist forces there and keep the old

viceroyalty of the River Plate united under its leadership. These expeditions may have been dispatched not because royalist foes necessarily posed a serious military threat to the Buenos Aires army but to maintain the flow of subsidies those regions provided the port, silver from Bolivia and men from Paraguay in particular. Thus, the expeditions may have been prompted by both political and economic imperatives, including among the latter that of maintaining the subsidy aspect of the late colonial public finance structure.<sup>34</sup>

The expeditionary forces fought twice against the Paraguayan officers of the new *filiado* corps and militias under their command, who had rallied to the royalist cause at the Spanish governor's urging. Early in the first battle, the invading armies appeared on the verge of victory, so much so that the Spanish governor of Paraguay abandoned the battlefield and the royalist community attempted to flee Asunción by boat. The Paraguayan officers and militias, however, despite being owed several month's back pay, remained on the field and eventually repelled the invasion. Their behavior need not puzzle us, however. These creole officers reportedly had been predominantly recruited from among local land-owning families who had economically benefited from the Bourbonic Reforms both directly and indirectly. Furthermore, many of these officers and militia men had participated in the defense of Montevideo and Buenos Aires, suffering grievous losses. By some estimates, these may have ran as high as 70%.<sup>35</sup> They were understandably concerned, therefore, about reports that the Buenos Aires forces' real aim was to recruit for the Bolivian campaign.

After defeating the Buenos Aires expeditionaries, however, these same officers are said to have fraternised with the Argentine commander, Belgrano, and to have come to share his political and economic ideas. They subsequently planned to depose the Spanish governor by a coup, to keep him from "turning

the Province over to a foreign power," an allusion to the Portuguese crown exiled in Brazil. Originally scheduled to coincide with the first anniversary of the Buenos Aires coup of 25 May 1810, the coup was moved up to the 14-15 May 1811 for tactical reasons. Political power initially fell for the most part onto the hands of the senior military officers, who proceeded to appropriate the outstanding cash in government vaults for back pay.<sup>36</sup> The Triumvirate that followed included the deposed Spanish governor, a Peninsular officer, and the cabildo representative to the Spanish Junta Suprema Central Gubernativa, a well-respected "criollo" lawyer from whom more would be heard, Francia. However, the military officers soon balked at the presence of Spaniards in the government, and at their prompting the Congress of June 1811 named a new, expanded Junta Superior Gubernativa that included two of the creole military leaders, one representative each from the mercantile community and the clergy, and Francia.<sup>37</sup> There is evidence of a close association between Francia and the Asunción cabildo, but White claims that Francia was an "at large" representative.<sup>38</sup> Analysts distinguish three political tendencies at this time, "realistas," "porteñistas," and "nacionalistas." Among royalists, Vargas Peña includes a Carlotist party, of which he contends Francia was a member. The royalist party may not unreasonably be supposed to have included some who were loyal to Carlota, Ferdinand VII's sister and wife of Portugal's João, then in Brazil. After her brother's abdication, she had a claim on the Spanish throne. Vargas Peña's argument seems consistent with Francia's functions in the colonial administration and the notion that he had no role in planning or executing the coup of the 14-15 May.<sup>39</sup> Also among the royalists were some of the military.<sup>40</sup>

Only the military officers and the mercantile community's representative remained in the Junta in 1812, the clergy's representative having been forced

to withdraw by Francia, who later withdrew himself. This Junta's paramount concerns appear to have been improving education, extending municipal government, reducing taxes on the indigenous population, innovating the transportation technology, and maintaining good relations with neighbouring provinces while at the same time securing provincial borders.<sup>41</sup> The Congress of 1811 and the Junta Superior Gubernativa initially looked favorably upon a possible federation with Buenos Aires, provided the port agreed to dissolve the still remaining impediments to trade -most importantly the tobacco monopoly and the regulations that hindered free navigation to and from regional markets down river and beyond- and to resolve the issue of Paraguay's contribution to the military draft. The pressure of military imperatives forced Buenos Aires to accept what were essentially Asunción's terms, and an agreement was signed.<sup>42</sup>

However, the agreement dissolved fairly shortly amidst mutual charges that neither party had kept its end of the bargain, i.e., of opportunistic behavior. Buenos Aires now resorted to foreign trade blockades and military threats to maintain the old Viceroyalty of the River Plate united under its political leadership.<sup>43</sup> The federalist project's collapse is a classic example of a collective action failure due to the free rider problem. Should Buenos Aires defeat loyalists in Uruguay, Bolivia, and Chile, and keep the Portuguese in Brazil at bay, Paraguay would benefit. Therefore, Buenos Aires, wished Paraguay to contribute to the struggle. However, Buenos Aires would have had to fight anyway, and might win, even if Paraguay did not contribute. Thus, it was rational for Argentina to seek to coerce Paraguay to cooperate in the struggle; it was similarly rational for Paraguay to seek to free ride, especially if it anticipated that the concessions Argentina offered in exchange for help would be short lived, as they in fact turned out to be. That



after the defeat of the 1811 expeditions Buenos Aires did not actually attempt to coerce Paraguay by direct military means but instead chose the lower cost option of blockading suggests that it anticipated the marginal costs of subjecting Paraguay to be lower than the marginal gains of so doing.<sup>44</sup>

b) The blockades Buenos Aires imposed on riverain traffic, however, though never total, appear to have been effective enough to cause exports and imports to fall, the shipping and transportation industries to contract, and tax revenues from foreign trade to decline. Moreover, averting the threat of forceful "federation" required the Paraguayan government to increase its military strength just as the blockades worsened the public finance picture. The government attempted to offset the budgetary pressure by progressively more drastic measures that went from raising the rate of income taxation to taxing wealth itself. The recessionary effects of these measures appeared in short order. Furthermore, as the Army grew, the balance of power shifted away from supporters of federation and freer trade and towards Francia, who had supported those aims initially but would turn against them later. Political power became progressively more concentrated in his hands, and he eventually became "perpetual" Dictator.

This view is supported by the foreign trade and budgetary record of this decade, as well as by its political history. The foreign trade record clearly points towards a pronounced export decline. Paraguay's yearly export earnings averaged almost 400,000 pesos fuertes (\$f) between 1792 and 1796. During the same period, average yerba mate exports accounted for roughly three fourths of export earnings, and approached 200,000 arrobas. By 1807 yerba mate exports reached nearly 300,000 arrobas. Although no data on export values is available these figures suggest that, barring a drastic decline in yerba mate prices, export earnings in the middle of the first decade of the nineteenth century

could possibly have increased substantially beyond their 1792-96 average. However, Table 1 and Figure 1 show that by 1816 export earnings had returned to their 1792-96 average, and continued to fall later in the decade.<sup>45</sup>

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The budgetary record suggests that military considerations drove government spending and forced fiscal measures of a decidedly contractionary nature to be imposed. This contention emerges from an analysis of government budgets and military expenditures compiled by White for some of the years of this period. Government revenues and expenditures are respectively summarised in Tables 2 and 3, and are graphically depicted in Figures 2 and 3.<sup>46</sup> Tables 4 and 5, and Figure 4, do the same for military expenditures. These figures paint a fairly clear picture of the unfolding process, despite the lack of several years' data.<sup>47</sup>

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Following his designation as Dictator, Francia further built up that portion of the Army and the Navy under his effective control.<sup>48</sup> Table 3 shows that between 1816 and 1820, military expenditures rose by about one third (31.6%) and troop strength more than doubled. White asserts that after 1815 "the government constructed approximately 100 river craft, including sloops, flatboats, and enormous canoes..."<sup>49</sup> White's government budget figures reveal that in 1816 and 1818, allocations to the military, public works, and salaries of the state bureaucracy all increased. Only Church allocations, a small component of total expenditures, decreased. Tax revenues simultaneously fell as a proportion of total government revenues from 84% to 52.5% in the period in question, consistent with the notion that foreign trade blockades and higher taxation had caused an economic contraction.<sup>50</sup> The government ran substantial budget surpluses nevertheless, but only because lower tax revenues were more than offset by confiscations, whose value almost equaled that of the 1818 budget surplus.<sup>51</sup> The budget surplus of 1818 reflected increased fines and confiscations applied to the private sector and the Church as well as the more stringent enforcement of the "droit d'aubaine," by which the assets of deceased foreigners without known heirs in the country became state property. After 1818, such government exactions appear to increase whenever there is a

budget deficit.

Expenditures on the military and public works continued to increase in 1820, and although there were some reductions in outlays for government salaries and church emoluments, total spending by the government continued to rise as well. However, export and excise tax revenues fell again in 1820. Revenues from export taxes contracted particularly precipitously.<sup>52</sup> This fall was offset by increased sales of state products to the troops and the public, which rose throughout these years, but in particularly noticeable fashion in 1820. In that year, most state sales to the public were accounted for by sales of agricultural products and cattle.<sup>53</sup> Confiscations, fines, state inheritances and rents of state property together did not amount to 5% of the budget.<sup>54</sup> The first overt budget deficit consequently appeared, equal to approximately 1/4 of total government expenditures.

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The political history of the decade is also consistent with that view. Presumably because they found themselves ill equipped to conduct negotiations with the porteños, the military officers in the government invited Francia - who had resigned- to rejoin the government. Francia agreed in November 1812, on condition that an additional battalion be equipped and put directly under

his command. Once he controlled a military force capable of offsetting that of the *filiado* officers, he progressively consolidated his political position. Successively he edged out the representatives of the Church, of the mercantile elite and, finally, when the Congress of 1814 named him Dictator for a five year period, the military itself. A much smaller Congress designated him Dictator for life and "ser sin exemplar" in 1816. Both Congresses are said to have been dominated by lesser country folk, who presumably made up the bulk of Francia's supporters. No other congress was convened for the remainder of the decade, or of his rule, for that matter.<sup>55</sup>

As the Army's size increased and its composition changed, its general political attitudes altered. In early 1814 a significant portion of the Army outside Asunción still supported Federalism, as evidenced by the fact that the military commander of Paraguay's southernmost garrison, disobeying the Consuls' warnings not to intervene in regional squabbles, joined Artigas, the leader of federalist forces in the Banda Oriental. However, most federalists among the Army's *filiado* officers -despite the worsening economic situation- abided by the Consuls' commands. Furthermore, they did not rebel against Francia when he became temporary or "perpetual" Dictator and appear to have reacted only after Francia decided, in 1819, to dissolve the *filiado* corps, merging the officers and the soldiers loyal to him into the *urbano* structure he commanded, and purging the rest. Apparently, only when their prerogatives and salaries were threatened did the federalist *filiado* officers decide to accept the long standing invitation of Uruguayan Federalists to join forces and overthrow Francia's government, but by then it was too late. The resulting military conspiracy was discovered and severely repressed, and the Army then fell under Francia's complete control.<sup>56</sup>

The reticence of Paraguayan federalist officers to join Artigas may

partly be accounted for by the fact that these military leaders were themselves cattle ranchers or came from cattle ranching families. Artigas' army wrought havoc on cattle herds and estancias. Therefore, the prospect of allying themselves with Artigas, could not be reassuring to Paraguayan military officers.<sup>57</sup> Furthermore, Buenos Aires had threatened to invade Paraguay if it joined with federalist forces in the Banda Oriental and the Littoral. The fact that Paraguayan army federalists on the whole rejected overtures from their counterparts in Uruguay and Argentina's Littoral to join their struggle against Buenos Aires indicates that they regarded the latter's threat to invade Paraguay in such an eventuality as sufficiently credible to warrant adhering to a neutral position. The small peasantry, similarly, could also lose much more from participation in interprovincial struggles than from blockades and economic recession and must have been pleased by Francia's commitment not to meddle in provincial wars, to which he steadfastly adhered during this decade. The fact that he did not adhere to that commitment in the next two decades raises the question of opportunism.

In conclusion, then, participating in military struggles outside the province necessarily implied paying the taxes in men and goods. Refusing to participate on Buenos Aires' side risked a foreign trade blockade; an alliance with the federalists risked an invasion from Buenos Aires and might involve a social upheaval as well. The government apparently chose the lesser evil, that is, it withstood a foreign trade blockade, even if that meant the temporary loss of markets downstream and economic recession, as well as the eventual threat of invasion of the federalists themselves. That there initially was majority support for this course of action among landowners, peasants, and the Army is clear. It is also clear that as costs rose support shrunk, especially among larger landowners and cattle ranchers and the sector of the army

associated with them.

The federalist solution having failed, militarisation progressively increased and, as it did, so did the degree of monopoly the government exercised over political power. The ruler's military strength eventually grew to the point that he could absorb that portion of the Army still under the control of interior caudillos. Their belated attempt to form a coalition with the Uruguayan and Argentine Federalists was discovered and thoroughly repressed. The government confiscated their assets, thus attaining a degree of economic autonomy from taxation as well as a direct economic role that it did not possess before. The government's autonomy from those who had originally brought it to power grew as well. Up to now, however, economic recession and political repression had narrowed income differences between sectors of the population, but the country's property rights distribution had not drastically changed. It would during the next decade.

**Section 3. Fiscal Crisis, International Trade, Land Confiscations, and Labour Coercion in the 1820's.**

I will argue in this section that, early in the decade of the 1820s, the economic depression and fiscal crisis deepened. Fortuitously, however, an increase in international trade that turned out to be temporary gave the government a chance to increase its revenues by expropriating lands, establishing state ranches worked with Army and other coerced labour, Indian as well as black, and selling the goods expropriated or produced in state enterprises in the domestic as well as the foreign market.<sup>58</sup> Throughout this decade the government increasingly resorted to measures of the type the late colonial administration had implemented and, in some cases, abandoned later

on, measures that those areas of the world caught in the transformations of the modern period had been discarding since the mid seventeenth century. Thus, Paraguay's early national government appears to have failed to innovate vis a vis the colonial institutional structure and progressive institutional tendencies elsewhere, as well as to have actually exacerbated some colonial institutional features, so that a veritable institutional regression may be said to have taken place. This, I contend, is properly referred to as neocolonialism.

Let us first take up the question of public finances. Discussion of this issue is possible for the early and late twenties but not for the intervening four year period stretching from 1823 to 1828, for which data are not available; for the purposes of this section, however, a discussion of the early twenties will suffice. The data on the late twenties will be discussed in the next section in connection with the decade of the 1830's.

On the expenditure side, expenses of the military and public works, government salaries, and Church emoluments dropped in absolute terms between 1820 and 1822. On the income side, however, sales of state products to troops declined by 50% to almost one fourth of their 1820 value, and rents from state property were negligible. The fall in tax revenues was so drastic that only sizeable confiscations, 35-40% larger in nominal terms than those of 1818, allowed the government budget for 1822 to show a surplus, albeit a small one.<sup>59</sup> Although spending decreased still further in 1823, and tax revenues increased, there was another overt budget deficit amounting to 30% of total expenditures, possibly because there were no confiscations that year.<sup>60</sup> Clearly, the government faced a bleak revenue picture in the early 1820s'.

Consider now the issue of increased trade opportunities with neighbouring states and then the related one of land confiscations. Trade



options improved because both Brazil and Argentina sought better commercial relations with Paraguay, prompted by their brewing dispute over the Banda Oriental which eventually would lead them to the Cisplatine War of the late 1820's.<sup>61</sup> To Brazil's overtures, Francia responded that "on our part, there is no objection to trading with the Portuguese, in the same way that other peoples of America who have constituted themselves into independent states have done."<sup>62</sup> To Buenos Aires' overtures, however, Francia chose not to respond at all, although transportation costs by water were lower than overland.<sup>63</sup>

Trade between Paraguay and Brazil would take place overland between two former Jesuit missions, Ytapúa, on the Paraná River's right bank, and São Borja, on the Uruguay's left bank. Brazilian merchants carried Paraguayan products across Misiones to São Borja and from there to "Porto Alegre, which served as the distribution point for Montevideo, Buenos Aires, and Río de Janeiro," that is, ports which normally could have been reached more easily by river from Asunción, as well as down the Uruguay river.<sup>64</sup> Francia would later remark that "(i)t now seems obvious that Buenos Aires..is scheming to..impede and cut the Brazilian commerce with Paraguay, which has hurt them as much as they envy it."<sup>65</sup> Apparently, Francia chose the higher cost, overland trade option with Brazil and rejected repeated Argentine offers to trade at lower cost via the Parana River in order to hurt Argentina by not letting it share in the gains from that trade.<sup>66</sup> It apparently concerned him little that his decision benefited Brazilian merchants at the expense of Paraguayan producers and merchants, and that the damage to Argentina would be slight, if any.<sup>67</sup> Francia's decision to give preferential treatment to Brazil was all the more unfortunate because official Brazilian interest in trading with Paraguay cooled once the Cisplatine War ended. Similarly, Argentine attitudes also

changed for the worse: in December of 1829 the last of the relatively free trade oriented Argentine governments was deposed by Rosas who, "backed by his *estanciero* allies and his rural hordes," retook power and resumed attempts to force Paraguay to join the United Provinces by commercial pressure.<sup>68</sup>

While the trade with Brazil lasted, however, Francia made determined efforts to encourage it. Most important among these was securing the trade routes over which the trade was carried. To that effect, as early as 1822 he ordered his military to occupy Candelaria, across the Parana in territory contested by Corrientes, which unleashed the so-called "undeclared war between Paraguay and Corrientes."<sup>69</sup> In so doing, Francia broke with the policy of neutrality in regional military squabbles he had promised to follow in the early 1810's, by which he had improved his political fortune at the expense of federative efforts; his decision clearly shows that he was capable of breaking a political promise for commercial gain if he no longer required the political support that promise had earned him. Now that he had an army completely loyal to him, that he had repressed the conspiracy of 1820, and that he had confiscated ranches from his political enemies he could clearly afford to disappoint some of his former peasant supporters if in the process he might obtain sorely needed revenues. This suggests opportunism.

While Francia was willing to make a determined effort to keep trade routes with Brazil open in the southeast, he was not interested in something similar in the North, despite the fact that it offered an additional, lower cost substitute for decreased trade with Argentina. He thus closed the northern frontier with Brazil and rejected Grandsire's request to be allowed into Paraguay to search for the connection between the Paraguay and the Amazon rivers.<sup>70</sup> International trade was thus restricted to Ytapúa and Pilar del Ñeembucú on the Paraguay river; no international trade was allowed to take

place through Asunción or Concepción. Though trade through Ytapúa was by far more important than through Pilar, it was rather small by comparison to the late colonial trade through Asunción. The colonial policy of "puertos precisos," therefore, was reinstated.

Trade through these ports, furthermore, could only take place on a barter basis. In forbidding that money should leave the country except for the purchase of arms, Francia had observed in the middle of the previous decade that "the extraction of precious metal is not necessary to maintain foreign trade, assuming that a country's export always exceed its imports." In the middle of the following decade, he reiterated that prohibition, and also ordered that import duties be paid in kind.<sup>71</sup> The measure prohibiting precious metals from leaving the country may have been prompted by a scarcity of money, possibly due to a balance of trade deficit or to hoarding. That there may have been a balance of trade deficit is suggested by the fact that individuals attempted to smuggle money out of the country. That there may have been hoarding as well is consistent with the fact that the number of silversmithing establishments in the country apparently grew. Francia may have sought to curtail hoarding in restricting the growth of these establishments in 1829.<sup>72</sup>

Until trade with Brazil improved in the early 1820s, then, Paraguay's economy had been in a pronounced downturn and state revenues had been rapidly declining. Even though it turned out to be temporary, this improvement was a sorely needed stimulus for the economy and government budgets, both of which may be said to have been gasping for air. Therefore, it would be more appropriate to characterise this decade's trade with Brazil as the device that kept the economy and government budget afloat rather than as an "escape valve," as proposed by White. For White's alternative characterisation to be

correct Paraguay's economy had to be overheating, that is, growing rapidly under the sole impulse of a strong domestic demand, and the trade must have somehow served to decrease demand. Clearly, domestic demand was not strong in the early twenties; furthermore, the trade with Brazil, if anything, raised demand.<sup>73</sup>

Let us now consider the state's land expropriations and the subsequent establishment of state ranches. The early national state, from its inception, owned substantial amounts of lands. It had inherited them from the colonial administration upon independence and had changed only their name; they ceased to be royal lands and instead became public lands. Subsequently, land confiscations substantially increased the acreage under state control. Though a few confiscations took place in the 1810's, the bulk of the confiscations in the period under study occurred in the 1820's. Four waves of expropriations were observed in that decade. The first came about immediately after the repression of the "Great Conspiracy" of the 1820's and affected lands owned by those summarily convicted of having participated in the conspiracy; the second wave aimed at the lands of religious organisations, expropriated in 1823 and 1824; the third, at the lands of private proprietors or squatters without clear title, which the state confiscated after 1825; and the fourth, in 1828, may have affected recipients of colonial land grants who had not fulfilled the conditions to which they had obliged themselves upon receipt of the grant, more specifically, the requirement of settling the lands they had been granted. It is clear that the great bulk of the expropriations came after the "Great Conspiracy" and before Rosas's rise to power in Argentina. The second, third and fourth waves of confiscations, to which a substantial part of the total acreage confiscated may be attributed, came after Francia accepted Brazilian overtures to improve commercial relations. Some of the confiscated

lands were transformed into state ranches, others were rented. I will now examine the transformation of expropriated lands into state ranches in greater detail. I will also make reference to the question of rents of state lands, but will reserve a fuller discussion of this issue for the next section.

In the 1810's the state expropriated relatively minor amounts of land, from state debtors and from those who had not fulfilled the requirements of their land grants. Those lands were consolidated with those of a former royal ranch the government sought to restock in order to facilitate the provisioning of troops that would man military defense lines against Indian attacks in the south.<sup>74</sup> Land belonging to foreigners who had died without heirs also accrued to the state as a result of the application of the "droit d'aubaine."

The rate of confiscations increased rapidly following the discovery of the "Great Conspiracy" and its repression in 1820. Francia approved "autos" to permit the state to confiscate all the property of the convicted. An idea of the amount of land, livestock, and slaves involved can be gleaned from the case of Manuel Cavañas, who died in prison over 12 years after his conviction. The state confiscated two estancias, twenty three slaves, 3727 head of cattle, 502 studs, 1,178 mares and 21 mules he owned in one locality alone (Tebicuary). Cavañas is said to have owned more properties than this evidence would suggest, and these may have been confiscated as well. "The Yegros and Montiel families (four of the former and eight of the latter were shot in 1821) forfeited a far larger patrimony to the state." From the fact that the executed army officers were themselves landowners or belonged to the landowner class it has been inferred that "the property gained by the state was enormous," though no mention is made of the total acreage expropriated.<sup>75</sup>

Next came the Church lands. The Colegio Seminario de San Carlos was ordered closed on 23 March 1823, and all the furniture and effects in its

urban locale were transferred to the "Administración de Propiedades," a state agency charged with administering state property that also took over the Colegio's farm at Ñu Guazú and its other lands. These included holdings in fourteen different locations in the country.<sup>76</sup> In addition, Francia decreed the so-called "Reforma de Regulares" on 20 September 1824, ordering that all monasteries be dissolved and their clergy secularised. The sworn inventories that each monastery was required to present to the government have yet to be thoroughly examined. Thus, the overall quantum and value of church assets expropriated by the state is unclear. It appears, however, that "at least one conventual house had managed to retain considerable wealth to the day of its dissolution. This monastery admitted its several buildings in Asuncion, sizeable amounts of land in various places, herds of livestock, and 43 slaves. In addition, it received rents from more than 90 families renting monastery land." The five orders' main buildings, four in Asunción and one in Villa Rica, were turned into barracks, and their wealth was transferred to the government treasury.<sup>77</sup>

Furthermore, Francia decreed in September of 1825 that within three months individuals should present the titles to the lands they occupied or they would be declared property of the state. "...in February of 1826, more than half of the lands...of the Eastern Region and the whole of the Chaco territory" were declared state property.<sup>78</sup> Finally, in 1828 Francia notified recipients of unsettled royal land grants that they had two months to fulfill the conditions of the grant, i.e., to effectively occupy their lands, or the state would expropriate them and send poor families to the Southern Coast to settle them.<sup>79</sup> The expropriated ranches were rechristened as "ranches of the fatherland." The process resembled the colonial "denuncia y composición," except that ranches whose titles were not in order became state property.

There may have been state ranches before the confiscations but they are likely to have been few. There is evidence suggesting that the early national state owned two ranches. For example, we know that as early as 1813 the consular government sought to establish a settlement (Tevegó) in the northern frontier (the so-called "Northern Coast") and to restock an existing state ranch there and in the southern frontier (the so-called "Southern Coast"). This measure sought to further support the defense effort against Indian attacks, which had made it necessary to establish additional forts in both the Northern and the Southern Coasts in the 1810's. Thus, in 1814, the consular government, then headed by Francia, restocked the existing state ranch at Concepción, for which it bought 1700 head of cattle and 150 mares. Francia also "reestablished a cattle ranch" in the south, and widened it in 1816 with lands of two types, those expropriated from state debtors and those unsettled by its grantees. Squatters were evicted to consolidate the lands with those of the state ranch. Secondary sources show no additional hard evidence that more ranches may have been formed until after the Great Rebellion of 1820.<sup>80</sup>

The assertion that state ranches may have been few before the 1820's runs counter to earlier estimates. Williams puts the number of royal ranches inherited by the early national state at forty.<sup>81</sup> This figure is based on a list which its proponent claims is from 1818. Francia did commission an inventory of state ranches that year.<sup>82</sup> Authors like Galeano Romero and White, however, have suggested that Williams' list is not from 1818, White claiming that "it is more recent than 1827."<sup>83</sup> State ranches may have been numerous in the 1810s' had the ranches of the expelled Jesuits fallen under direct state administration after the order's expulsion. However, many former Jesuit ranches appear to have been turned over to the Colegio Seminario de San Carlos, according to Riquelme García and to Rivarola Paoli, as well as to

private individuals, according to Rengger and Longchamps.<sup>84</sup> Thus, the number of state ranches administered by the state itself is likely to have been low until after the expropriation following the "Great Conspiracy" and the dissolution of the religious orders, that is, until the 1820s.

The state used the produce of the ranches it confiscated mainly to feed and equip the troops and other state employees. The remainder -agricultural produce, livestock, and merchandise- was sold in the domestic market as well as to Brazilian traders. State budget figures put together by White suggest that sales of state products to the public (SSPP) were negligible in 1816 and 1818, but they rose in 1820, the year of the Great Rebellion, fell again in 1822 and 1823, and increased once more after Church and other lands were expropriated. In 1823, the year before the Reforma de Regulares, SSPP were one fourth of what they were in 1828, the year when the last wave of expropriations was carried out.<sup>85</sup>

The state also rented the lands it expropriated. Revenues collected on this account are given in Table 6, according to which rents of state lands drastically declined between 1816 and 1818, both absolutely and as a share of total revenues, were negligible from 1822 until the mid twenties, but rose substantially in 1828 and 1829, the next two years for which there is data. The fact that rents of state property decreased in the late 1810s and became negligible in the first half of the 1820s, together with the fact that sales of state products to the public were negligible during the 1810s, further support the contention that state ranches may have been fairly few prior to the confiscations of the 1820s. That revenues from state land rentals should have suddenly increased in the late twenties must evidently be attributed to the confiscations. Part of the increase may be due to the fact that tenants who rented land owned privately or by the Church before the confiscations



began paying rent to the state immediately thereafter.

State rental revenues included those the state received for renting the common lands of towns. Rentals of town's common lands and the collection of the resulting revenues had customarily been the prerogative of town councils but the central government apparently assumed those functions sometime in the mid twenties.<sup>86</sup> White reports that for the 10 year period 1827-36, the government collected a yearly average of 350 pesos on this account, but does not specify the number of "homesteads" in the ejidos in question.

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Analogously, the government redirected the produce of the tithe as well. The national state took over the Patronato Real following the collapse of Spanish rule, and continued to raise the tithe for the Church in exchange for the so-called "two ninths." Following the Reforma de Regulares, however, Francia apparently devoted at least some tithe revenues to his army. Williams (1973b) reports that "(a)s early as 1823, the diezmos from the Concepción area were allocated for the support of the northern Chaco presidios which protected northern Paraguay against Indians."<sup>87</sup>

Political factors clearly influenced Francia's land confiscations immediately after the Great Conspiracy as well as other confiscations later in the decade. However, the contention that the confiscations following the Great Conspiracy were mainly politically motivated relies on the assumption that

there was such a conspiracy. However, evidence supporting the contention that the alleged conspiracy did in fact take place is, at best, rather thin. The "conspiracy" was presumably discovered as a result of a confession passed on by a priest to the authorities. Summary trials were held subsequently, but evidence in favor or against the charges was subsequently destroyed by the government. Velázquez asks: "Was there a conspiracy in 1820?" and answers that "(t)here may or may not have been one...There is a wide bibliography on the subject,.. but we do not find in it objective testimonies allowing us to arrive at the definitive certainty (that there was such a conspiracy)." <sup>88</sup> Much more compelling is the evidence presented above, which suggests an alternative contention, i.e., that public finance considerations played a major role in unleashing all the waves of land confiscations of the decade of the twenties. Thus, it is reasonable to suggest that the confiscations may have been prompted more by economic than by political rationales.

The alterations in the distribution of landed property rights described above has been labeled an "original," state-led "agrarian reform." <sup>89</sup> The claim to originality seems to be misplaced, however. It has long been claimed that Francia's land rentals were simply the early national version of the colonial emphyteusis, which was itself adapted from the older European emphyteusis. <sup>90</sup> This is consistent with the fact that the colonial legal system in general remained in force -unaltered, for the most part- in Paraguay's early national period. <sup>91</sup> Furthermore, Francia's emphyteusis - curiously enough- follows attempts by the governments of Rodríguez and Rivadavia in the eighteen twenties to institute the emphyteusis system in Argentina. <sup>92</sup> Coincidentally, rents of state property in Paraguay, which were mostly made up of state land rentals, did not begin to rise as a proportion of government revenues until the late twenties according to Table 6. The colonial

emphyteusis did suffer some modifications under Francia during the early national period in the sense that Francia's emphyteusis, like Rivadavia's, differed from the European in that land did not eventually become the tenant's property. However, this could hardly be called original.<sup>93</sup> In the case of the emphyteusis, therefore, Francia added his own twist to an old institution, making it more stringent, i.e., asserting the interests of the state over those of individuals. The assertion regarding the colonial character of Francia's land rentals, therefore, is largely correct, and to the extent it is Francia's land expropriations and rentals cannot be said to have been "original."

Claims of "agarian reform" are also hard to take seriously since property rights changes clearly differed from what is normally understood by that expression, i.e., land distribution in private property at or below market prices to landless peasants. Furthermore, in order to effect it the government in fact expropriated lands from peasants, evicted squatters from lands it expropriated from non-peasants and consolidated into state ranches, charged rents to the very peasants whose lands it expropriated for the privilege of remaining on their old lands, and charged peasants rents for using the common lands of their own towns as well as for letting them use the lands of state ranches.

Consider now the question of state ranch operation, that of the labour force used on them in particular. The consensus opinion is that state ranches were operated by the Army and there is evidence that state ranches did use Army recruits.<sup>94</sup> However, it is also clear that state ranches employed other forms of coerced labour. I have already referred to evidence suggesting that, in expropriating the assets of its political opponents and the religious orders, the state became the owner of a good number of black slaves, whose

status remained unaltered under their new master. Moreover, after the mid 1820s the state apparently made slaves of free blacks.<sup>95</sup> Furthermore, there is evidence that the state may also have compelled indigenous people to render services from which they had already been legally exempted earlier in the colonial or national period. According to White, Francia moved Indian communities north of the Parana river,

"close enough to the river to be protected by Paraguayan military patrols -under the direct supervision of the central government.

Limiting the power of the mayordomos, he reorganised the local economies by employing the Mission inhabitants..in the production of tobacco, yerba, and hides, much of which was traded with the Brazilians..as well as in the manufacture of cotton cloth, shoe soles, and hats.."96

The resettled indigenous communities to which White refers are the five Jesuit Mission towns of the Candelarias district that Francia forcefully moved north of the Parana river in 1817.<sup>97</sup> In addition to relocating the five former mission towns in the late 1810s, the Army transferred indigenous people from the Candelarias district to the northern shore of the Paraná river in several other instances in the early twenties. Smaller groups of indigenous people were resettled north of the Paraná river by both the military expedition that forced Bompland's large party from Candelaria to the north shore of the Parana river in 1821, and the large, long-lasting expedition of 1823, which crossed the Parana River and went as far south as the Uruguay river, apprehending all suspicious individuals.<sup>98</sup>

White's statement is consistent with Rengger and Longchamps' report that, in 1823, Francia

"..ordered a detailed estimate of the possessions of each settlement to be made out. At the same time he contracted the power of the managers and forbad them to make purchases or sales, without his express permission. Since then he has employed the Indians for the immediate account of government, either in manufacturing cotton cloths for the clothing of the troops, or as the labourers and hewers of wood for public works."<sup>99</sup>

Under the name of mayordomos, Francia appears to have reinstited the colonial office of the corregidores de indios, which the Bourbonic intendants were supposed to have done away with. The corregidores de indios, it will be remembered, had what amounted to a trade monopoly in the towns assigned to them. They could force town dwellers to purchase clothing from them at inflated prices and to sell their products only through them.<sup>100</sup> The previously quoted passage suggests Francia allowed mayordomos less power than corregidores had had to engage in commercial activities. The power of the mayordomos as agents of the central government, on the other hand, may have actually increased. This is suggested by the appearance -beginning in 1828- of a new item on the receipts side of government budgets, "transfers from mayordomos of pueblos" to the central government.<sup>101</sup>

The nature of the work these indigenous people were supposed to furnish the government may be gleaned from archival evidence and the reports of contemporary observers. To cite just one example of archival evidence available in this connection, in 1821 Francia wrote to Norberto Ortellado, Subdelegado de Santiago:

"the six Guaycurúces work perfectly in public works with the other Indians, and all are imprisoned with chains. They will thus get used to

living in subjection, busy, and working, which is much better and for them than that they should take to the trade of bandits and highwaymen.<sup>102</sup>

According to travel reports the government designated particular crops such as wheat and cotton for cultivation in certain areas in the south such as Tebicuary; it is possible that the reference is to these resettled former mission towns.<sup>103</sup>

All this indicates that Francia consolidated Indian towns north of the Paraná River, where the sway of his military was stronger, subjected them to military rule, put them under the direct administration of agents of the central government, the mayordomos, set them tasks, and taxed them.

The question now arises, what lands were these indigenous communities assigned to support themselves and satisfy state requirements? They must have been assigned some lands for they could not otherwise have carried out production of agricultural staples. Clearly, the state could have settled the indigenous population on the lands it expropriated from the Colegio and the religious orders. The data itself, therefore, suggest the hypothesis that budgetary pressures together with increased commerce with Brazil contributed to the state's land expropriations and increased reliance on coerced labour. Rengger and Longchamps furnish evidence consistent with the hypothesis. Describing the political organisation of "that part of Paraguay..known as Misiones" which "extends over a surface of six hundred square leagues" and "consists of eight tribes of Indians" they observe that "the Indians, *attached to the soil and condemned to work on state lands*, have peculiar officers, who under the name of administrators, manage the state lands besides exercising the function of commandant over the Indians." They furthermore state that

"several other villages inhabited by the Indians in the interior of the country, which formerly belonged to the Jesuits or other religious communities have also managers set over them."<sup>104</sup> In addition, numerous communications between Francia and Norberto Ortellado during the early twenties attest to the fact that the Army "aggregated" the indigenous people captured south of the Paraná river to previously existing Indian communities north of the river.<sup>105</sup> Finally, Rengger and Longchamps state that

"(t)here used to be, before, no such thing as a dexterous workman in Paraguay. But the Dictator, by the number of the public works which he caused to be undertaken, gave a spring to industry: and as the projects which he conceived were above the capacity of the artizans whom he employed, he had recourse to *intimidation* in order to awaken that natural ability with which every native of Paraguay is endowed. He caused a gibbet to be erected, and he threatened a poor shoemaker to hang him up, because he had not made some belts of the size he required. Thus it was that out of blacksmiths, shoemakers, and masons, he created a race of whitesmiths, saddlers, and architects."<sup>106</sup>

In conclusion, the observation that slavery was extended to previously free blacks, and the contention that colonial forms of coerced indigenous labour reappeared during the Francia regime can be seen to have obtained within the context of expanding -rather than contracting- trade. Future archival research may yield further support for the hypothesis.<sup>107</sup>

The real rationale for Francia's alteration in the distribution of landed property rights through expropriations, state ranches, and emphyteusis, I contend, was that suggested by the data itself, that is, revenue raising.

Clearly, these measures were a tax increase.<sup>108</sup> They were intended to address budgetary crises and, therefore, they are best regarded as a public finance reform rather than as an agrarian reform. Fiscal expediency was also the rationale for the Argentine emphyteusis, not any thought of reorganizing the nation's public finances around a single land tax similar to the "impôt unique" proposed by the French Physiocrats. The scheme appears to have had just as little success in Argentina, where "(t)ill 1827 revenues from this source barely exceeded 5,000 pesos!"<sup>109</sup>

Thus, public finance crises in the presence of improved international trade would seem to have led in opposite directions in Paraguay as contrasted to seventeenth century England. Conditions there allowed rulers to separate military from tax collecting bureaucracies, which led to the rise of standing armies and reduced rent-dissipation at various points along the hierarchical structure that transmitted revenues from contributors to the ruler. Budgetary pressures led British rulers to exchange rule making power for revenues, partly because the sale of public lands -itself a revenue raising measure- had been completed by then and there was a comparatively small army.<sup>110</sup>

I have shown that this unexpected behavior is clearly rooted in the fact that increased opportunities to trade resource intensive goods with Brazil raised the price of inputs that would be used intensively in their production and, therefore, land prices and land rent. However, this mechanism was at work in early modern England as well. Why did the Paraguayan government not divide up the lands among individuals, allow them to produce goods for export with wage labour, and tax the factor incomes thus generated both directly and indirectly, as in England? Why did the Paraguayan government at this point expropriate lands and set up state enterprises worked with Army and other coerced labour, African and indigenous? Clearly, the government must have had



a comparative advantage in organizing a military structure capable of backing the expropriation of lands and running ranches. It must have had a comparative disadvantage in forming a civilian bureaucracy made up of relatively better educated civil servants capable of carrying out tax collecting activities. Labour suitable for military purposes must have been in greater supply than labour suitable for a civilian bureaucracy. Given the country's colonial past, this is easy to understand. The Junta Superior Gubernativa was conscious of this shortcoming and put great emphasis on fashioning an effective educational policy. By contrast, Francia's very policies exacerbated the shortage by reducing both the existing stock of educated personnel as well as the rate of addition to it.

Among measures that reduced the stock of educated personnel were the prohibition that Spaniards occupy government positions, the exiling of Spanish Americans from other former provinces who had cooperated in the movement for independence (Somellera, de la Cerda), and the exclusion of the relatively better educated creole elite from the government, through intimidation, imprisonment, exile (whether decreed or self imposed) or execution.

Most important among policies that reduced the rate of addition to the stock of educated personnel were the closure of the Colegio Seminario de San Carlos and the dissolution of the religious orders.<sup>111</sup> Cooney's analysis of educational policies between 1810 and 1850 concludes that "in his drive for power (Francia) brought havoc upon the educational system of the new republic."<sup>112</sup> Also of consequence in connection with reducing the flow of educated personnel was Francia's prohibition that Spaniards marry among themselves, which hindered the formation of families and, one would therefore presume, the intergenerational transfer of knowledge. Francia's marriage prohibitions aimed at extending the fiscal implications of the colonial droit

d'aubaine. The Junta Superior Gubernativa asserted the droit d'aubaine's continued validity while simultaneously declaring jurisdiction over the assets of provincials who died in similar circumstances.<sup>113</sup> Francia, however, appears to have sought to increase the number of foreigners subject to the droit d'aubaine, for on March 1, 1814 he forbade "any marriage of a European male to an American woman known to be Spanish by the people, from the first to the last of the classes of the state, no matter how *ínfima y baja*," even in the case of alleged rape. He established severe penalties for priests who might perform such marriages as well as for grooms who should marry openly or clandestinely. He also forbid Europeans to act as witnesses in baptisms or confirmations of children of the same class, or in weddings. Europeans could, however, "wed Indian women of the Indian towns, known mulatto women, and black women," Viola remarks: "As it may be imagined, many Spaniards preferred to remain single rather than lower themselves socially by mixing with the lowest social classes." Potthast-Jutkeit suggests that this law applied at first only to Europeans recently arrived in Paraguay, but was later extended "to all Europeans, no matter how long they had lived in America, and even to people from other Latin American countries."<sup>114</sup> That the ban's significance was predominantly fiscal is evidenced by the fact that individuals could be exempted from the ban by purchasing a license for a large payment to the Treasury.<sup>115</sup> This attitude contrasts with that of the Junta Superior Gubernativa, which asked the Church to simplify marriage requirements in order to increase the number of marriages as a means to the "true opulence and prosperity of Republics" and "to improve customs".<sup>116</sup> Thus, a similar argument may be made for Francia's droit d'aubaine as for his emphytheusis, i.e., that it was clearly of colonial inspiration but that it went beyond its colonial antecedent for reasons of fiscal expediency.

Thus, the government's own policies forced it to proceed in the direction in which it progressively moved. Owing to the lack of educated, trustworthy personnel onto whom tasks could be delegated, much of the government's petty decision making and bureaucratic work ended up having to be carried out by Francia himself. This has been seen as evidence that he was a workaholic. However, he himself bitterly resented the imposition but attributed it not to his own policies, but to the fact that he found himself

"in a country of nothing but idiots, where the Government has no one to turn its eyes to, it being necessary that I should do..everything in order to remove Paraguay from the unhappiness..in which it has been ..for three centuries."<sup>117</sup>

The statement goes on to reveal Francia's view of himself as the country's only possible savior, as well as the nature and volume of the tasks he had to perform.<sup>118</sup>

The national government's agricultural policy was clearly designed in response to public finance imperatives and the constraints of foreign trade and labour supply conditions. In this regard it resembled that of the late colonial administration, whose intervention in production and foreign trade was also closely associated with its intervention in and regulation of the labour and land markets. However, though the motivation and methods were similar, the national state resorted to land expropriations and labour coercion to a much greater degree than the late colonial administration.<sup>119</sup> Furthermore, the spread of state property in land discouraged the development of a financial sector beyond the levels reached in the late colonial period. The development of private property in land facilitates the use of land as

collateral for bank loans and thus encourages the development of a financial sector. The development of state property in land at the expense of private property, skews the distribution of land assets towards the state. Private lenders are likely to be fewer, if only because they will only be able to grant loans that can be secured by this years' harvest as opposed to the land.<sup>120</sup> Thus, if the state holds most rights to the country's surface land and subsoil, it will be the only agent in a position to become a major lender. By contrast, the early sale of crown lands in England was one of the main forces leading to the rise of a British market in government securities in the seventeenth century, North and Weingast contend. Private securities were also traded in this market later on, and a full fledged capital market developed.

Changes in the property rights distribution brought about political changes as well. In this connection, the confiscations of the early twenties, affecting Francia's political opponents and the Church, seem to have had more of an effect than those of the late twenties. Arguing that the Asunción cabildo was not "of popular sanction, but only an arbitrary institution of the already extinguished Spanish regime, which neither has nor exercises legitimate public representation, having lived on in this city..without need, as experience has demonstrated," Francia suppressed the cabildo of Asunción on 30 December 1824, and replaced its officers by appointed administrative functionaries.<sup>121</sup> Francia also closed the cabildo in Villarrica, the second largest town in the country. White has argued that while the Asunción and Villarrica cabildos were suppressed, those of interior towns were not. However, besides those of Asunción and Villa Rica, there had been at most three other cabildos in Paraguay in towns that during the colonial period were known as "pueblos de españoles," those of Curuguaty and Pilar the Ñeembucú, founded early and late in the eighteenth century, respectively, and that of

Concepción, founded by the Junta Superior Gubernativa, in 1812. In discussing interior towns, however, Rengger and Longchamps state that "(t)hese villas, since the suppression of their cabildos, which were charged with the local administration of justice, enjoy no longer any exclusive privilege. Each section is under the authority of a commandant, who executes the orders of the Dictator, directs the operations of the police, decides on minor offenses, and exercises the functions of conciliator." It would appear, then, that contrary to White's assertion, all cabildos of former Spanish towns were suppressed. That cabildos of towns in the interior were also dissolved and that their functions were absorbed by the central government is consistent with the already noted fact that the central government took over the cabildo function of renting out ejido lands and collecting the resulting revenues. Indian towns also had cabildos of their own, but the fact that Francia appointed mayordomos to oversee them suggests that, if they were not suppressed, they were not very effective. Furthermore, Rengger and Longchamps state that "there formerly existed a tribunal of commerce, which was suppressed in 1824." Finally, in 1828 Francia suppressed the Cabildo Eclesiástico.<sup>122</sup>

In addition, the extension of state landownership increases the sources of revenue available from which the government can draw without prior parliamentary consent. It also encourages governments pressed by budget deficits to obtain revenues through arbitrary exactions rather than with the consent of the contributors' representatives.

The preceding evidence suggests that the state was comparatively autonomous. This evidence is not consistent with the notion that the state was the instrument of the small peasantry, as contended by White. The state was relatively more responsive to the small peasantry during the 1810s but not in the following two decades.<sup>123</sup> Furthermore, the state clearly was not the

instrument of the landlords, as contended by Abente, for it pursued policies inimical to their interests, repressed them politically, and eventually expropriated the assets of some of the most prominent among them.<sup>124</sup> On the contrary, there is evidence suggesting that the state may have made it possible for military officers to become landlords. Thus, one of Francia's military subdelegates asked for permission to establish a private cattle ranch in 1821. Francia granted the request and suggested that the subdelegate also set up "a good farm, for that is not forbidden, assuming that there there are lands in excess and that you will do so at your own expense".<sup>125</sup>

#### **Section 4. Foreign Trade and Public Finances in the 1830's.**

For a while in the 1830s' export values rose above the levels of the 1820s'. However, they never reached half their 1816 level and declined again after 1837. Itapúa exports of yerba, tobacco, livestock, and hides, show a similar pattern. Both yerba and tobacco exports rose but then declined, yerba peaking earlier than tobacco. Livestock exports disappeared after 1832, while exports of hides, which were minor in the late 1820s' and early 1830s', increased substantially in the mid 1830s' but declined late in that decade.<sup>126</sup> The composition of exports reflected the state's increased economic role. White's figures for yerba and tobacco exports distinguish between private and state exports. In general private exports exceeded state exports, although government yerba exports exceeded private ones in 1837.

The structure of the revenue side of public finances was -by the late twenties- clearly different from what it had been in the late colonial and very early national periods, except for the fact that confiscations, fines, and forced contributions continued to be used as revenue-raising devices. Import and export tax revenues, which were comparatively large in the late

colonial period, were zero in 1828. Furthermore, revenues from domestic taxes accounted for only 30% of total government revenues. Most domestic tax revenues resulted from taxation in kind. The tithe, in particular, accounted for 86% of domestic tax revenues. On the other hand, over 60% of government revenues came from non-tax sources, rents of state lands and other property as well as sales of state products to the public and to troops. I will now examine these in greater detail, beginning with rents of state lands.<sup>127</sup>

a. Rents of State Lands. A list of ejido rentals for 1832 lists 160 homestead, leased for a total of 395 pesos, or an average of 2.5 pesos each per year. A similar list for 1839 includes 174 homesteads leased for a total of 359 pesos, for an average of 2.1 pesos each. The numbers seem to suggest that the ejido rental rates were falling in the eighteen thirties but the number of observations is too small to conclude that they were, which would be consistent with what we know about the behavior of international trade.<sup>128</sup>

Reference has already been made to the transfers from mayordomos of pueblos that appear on the receipt side for the first time in 1828. Such transfers also appear in every subsequent year for which there is budget data except 1834. These transfers are fairly substantial in 1831 and 1832, 1835, 1838 (especially), 1839, and 1840.<sup>129</sup>

Consider now sales of state products to the public. Available figures indicate that in 1828 merchandise sales were five times larger than sales of agricultural products and livestock, the reverse of what was the case in 1820, when farm products outweighed merchandise sales 13 to 1. According to White's budget figures, in 1828, 1829, 1831, and 1832 merchandise sales exceeded sales of agricultural products and animals. There were no merchandise sales in 1833, but they resumed in 1834. From 1835 on, merchandise sales outstripped those of agricultural products and livestock every year.<sup>130</sup> Steel appeared as a

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separate item under SSPP in 1833, iron and medicines in 1835, to which "glassware and crockery" were added in 1837 and "salt" in 1839. "English linen" appeared as a new item in 1840. The merchandise in question was sold in state stores, of which there were as many as five or six in 1826.<sup>131</sup>

Francia created new taxes in the twenties, but seems to have abolished them in the thirties, as well as to have reduced the rates of taxes inherited from the colonial period, sometimes to zero. For example, the "derecho de ventaja," according to White a tax on cattle brought for sale to Asunción, operated between 1823 and 1832, and a new tax on tanneries was created between 1826-28. Francia also replaced the tithe by the "contribución fructuaria de invierno y verano," lowered the alcabala (sales tax) from 4% to 2%, and abolished the "estanco" (a 3% tax on yerba according to White) in 1830. In 1835 Francia further reduced the alcabala from 2% to 1% and the contribución from 5% to 4%. In 1837, the contribución de invierno was eliminated.<sup>132</sup> That the "derecho de ventaja" and the tax on tanneries were in force during a period roughly coincident with that of land confiscations and trade with Brazil may be significant, as may also be the fact that most tax reductions came in the decade of the thirties, after the state's direct participation in production became significant, and that some of these changes coincided with a 40% drop in prices observed between 1829 and 1832.<sup>133</sup>

These tax reductions have been interpreted as a fall in the tax burden, or as a tax decrease for the freeholder at the expense of slave labour.<sup>134</sup> In the first connection, notice that the diezmo was replaced by the contribución fructuaria de invierno y verano after two yearly harvests again became the norm. Since the diezmo amounted to 10% of a single yearly harvest and the contribución fructuaria was 5% of the summer and 5% of the winter crops, if the single crop amounted to about the same as the two yearly crops

put together, the transition from the diezmo to the contribución need not have involved any fall in the physical amount of produce collected in kind from producers. On the contrary, provided the two harvests added up to more than the single crop had -*ceteris paribus*- the absolute amount of tax revenues collected by the government may have increased. The harvests of 1833 in fact seems to have been particularly good according to Wisner.<sup>135</sup> In such a case government auctioning of agricultural produce would have lowered its price. A government that anticipated this effect would try to keep grain off the market. The reduction in the rates of the contribución fructuaria and the alcábala, therefore, may have been due to the fact that the physical amounts collected at the old rates were too high. In the second connection, it is clear that state coercion of labour increased. However, it is not clear that the peasantry's fiscal burden -defined as the ratio of peasants' tax contributions to income- decreased during the Francia years as compared to preceding years, even during the thirties. The tax burden may be said to have decreased only if the state had used surplus resources that would otherwise have remained unemployed to produce goods it would otherwise have had to finance through direct or indirect taxation. In this case both employment of resources and total output may be said to have increased, which clearly is not what happened in the period under study. To the extent that the state's economic role increased as a result of the expropriation of scarce resources that the private sector would have put to more efficient use, which is in fact what happened, the tax burden must be regarded as having increased.

These data suggest that the state auctioned off confiscated assets as time went on. Once the stock of confiscated assets was depleted, state stores sold agricultural products and animals to the public, though they eventually engaged in the sale of imported foreign items at prices reflecting the

government's monopoly position as a foreign trade intermediary. That is, for the revenues yielded by taxes levied in kind over cattle and agricultural products, whose prices had fallen, the state substituted the profits from exports and from the sale of monopoly priced imports.<sup>136</sup>

b. Government spending patterns during the late twenties and thirties were similar to that in evidence in earlier years, i.e., most government funds were devoted to the military. Table 2 gives available figures for military spending and troop strength. Military expenditures for all but one year of this period oscillated between 84 and 95 per cent of total government spending. In the one year for which they were below 80% (1934), they absorbed 74% of total government spending.

c. High military spending strained government finances to the point of seeming to drive government budget deficits.<sup>137</sup> As before these deficits were shored up by fines, forced contributions, and confiscations, which sometimes allowed the government budget to show a surplus. In 1829, confiscations amounted to 19,992 pesos. The government surplus was 14,503 pesos.<sup>138</sup> There were, however, years in which the government budget showed a surplus even though confiscations were minimal. In 1828, for example, confiscations were only 2573 pesos while the government budget surplus was 45,449 pesos. However, the government budget surplus of 1828 seems to have been absorbed in 1829 by higher military expenditures and a reduction in tax revenues.<sup>139</sup> The deficit of 1833 appears to have elicited a reduction of military expenditures of slightly over a third in 1834, as well as renewed forced contributions. Had it not been for forced contributions, however, that year's government budget surplus would have been a deficit. In the following year, 1835, forced contributions were minimal, but state inheritance and confiscations from the Church rose again, though not enough to avert a

deficit. There is no government budget data for 1836 in secondary sources, but in 1837 nominal tax revenues amounted to about half of what they were in 1835 in absolute terms, and to 8.87% of total government revenues (as opposed to almost 28% in 1835). Confiscations again accounted for 37.4% of total government revenues, forced contributions and state inheritance being negligible. Nevertheless, the deficit widened.<sup>140</sup> Two of the next three years were covert deficit years. That is, they would have been deficit years had not revenues from confiscations, state inheritance, forced contributions or another such forced exaction increased. In the third year, 1839, the deficit was overt.

#### **Section 5. Conclusions.**

The late colonial trade expansion did lead owners of abundant factors, and producers and exporters of goods using those factors intensively, to seek to advance their interests, that is, more representative governments as well as freer trade and federation, in a manner consistent with expectations derived from Rogowski's theoretical framework. However, federative efforts that, if successful, would have further expanded the gains from trade and promoted economic development predictably collapsed as a result of the free rider problem and the resulting collective action failure. The equally predictable trade blockades and threat of invasion in turn led to trade contraction, government fiscal crises, recession, and the rise of secessionist tendencies rooted in the small peasantry, themselves consistent with expectations derived from Rogowski's framework. Capitalizing on the consequent changes in relative strengths of political groups, political entrepreneurs came to power and enforced policies very different from those the movement for independence had initially advocated. Militarism, absolutism, and mercantilist

state regulation all increased subsequently, and the country plunged further into recession. However, the property rights distribution remained fairly much that of the late colonial period, though some alterations did take place affecting Spaniards and creoles from other provinces. The upshot of the decade of the 1810s' may be said to have been an absolutist restoration, in the political sphere in particular.

The neocolonial order consolidated itself in the 1820s', through political repressions, confiscations, and land expropriations by which the government sought to ameliorate its budgetary crises when foreign trade conditions improved. The property rights structure, consequently, suffered much more drastic alterations than in the previous decade, but the extent to which it became skewed towards the state should not be exaggerated. Though private property in land was seriously circumscribed, it did not disappear. In addition to owning much of the country's land, the state also became much more of a cattle rancher and a rent collecting landlord than it had been in the previous decade, much like its opponents had been and at their expense. Henceforth it would have a much bigger say in whether or not people became landlords. Furthermore, state interests took precedence over those of its purported supporters, the small peasantry. The few forms of political representation that had developed during the colonial period became fewer. The government thus obtained an economic base of its own much greater than it had ever possessed before, from which it could obtain tax revenues without consulting with contributors' representatives. In addition, its power to tax contributors without their consent also increased. The bulk of government revenues, before and after the confiscations, were devoted to assuring the Army's support, which was used to further decrease the government's domestic political competition, that is, increase its monopoly position in the

political sphere, a fact that reflected itself in the rate of exchange of revenues for government services. Rule making power thus remained firmly in government hands, which exercised it without having to obtain the consent of the taxed. Consequently, the government could become more autonomous from that sector of the population which was largely responsible for originally bringing it to power, the small peasantry, as well as from bigger landlords, among whom opposition to the regime had always been stronger.

Republican only nominally, this government lacked forms of popular representation that were commonplace in constitutional monarchies and eliminated some forms of representation that had been long standing features of the colonial period. Its political structure more closely resembled an absolute monarchy. Colonial absolutism, militarism, and mercantilist economic regulation persisted after independence and were exacerbated in the short run.<sup>141</sup>

However, the fact that the state may be regarded as autonomous does not mean that its economic policies achieved any sort of "autonomous development," as has been argued. The word autonomous suggests that external forces played no role in bringing about the changes that took place, which our preceding descriptions suggest was not the case. Moreover, the changes in property rights and political institutions that took place in the eighteen twenties, in particular, may be said to have constituted a veritable institutional regression. If we also consider the economy's performance between the 1810s and the 1830s, it is rather difficult to maintain that any "development" took place. Thus, the two words in the expression "autonomous development" simply should not be used together, perhaps should not be used at all, when speaking of Paraguay's economic performance under Francia.

Similarly, the expression "state socialism," if it is intended to

suggest an early experiment with a more advanced form of social organization, is not applicable to Paraguay during the period at issue. The state during Francia's regime held extensive rights on land and regulated economic activity much like socialist economies did, and consequently resembled a socialist economy. In these respects, however, it mainly followed colonial precedent. In other words, there was path dependence.<sup>142</sup> Therefore, the period's political economic system considered as a whole is more appropriately characterized as neomercantilist and, therefore, conservative in nature.<sup>143</sup>

The institutional forms put in place by Francia persisted beyond his death in 1840 and waned only slowly over the long run. The absolutist state reaped great benefits from Rosas' defeat at Caseros and the subsequent opening of the Parana-Paraguay river system to free navigation. The ensuing export boom and associated economic expansion allowed the state to increase expenditures on the military and on the transportation and communication infrastructure, as well as on a "capital goods" industry, with a view to increasing exports and defending the gains from perceived foreign aggressors. A large share of the increased income accrued to the family that had come to control the state at Francia's death, which therefore sought to perpetuate itself in power.<sup>144</sup> The dynasty, however, lasted for only two generations and was brought to an end by the Triple Alliance War.

After 1870 militarism, absolutism, and mercantilism relinquished their hold only slowly. Although the Liberal Party rose to power in 1904, representative democracy and a laissez-faire economy did not take hold until the 1920's, and had a short life span; they did not survive the Great Depression and the Chaco War.<sup>145</sup> The February 1936 coup marked the beginning of the process that returned militarism, absolutism, and mercantilism to Paraguay until the late nineteen eighties.<sup>146</sup> Whether representative

democracy and a laissez-faire economy will prevail in Paraguay in the nineteen nineties is still an open question. If the experience of the nineteenth and early twentieth century is any indication, past forms of political absolutism and economic mercantilism will hang on for dear life. Lessons derived from the study of past transitional periods may help lessen their grip, however.



## ENDNOTES

1. Early national economic activity fell throughout Latin America according to contributions in Prados and Amaral, La independencia americana. The only two exceptions appear to have been Brazil and Cuba. Political fragmentation was also a generalized phenomenon, which only Brazil escaped. Fragmentation raises military expenditures by lengthening defense perimeters. See David Friedman, "A Theory of the Size and Shape of Nations," Journal of Political Economy Vol. 85, n° 1 (February 1977):59-77. The fiscal burden also increased elsewhere in the region and beyond, apparently with similar political effects as in Paraguay. See Tulio Halperin Donghi, Guerra y finanzas en los orígenes del estado argentino (Buenos Aires, 1982), Herbert Klein, Bolivia. The Evolution of a Multi-ethnic Society 2nd. edition (New York, 1992), Chs. 4 and 5, and Richard J. Salvucci and Linda K. Salvucci, "Las consecuencias económicas de la independencia mexicana," in Prados and Amaral, La independencia americana, pp. 31-53. Finally, mercantilism persisted throughout early national Latin America according to Claudio Veliz, The Centralist Tradition in Latin America (Princeton, 1980). Thus, the analysis of early national Paraguay may have fairly wide ranging implications. However, owing to time and space constraints this paper will confine itself to the chosen case. An interest in early attempt to analyze Paraguay's early national period and work out its implications for South America is Cecilio Báez, Ensayo sobre el Doctor Francia y la dictadura en Sud-América (Asunción, 1910).

2. An authoritative recent statement of the elements of international trade theory used here may be found in R. Caves, J. Frankel, and R. Jones, World Trade and Payments. An Introduction, 5th edition (Glennview, Illinois, 1991). Ricardo's differential rent and Von Thünen's locational rent theories are well presented in John M. Hartwick and Nancy D. Olewiler, The Economics of Natural Resource Use (New York, 1986), Ch.2. The standard reference on regional economics is Walter Isard, Methods of Regional Analysis. An Introduction to Regional Science (Ithaca, NY, 1982). Also relevant to this paper is North's joining of trade and location theories in a regional economic history context. See Douglass North, "Location Theory and Regional Economic Growth," Journal of Political Economy LXIII, n.3 (June 1955):243-258. For an interesting new approach to locational and regional issues in an international trade context see Paul Krugman, Geography and Trade (Cambridge, MA, 1991).

3. The staples growth theory, already evident in Adam Smith, was used by North and Watkins to account for the early economic development of the United States and Canada, and was formalized by Caves. See Adam Smith The Wealth of Nations Everyman ed. (London, 1910) Vol II, book 4, ch.7; Douglass C. North, The Economic Growth of the United States, 1790-1860 (Englewood Cliffs, New Jersey); Melville Watkins, "A Staple Theory of Economic Growth," The Canadian Journal of Economics and Political Science, Vol. XIX, n° 2 (May 1963):141-158; and Richard Caves, "Vent for Surplus Models of Trade and Growth," in R.E. Baldwin et al (eds.) Trade, Growth and the Balance of Payments (Chicago, 1965). Assadourian suggests that the staples model is "perfectly applicable" to the region of concern during the colonial period. Students and followers of Assadourian who have researched the country of concern here, however, have ignored this theoretical clue. See Carlos Sempat Assadourian, El sistema de la economía colonial: mercado interno, regiones, y espacio economico (Lima, 1982) p.116, footnote 9; Juan Carlos Garavaglia, Mercado interno y economía colonial (México, 1983); and Thomas L. Whigham, The Politics of River Trade: Tradition and Development in the Upper Plata (1780-1870) (Albuquerque, 1991).

4. Caves' formalization stripped the staple growth theory of its institutional aspects, which North and Thomas sought to reintroduce by resorting to transactions costs in D.C. North and R.P. Thomas, "An Economic Theory of the Growth of the Western World," The Economic History Review 2nd series, Vol 23, n° 1

(April 1970):1-17. As they themselves recognized, their effort would have been more successful had a theory of the state been available. Elsewhere North and Thomas discussed the rise of private property rights on land and North provided the first statement of the missing theory of the state, which focuses on predatory states. See Douglass North and Robert Thomas, "The Rise and Fall of the Manorial Economy: A Theoretical Model," Journal of Economic History Vol 31 n°4 (December 1971):777-80, and Douglass North, Structure and Change in Economic History (New York; 1981), Ch. 3. More recent discussions can be found, respectively, in David Feeney, "The Development of Property Rights in Land: A Comparative Study," in Robert H. Bates (editor) Toward a Political Economy of Development, a Rational Choice Perspective (Berkeley, 1989) and Thrainn Eggertsson Economic Behavior and Institutions (New York, 1989). These theoretical sources are offered to facilitate comprehension of the problem at hand only, not as a source from which to derive implications testable by econometric methods. Such a test -though conceivably possible- would require much more statistical data than is available. The most one can expect is a rough correspondence between theory and evidence.

5. See Ronald Rogowski, "Political Cleavages and Changing Exposure to Trade," American Political Science Review Vol. 81, n° 4 (December 1987) and Commerce and Coalitions. How Trade Affects Domestic Political Alignments (Princeton, NJ, 1989); Wolfgang Stolper and Paul Samuelson, "Protection and Real Wages," Review of Economic Studies (1942); and Mancur Olson, The Logic of Collective Action. Public Goods and the Theory of Groups (Cambridge, MA, 1965) and The Rise and Decline of Nations (New Haven, CT, 1982).

6. The approaches to the late colonial and early national period are, in principle, compatible. Caves opened Ricardo's two-sector model and worked out the comparative static implications of an increase in the supply of land when factors are allowed to move. Rogowski extended Stolper and Samuelson's (1942) solution to issues arising in Heckscher and Olin's neoclassical reformulation of Ricardo's comparative advantage theorem, which assumes factors are not mobile across countries. Caves' Ricardian construct may be made compatible with Rogowski's by extending Ricardo's marginal principle to factors of production other than land a la Wicksteed. Once this is accomplished, both approaches differ mainly as to factor mobility.

7. See Douglass North and Barry Weingast, "Constitutions and Commitment: The Evolution of Public Choice Institutions Governing Public Choice in Seventeenth Century England," Journal of Economic History 49 n° 4 (December 1989):203-832.

8. Jean Batou, Cent ans de résistance au sous-développement: l'industrialisation du Moyen Orient et de l'Amérique latine face au défi européen (Géneve, 1989), pp.460-461.

9. Batou, Cent ans, pp.460-461.

10. See Richard Alan White, Paraguay's Autonomous Revolution (Albuquerque, 1978); John Hoyt Williams, The Rise and Fall of the Paraguayan Republic, 1800-1870 (Austin, Texas, 1979); and Vera Blinn Reber, "Commerce and Industry in Nineteenth Century Paraguay: The Example of Yerba Mate", The Americas, vol. XLII, (July 1985), n. 1; "The Demographics of the Paraguay: A Reinterpretation of the Great War, 1864-70," Hispanic American Historical Review vol 68, n°2, (1988):289-319; and Modernization from Within. Trade and Development in Paraguay, 1810 to 1870 (forthcoming). Williams does not use dependency theory. He is included in the school because he characterizes the period as one of state socialism. Both White and Reber have been influenced by Bradford Burns. White's book was based on the doctoral dissertation he wrote under Burns at the University of California at Los Angeles. Richard Huston, another student of Burns', has just completed a second dissertation on Francia. See "Folk and State in Paraguay: Political Order and Social Disorder." (Ph.D. dissertation, University of California at Los Angeles, 1993). Until this work becomes available to researchers, one can only speculate

as to whether it may or may not be classified as a revisionist piece.

11. The related Argentine revisionist school has been analyzed by Tulio Halperin Donghi in El revisionismo histórico argentino (México, 1971). For a historiographical discussion of the nineteenth century literature see White, Paraguay's Autonomous Revolution, pp. 7-13, of the twentieth century literature see M.S. Al'perovich, "La dictadura del Dr. Francia en la historiografía del siglo XX," Estudios Latinoamericanos Vol 5 (1979):87-96.

12. Most of White's quantitative data may be found in Appendices A through H, pp. 179-264, but see also, p. 95 and passim. White's and Williams' data were gathered independently. The majority of subsequent contributors have been friendly to the revisionist school. Prominent among them is Reber. Critics have been much fewer. Thomas L. Whigham, Politics of River Trade is a recent such attempt but overlooks most of the fundamental weaknesses of the revisionist analysis to which this paper calls attention.

13. A proponent of dependency theory as a useful tool for analyzing Paraguayan history has recently gone further; Diego Abente asserts that "Dr. White's work is a fine piece of research full of archival data. Some of the conclusions he draws, however, are derived from a preconceived theoretical framework rather than from the facts themselves. Although Dr. White's arguments are limited to the dictatorship of Francia, the tendency of the revisionist literature is to extrapolate them to the López period as well." See "Foreign Capital, Economic Elites, and the State in Paraguay during the Liberal Republic (1870-1936)," Journal of Latin American Studies Vol. 21 (February 1989), p. 72, fn. 22. However, Abente did not substantiate any part of this claim. Clearly, such a charge requires evidentiary support to stand.

14. Neither does the available evidence support claims of a spectacular industrialization process between 1852 and 1870. Actually, it suggests an alternative set of hypotheses. See Mario Pastore, "State and Industrialization in Nineteenth Century Latin America: the Evidence on Paraguay Reconsidered," Journal of Latin American Studies (May 1994).

15. On institutional innovation in Holland see Douglass C. North and Robert P. Thomas, The Rise of the Western World (New York, 1973), in England, North and Weingast, "Constitutions and Commitment".

16. The renewed economic expansion of the River Plate region in the first half of the eighteenth century is discussed by Magnus Mörner, "Panorama de la sociedad del Río de la Plata durante la primera mitad del siglo XVIII," Estudios Americanos Revista de la Escuela de Estudios Hispanoamericanos, Sevilla. Vol. XVII, n° 92-93 (Mayo-Junio 1959):203-216. Economic conditions in Paraguay in the same period may be discerned from Rafael Eladio Velázquez, "Navegación paraguaya de los siglos XVII y XVIII," Estudios Paraguayos Vol. I (November 1973): 45-84, Juan Bautista Rivarola Paoli, La economía colonial (Asunción, 1986), and Branislava Susnik Una visión socio-antropológica del Paraguay del siglo XVIII (Asunción, 1991), pp.7-59.

17. For the Bourbonic Reforms see John Lynch, Spanish Colonial Administration 1782-1810; The Intendent in the Viceroyalty of the Rio de la Plata (London, 1958). Garavaglia analyzes the late colonial regional specialization in Juan Carlos Garavaglia, "Economic Growth and Regional Differentiation: The River Plate Region at the End of the Eighteenth Century," Hispanic American Historical Review vol 65, n° 1 (1985):51-89, but the paper does not discuss Paraguay. Conditions in pre-Edict Paraguay were described in Governor Pinedo's 1773 and 1777 reports to the king, excerpted in White, Paraguay's Autonomous Revolution, pp.17-21. For a summary of conditions in Paraguay after the Edict see Jerry W. Cooney, "An Ignored Aspect of the Viceroyalty of the River Plate," Intercambio Internacional

Vol. 2, n°1 (January 1977):10-13. For more detail see Jerry W. Cooney, Economía y sociedad en la Intendencia del Paraguay (Asunción, 1990).

18. For insightful comments and further sources on the military reorganization in the Province of Buenos Aires see David Rock, Argentina, 1516-1980: From Colonization to the Falklands' War (Berkeley, 1985); in Paraguay, John Hoyt Williams, "From the Barrel of a Gun: Some Notes on Dr. Francia and Paraguayan Militarism," Proceedings of the American Philosophical Society Vol. 119, n° 1 (February 1975):73-86, and Jerry W. Cooney, "The Paraguayan Independence Movement, 1806-1814," (Ph.D. dissertation, The University of New Mexico, Albuquerque, NM, 1971).

19. One arroba equals twenty five pounds. For the 1776 figure see Efraím Cardozo, El Paraguay colonial: las raíces de la nacionalidad (Buenos Aires, 1959), p.106; for the 1792-1796 averages see "Tabla de Comercio," in Félix de Azara, Descripción e historia del Paraguay y del Río de la Plata in Biblioteca Indiana. Viajes por la América del Sur Vol. 2 (Madrid: 1847, 1962), pp. 313-314), and for the 1803-1807 averages see "Razón de los Tercios de yerva que salieron de esta Provincia en el último quinquenio," Ministros de R.l Hacienda Pedro de Oscariz and José de Elizalde, Asunción, November 28, 1898, in ANA-NE 1790, both cited in Jerry W. Cooney, "Serving the Hinterland: The Commercial Rise of Asuncion, 1776-1810," SECOLAS Annals vol. XVIII (March 1987), p. 90, footnote 46 and p. 91, footnote 48, respectively. Cooney also provides figures on total exports and imports.

20. Slavery first characterized Paraguay's early colonial economy but was replaced in mid sixteenth century by two versions of a form of serfdom, the encomienda yanacona, which disguised the earlier slavery, and the encomienda mitaria, more akin to European serfdom. Mita Indians were confined to Franciscan and, later, to Jesuit missions. Both these forms of the encomienda had declined noticeably by the 1630's and, eventually, Jesuit missions were exempt from the encomienda mitaria. Elsewhere, the stagnant encomiendas persisted throughout the colonial period, though most had reverted to the crown towards the end of the eighteenth century. For the encomiendas see Mario Pastore, "Trabalho forçado indígena e campesinato mestiço livre no Paraguai colonial: uma visão de suas causas baseada na teoria da procura de rendas econômicas," Revista Brasileira de Historia Vol. 11, n°21 (set/fev. 1990/91):147-185, English version in J.Brewer and S.Staves (eds.) Early Modern Conceptions of Property (London, forthcoming).

21. For state enterprises, see Jerry W. Cooney, "A Colonial Naval Industry: The Fabricas de Cables of Paraguay", Revista de Historia de America vol. 87, (Enero - Junio 1979); "Paraguayan Astilleros and the Platine Merchant Marine, 1796-1806," The Historian (1980):55-74; and "La Dirección General de la Renta de Tabacos and the Decline of the Royal Trade Monopoly in Paraguay. 1779-1800," Colonial Latin American Historical Review Vol 1, n°1 (1992):101-116; for a hint that state enterprises relied on indigenous coerced labor see James Schofield Saeger, "Survival and Abolition: The Eighteenth Century Paraguayan Encomienda." The Americas Vol 28, (July), pp.59-85; for the private sector's use of African slaves see Josefina Plá, Hermano Negro. La Esclavitud en el Paraguay (Madrid: 1972).

22. On immigration, Jerry W. Cooney, "Foreigners in the Intendencia of Paraguay", The Americas vol XXXIX (1982-83):333-358; René Ferrer de Arréllaga, Un siglo de expansión colonizadora: los orígenes de Concepción (Asunción, 1985). On internal migration, see Juan Francisco de Aguirre, "Diario.." Revista de la Biblioteca Nacional de Buenos Aires n°s. 17-20, 1949-51. On the new towns, Rafael Eladio Velázquez El Paraguay en 1811 (Asunción, 1965); José Luis Mora Mérida, "La demografía colonial paraguaya," Jahrbuch für Geschichte von Staat, Wirtschaft, und Gessellschaft Lateinamerikas, Band II

(1974), p. 76; Ferrer de Arréllaga, Expansión colonizadora; Alfredo Viola, Origen de Pueblos del Paraguay (Asunción, 1986). See also Jerry W. Cooney, "The Yerba Mate and Cattle Frontier of Paraguay 1776-1811: Social, Economic, and Political Impact." Paper presented at the XIV Int'l Congress of the Latin American Studies Association, New Orleans, LA, 17-19 March 1988.

23. Peasants devoted themselves to agriculture during the fall and winter. They sowed tobacco in May or June and by September they were usually finished transplanting the seedlings, "though the operation sometimes continued for two more months." They labored in the yerba trade during the hottest months of the year, October through May. For the timing of tobacco activities, see Thomas L. Whigham, "The Politics of River Commerce in the Upper Plata, 1760-1865," (Ph.D. Dissertation, Stanford University, 1986), p. 175, for that of yerba harvesting, see Reber, "Commerce and Industry," p. 33.

24. For the expansion of hardwood and tobacco production see Jerry W. Cooney, "A Colonial Naval Industry: The Fabricas de Cables de Paraguay", Revista de Historia de America vol. 87, (Enero - Junio 1979) and "Forest Industries and Trade in Late Colonial Paraguay," Journal of Forest Industries Vol. 23, n°4 (October 1979):186-197. The modern economic theory of common property resource use originates with H. Scott Gordon, "The Economic Theory of a Common Pool Resource: The Fishery," Journal of Political Economy Vol. LXII (1954).

25. The small peasantry's family-sized farms sprung up in the sixteenth century alongside the relatively larger estates worked mostly by Spaniards with encomienda labor, the lands of the towns of Spaniards and of Indians, and the royal lands. The peasantry became progressively more important after the 1630's. However, in the late seventeenth and early eighteenth centuries, increased cattle ranching, population growth, the transformation of Jesuit mission Indians into peasants following the Order's 1767 expulsion, and the Bourbonic liberalization of trade of the late 1770's in particular, led to increased land concentration, the appearance of land tenancy and agricultural wage labor. The displacement of small peasants from their farms pushed the frontier farther out. See Pastore, "Trabalho forçado indígena."

26. Yerba gatherers fed on the cattle, packed the yerba mate in sacks made of hides, and transported the yerba itself to riverain ports by oxen. Loggers also used cattle in their operations. Rivarola Paoli, La economía colonial gives a list of late colonial ranches formed in the area the Jesuits had previously occupied. Garavaglia, Mercado interno, discusses barreros. For Paraguay's status as a net importer of cattle in the late colonial period see Thomas L. Whigham, "Cattle Raising in the Argentine Northeast: Corrientes, 1750-1870," Journal of Latin American Studies Vol. 20 (November 1988):313-335.

27. See Rafael Eladio Velázquez, "Organización militar de la Gobernación y Capitanía General del Paraguay," Estudios Paraguayos Vol. V, n°1 (Junio 1977):25-68 for the expansion of forts and Ferrer de Arréllaga, Expansión colonizadora for military status and land ownership in Concepción.

28. For the financial activities of the Church see White, Paraguay's Autonomous Revolution. Asunción merchants could pay for their purchases in Buenos Aires with "libranzas," drafts drawn against their balances at the Royal Tobacco monopoly in Asunción which could be presented for payment at the Renta's offices in Buenos Aires. For silver hoarding, see Jerry W. Cooney, "The Carrera del Paraguay, 1770-1810: Lifeline of the Platine Littoral," paper presented at the Southern Historical Association Meetings, 1988. For statements on price inflation see Aguirre, "Diario.." cited in Cooney, "Serving the Hinterland: p.91, footnote 56.

29. Product estimates like those proposed for the United States by Gallman and David have been put forth for Mexico by Coatsworth as well as by Richard and Linda Salvucci for Mexico, for El Salvador by Lindo Fuentes. However, I am aware of no such series for the Viceroyalty of the River Plate or any of countries that emerged in the region after its dissolution, though Coria has made an attempt for Mendoza in the first decade of the nineteenth century. See Robert Gallman, "The Pace and Pattern of American Economic Growth," in Lance Davis and et al, American Economic Growth (1972):33--39; Paul David, "The Growth of Real Product in the United States Before 1840: New Evidence, Controlled Conjectures," Journal of Economic History vol. XXVI, n° 2, (June 1967); John Coatsworth, "Obstacles to Change in Nineteenth Century Mexico," American Historical Review (1978); Richard and Linda Salvucci, "Las consecuencias económicas de la independencia mexicana," in Prados and Amaral, La independencia americana (Madrid, 1993):31-53; Héctor Lindo Fuentes, "Nineteenth Century Economic History of El Salvador," (Ph.D. dissertation, University of Chicago, 1984); and Luis A. Coria, "Determinación del P.B.I de Mendoza para 1807," in Anales del A.A.E.P, XXIII Reunión Anual Vol. I., 1988.

30. See Jerry W. Cooney, "Criollos and Peninsulares in the Intendencia of Paraguay: Elite Accommodation in Place of Conflict." Dpt. of History, University of Louisville, (n.d.).

31. This pattern contrasted with similar provinces on other Indian frontiers such as Chile, where the crown stationed a large standing army; military power, therefore, was more concentrated, and in the hands of the colonial administration.

32. For the "special dispensation" see Efraím Cardozo, Efemérides de la historia del Paraguay (Asunción: 1967); for the Comuneros Revolt, see James Schofield Saeger, "Origins of the Rebellion of Paraguay," Hispanic American Historical Review Vol. 52 (May 1972):215-229; Adalberto López, The Revolt of the Comuneros, 1721-1735: A Study in Colonial History of Paraguay (Cambridge, MA, 1976), and Juan Carlos Garavaglia Economía, Sociedad y Regiones (Buenos Aires: 1987), pp. 193-260; for suggestions on the political effects of the Reforms see Carlos Pastore, "Introducción a una Historia Económica del Paraguay en el Siglo XIX," Historia Paraguaya vol. XVI (1978), pp.103-126 and Cooney, "Serving the Hinterland," p. 91, ftnt. 58.

33. The Real Renta also had military implications. Tobacco growers who agreed to sell it their tobacco could be exempted of militia duties. See Cooney, "Renta de Tabacos."

34. See Rock, Argentina, and Kline Bolivia.

35. The 70% estimate is Williams', The Rise and Fall.

36. John Hoyt Williams "Governor Velasco, the Portuguese, and the Paraguayan Revolution of 1811: A New Look," The Americas vol 28, n°4 (April 1972), p. 444, puts the amount taken at pesos 13,180.

37. On the composition of the juntas see Cooney, "The Paraguayan Independence Movement," pp. 173, 191. See also Eliana Castedo Franco, "El proceso social de la revolución del 14 de mayo de 1811. Un estudio socio-histórico," Estudios Paraguayos Vol 6 n°2 (1978):141-195. The two military officers were Caballero and Yegros, the representative of the mercantile elite was de la Mora, of the clergy, Bogarín. For a quick sketch of the personal background of junta members see Julio César Chaves, La revolución paraguaya de la independencia. Relato y biografía de los próceres (Buenos Aires: 1961); more detail on Caballero's background may be found in H. Sanchez Quell Pedro Juan Caballero y otros ensayos (Asunción, 1984);

on Yegros' see Rafael Eladio Velázquez, "Los Yegros en la historia del Paraguay," en Fulgencio Yegros, bicentenario de nacimiento, Proceedings of a commemorative symposium (Asunción, 1980), and in Historia Paraguaya Vol. XVIII (1981):215-283; on de la Mora's see Jerry W. Cooney, "The Rival of Dr. Francia: Fernando de la Mora and the Paraguayan Revolution," Revista de Historia de America n° 100 (Julio-Diciembre 1985):201-229; on Francia, see Julio César Chaves, El Supremo Dictador 3a. edición (Buenos Aires, 1958).

38. See Chaves, El Supremo Dictador and White, Paraguay's Autonomous Revolution. Francia's continued presence in the expanded junta, I suggest, may have been partly due to kinship ties between him and some of the other junta members. Francia's familial ties with one of the military officers, Fulgencio Yegros, with the junta's secretary Mariano Larios Galván, as well as with Antonio Tomás Yegros, Fulgencio's brother, who was also active in the movement, have been documented by Julio César Chaves in El Supremo Dictador and La revolución paraguaya, pp. 69-73 and 85-89, as well as by Rafael Eladio Velázquez, "Los Yegros..", en la historia del Paraguay," en Fulgencio Yegros, bicentenario de nacimiento, Proceedings of a commemorative symposium (Asunción, 1980), p.34, and in Historia Paraguaya Vol. XVIII (1981), pp. 249-251, but have been questioned by Benjamín Vargas Peña, Secreta Política del Dictador Francia (República Argentina, 1985), p. 95.

39. Aside from noting the fact that Francia's father was born a Portuguese subject, Vargas Peña also puts forth evidence that Francia sponsored diplomatic efforts in the 1810s' and the 1820s' to explore the possibility of making Paraguay a protectorate of Portugal's and Spain's, respectively. Ramos rejects the documentary validity of this thesis. However, Abente grants that Vargas Peña's books "make very interesting revelations and raise important and long-neglected issues," even if they are "marred by a rather simplistic, all encompassing conspiratorial theory." See Benjamín Vargas Peña, Secreta Política, pp. 8-11, 49-64, and 93-124; R. Antonio Ramos, La política del Brasil en el Paraguay bajo la dictadura del Dr. Francia (Buenos Aires, 1957); and Diego Abente, "The Liberal Republic and the Failure of Democracy," Journal of Latin American Studies Vol 21 (February 1989), p. 527. The subject clearly deserves more research.

40. Yegros, for example. See Mariano Antonio Molas Descripción histórica de la antigua provincia del Paraguay 3a. edición (Buenos Aires, 1957).

41. A summary of Velázquez's description of the broader aims of this Junta reads as follows: "...enseñanza gratuita; instrucción para el maestro de primeras letras ajustada a las más modernas concepciones pedagógicas de la época, con citas que demuestran la gran versación de sus autores y encaminada notoriamente a formar hombres libres y dignos; Sociedad Patriótica Literaria, para coadyuvar a la elevación del nivel cultural de la población; Academia Militar, para la formación de los mandos medios y subalternos; expedición al Norte, para expulsar a invasores portugueses; erección del Cabildo de la Villa Real de la Concepción; trabajos iniciales de la fundación de la Villa del Salvador de Tavegó o Etevegó; supresión del tributo indígena; concesión para una línea de navegación con buques a vapor..; relaciones cordiales con Artigas.., como complemento o alternativa de las que se mantenían con Buenos Aires; y una misión confidencial para obtener el levantamiento del bloqueo realista del río Paraná..Además se iniciaron gestiones para la adquisición en Buenos Aires de una imprenta y de la biblioteca que había pertenecido a Mariano Moreno, entonces recientemente fallecido." See "Los Yegros", pp.59-60.

42. On the agreement with Buenos Aires see Efraím Cardozo, "El Plan Federal del Dr. Francia." (Buenos Aires, 1941). On the notion that technological innovations that reduce transportation costs are equivalent to tariff reductions see Rogowski, Commerce and Coalitions.
43. On the agreement's dissolution see Cardozo, "Plan federal." I have highlighted only the main issues of contention between the Junta and Buenos Aires.
44. Here I use the word "rational" in the neoclassical economic sense of "maximizing." The free rider concept is discussed at length in Olson's Logic.
45. For late colonial export figures see Cooney, "Serving the Hinterland," p.84, for early national exports White, Paraguay's Autonomous Revolution Appendices C through F, pps. 225-257. However, to calculate export values for the years in the period for which he did furnish data, White used 1818 prices of some goods and 1829 prices of other goods. Thus, for those years he may in some sense be said to have furnished real rather than nominal figures, though not through deflating nominal figures by an index of export prices. In addition, White excluded goods exported in relatively small quantities, understating exports according to his own calculation by as much as 10 per cent. Subsequent authors, among them Whigham, Politics of River Trade, and Reber, Modernization From Within, have overlooked and compounded the problem by using White's figures to compile longer series for nominal exports and imports. White did not furnish export data for 1810-1815, 1817, 1821-28, 1833-34, and 1836. Nor do his appendices contain import data for any year of the period. White's figures are used here only to gain an idea of the orders of magnitudes involved in the early national trade contraction.
46. Tables 2 and 3 summarize data contained in White, Paraguay's Autonomous Revolution Appendix A, pp. 180-214. White arranged government income and expenditure categories differently every year, in order of decreasing magnitude. I have kept the yearly order of categories constant and allowed the magnitudes to vary. Note that White did not include data on government revenues and expenditures for 1817, 1819, 1821, 1824-27, 1830, and 1836, although on pp. 213-214 he himself lists the ANA locations at which they are available.
47. Tables 4 and 5 contain data in White, Paraguay's Autonomous Revolution, Appendix H. Data on troop strength and military allocations during this period also can be found in Williams, "From the Barrel". The findings of White and Williams, however, are sometimes at odds. For example, Williams warns that the Libros de Caja of the War Treasury between 1816 and 1827 "concerns troops garrisoned in and around the capital. Frontier troops and the garrisons of other population centers such as Pilar and Ytapúa, are not mentioned in the libros de Caja." These were expected to be self sufficient. See Williams, "From the Barrel", p.77. White, however, in Paraguay's Autonomous Revolution, suggest that these data apply to the country as a whole. Proper hypothesis testing procedure require that I use White's figures, because they may be underestimates of true values on troop strength and military allocations. They also cover a wider period (between 1816 and 1823). However, I will use White's figures to suggest the orders of magnitude involved only. Where possible, I will supplement White's figures with those of Williams' and other sources. Again, this procedure may be questionable, but not if the purpose is to suggest orders of magnitude.
48. Just as the reforms of 1801 may be said to have given origin to the early Paraguayan military, measures by Governor Velazco -his requisition of "a number of merchant ships in the Asunción harbor"- may be said to have given rise to the Paraguayan Navy. These ships "were armed, many of them with cannon," and were devoted to the expedition against Corrientes in 1811 and to patrolling the Paraná. However, and despite the riverain blockades imposed by Buenos Aires beginning in 1812, "little was done to strengthen the flotilla for several years" according to Williams, "From the Barrel", p.84.



49. White, Paraguay's Autonomous Revolution, p.104. Government budgets show that the government spent funds for "construction of ships" in 1816 and 1818, pesos 8,551 and 6,622, respectively. See White, Paraguay's Autonomous Revolution pps. 182 and 184. This is consistent with the fact that a Paraguayan naval force bombarded Corrientes in 1818, in retaliation for the earlier seizure of several Paraguayan merchant ships. Expenditures on shipbuilding continued in 1819 and 1820, when the government respectively devoted 10,724 pesos (Williams, "From the Barrel", p.84) and 13,615 pesos (White, Paraguay's Autonomous Revolution, p.186) to that aim. The flotilla was augmented by the addition of captured ships in 1820. The disaffected crew of a heavily armed ship belonging to Littoral caudillo Francisco Ramírez interned at Pilar and gave itself up. Francia refused to release the ship. See Williams, "From the Barrel", p. 84 and 85.

50. Though total government receipts increased from 264,000 pesos in 1816 to 286,000 pesos in 1818. See White, Paraguay's Autonomous Revolution, App. A.

51. Tax revenues decreased by 72,000 pesos, confiscations amounted to 90,107 pesos, and the 1818 budget surplus to 91,712. See White, Paraguay's autonomous Revolution, Appendix A.

52. They fell from 47,770 pesos to 8,146 pesos, a drop of 83%. Excise taxes also fell, but not in the same proportion, from 40,285 to 33,445 pesos. See White, Paraguay's Autonomous Revolution, Appendix A.

53. Which amounted to 7,729 pesos. Merchandise sales amounted to only 650 pesos. See White, Paraguay's Autonomous Revolution, Appendix A.

54. They amount to less than 5,000 pesos. See White, Paraguay's Autonomous Revolution, Appendix A.

55. The officers probably were much better educated and more familiar with their Buenos Aires counterparts and their innovative ideas than revisionist and nationalist historians have generally been willing to concede. The secondary literature alone suggests as much. See, for example, Chaves, La revolución; Sanchez Quell, Pedro Juan Caballero, and Velázquez, "Los Yegros". The Congress of 1814 was supposed to have had 1000 delegates, though only six or seven hundred attended. That of 1816 had only 150 delegates. See Chaves, El Supremo Dictador (1958, pp. 168 and 182). Seven eights of the votes from the countryside favored Francia in the 1814 Congress. The 1816 Congress, however, designated Francia Perpetual Dictator and "ser sin exemplar," by acclamation, without a vote. See Francisco Wisner de Morgenstern, El Dictador del Paraguay, José Gaspar de Francia (Buenos Aires, 1923, 1957), pp. 76, 90, respectively.

56. Matiauda at Itapúa joined Artigas. See Williams, The Rise and Fall, p.39. Caballero is reported to have helped convince the Congress of 1814 of the need to give Francia dictatorial powers for a limited term. See Cooney, "The Paraguayan Independence Movement". For Francia's Army reorganization decree see ANA, Sección Historia, Vol. 229, N. 11, transcribed in Alfredo Viola, Cartas y Decretos del Dictador Francia, tomo III (Asunción, 1990), pp. 26-29. For the "Great Conspiracy" see Williams, "The Conspiracy of 1820 and the Destruction of the Paraguayan Aristocracy." Revista de Historia de América nos. 75-76 (Jan-Dec 1973):141-156.

57. Something similar had happened in Paraguay during the Comuneros Revolt at the end of the first third of the eighteenth century. Theft and crime continued to be a preoccupation of provincial governors and of the consuls (See Garavaglia, Economía, sociedad y regiones, pp. 243-45). Should an alliance with Artigas be formed, therefore, the possibility of a recurrence could not be discounted.

58. The literature on the 1820's frequently refers to budgetary problems, government efforts to improve international trade, and land confiscations, but does not causally connect them to one another or to the increased labor coercion that can be found in this period. For a recent example see Thomas L. Whigham, "The Backdoor Approach: The Alto Uruguay and Paraguayan Trade, 1810-1852" Revista de Historia de América n° 109 (Enero-Junio 1990):45-68.

59. Tax revenues fell by 14,336 pesos, 6-7% of 1816 receipts; confiscations amounted to 121,123 pesos, 35-40% larger in nominal terms than those of 1818. See White, Paraguay's Autonomous Revolution, Appendix A.

60. Government spending fell by 28,218 pesos and the budget deficit was 38,000 pesos.

61. Brazil offered to establish commercial relations with Paraguay on February 1st., 1823. Buenos Aires, likewise, proposed to reestablish commercial and economic relations several times during the period stretching from November 1823 to November 1824, and relaxed the blockade. See White, Paraguay's Autonomous Revolution, p.179.

62. Quoted in White, Paraguay's Autonomous Revolution, p.140.

63. See Vargas Peña on Parish's message to Francia concerning Buenos Aires' attitude regarding trade at this point.

64. The quote comes from White, Paraguay's Autonomous Revolution, p.140.

65. ANA-SH, Legajo 241, Francia a Ramírez, December 22, 1831, cited in White, Paraguay's Autonomous Revolution, p. 147.

66. Rengger and Longchamps furnish evidence that Francia had a different attitude towards trade with Brazil and with Argentina. They observe that "(t)he price of flour having risen in 1821, the Dictator fixed a maximum for its sale, which was lower than the price paid for it at Buenos Ayres; the year following he did the same thing with the cattle brought to be slaughtered. On the other hand, when he opened a commercial relation with the Portuguese, he fixed a minimum, under which the tobacco and tea of Paraguay were not allowed to be sold." See Rengger, J.R. and M. Longchamps, The Reign of Doctor Joseph Gaspard Roderick de Francia in Paraguay; Being an Account of a Six Year's Residence in that Republic, from July, 1819-to May 1825 (London, 1827), p.151. Italics in original, MP.

67. Rengger and Longchamps' observations suggest that the preferential trade conditions Paraguay accorded Brazil may have actually benefited Argentina and that Corrientes, in particular, gained substantially from the fact that it did not have to contend with Asunción's competition in downriver markets for yerba mate and other products. They remark that "(i)n 1819, Corrientes was half in ruins, and looked more like a deserted village than an inhabited city. In 1825, we found the old houses rebuilt and a great number of new ones erected. The population had considerably increased, commerce was in full activity, and agriculture flourishing" While admitting that part of the recovery was due to the four years of peace enjoyed since 1821, they also observe that "(t)his city, moreover, owes, in part, its speedy re-establishment to the interruption of the trade with Paraguay; for since the, its inhabitants gave themselves up exclusively to the cultivation of tobacco, and the sugar-cane, and to the felling of wood for building-branches of industry, in which it would have been before impossible for them to have competed with their neighbours. Rengger and Longchamps, Reign of Doctor Francia, p.195, bottom.

68. John Lynch, "The Origins of Spanish American Independence," in Leslie Bethell (editor) Cambridge History of Latin America (London, 1987), p.333, emphasis in the original. Francia's strong preference for Brazil did not restrict itself to the realm of trade and may only partially be attributed to his Portuguese background. It may not be unreasonable to suggest that it may have been due to his conservative political views.

69. See John Hoyt Williams, "La guerra no-declarada entre el Paraguay y Corrientes," Estudios Paraguayos vol 1, n°1 (Noviembre 1973):35-43.

70. On Grandsire's projects and Francia's attitude towards them see Juan Francisco Pérez Acosta, Francia y Bompland (Buenos Aires, 1942), pp.25-27.

71. Francia's first decree, of 13 November 1814, is quoted in Cecilio Báez, Ensayo sobre el Doctor Francia y la dictadura en Sud-América (Asunción, 1910), p.93. Báez also paraphrases the contents of the second decree, which dates from the mid twenties.

72. Alfredo Viola mentions some of the ingenious ways in which individuals sought to smuggle money out and the mulcts that were applied to individuals who were caught in the act. See "Moneda y control de cambio durante el gobierno del Dr. Francia," Anuario del Instituto de Investigaciones Históricas José Gaspar Rodríguez de Francia Vol III, n° 3 (Setiembre), pp. 15 and 16. For the decree concerning silversmithing establishments see Circular a los Comisionados de Costa Abajo, 21-abril-1929, ANA-SH Vol 240, n°2, also cited in Viola, "Moneda y control de cambio", p. 15.

73. The "escapae valve" view, though evidently untenable, has remained popular in the literature. Even writers who have abandoned the dependentista school still cling to it. Thus, Whigham's Politics of River Trade still speaks of a "commercial 'vent'", p. 40.

74. Squatters who had settled on the lands were expelled. See Alfredo Viola, "La tenencia de la tierra durante el gobierno del Dr. Francia," Anuario del Instituto de Investigaciones Históricas José Gaspar Rodríguez de Francia Vol. II, n° 2 (November):80-89.

75. Most of those found guilty of conspiracy were executed on July 17, 1821. Molas claims, according to White, that sixty eight were executed. White himself claims that twenty one were executed on July 17 or shortly thereafter, and that a total of at most forty political executions took place during Francia's entire tenure. See Mariano Antonio Molas, "Clamor de un Paraguayo," Revista del Paraguay n°7 @ 8 (1828, 1893):240-262, cited in White, Paraguay's Autonomous Revolution, p. 91 bottom, and White, *ibid.*, p. 92, respectively. For the "autos" and the assets confiscated from Cavañas, the Yegros and the Montiel families see Williams (1973a) p.151.

76. On the Colegio's closure see John Hoyt Williams, "Dictatorship and the Church: Dr. Francia in Paraguay." Journal of Church and State Vol. 15, n°3 (Fall 1973), p. 430, and White, Paraguay's Autonomous Revolution, p. 279, footnote 72).

77. For the secularization decree see Carlos Pastore, La lucha por la tierra en el Paraguay (Montevideo: 1972), p.99; and Williams, "Dictatorship and the Church," p.430-31. For partial studies of inventories of convents see Jerry W. Cooney, "The Destruction of the Religious Orders in Paraguay," The Américas Vol. 36, n°2 (October):177-198, and Williams, "Dictatorship and the Church". The quote is from Williams, "Dictatorship", p.431. For the transformation of conventual buildings into barracks see Alberto Nogués La Iglesia en la época del Dr. Francia (Asunción, 1960), p.5, paraphrased in Williams, "Dictatorship and the Church",

p. 431.

78. One of the better reputed analyses of the evolution of Paraguay's land tenure system available to date states in this connection that: "Las tierras privadas cuyos propietarios no pudieron presentar los títulos o certificados en el plazo determinado por el gobierno, fueron arrendadas a sus ocupantes, sus primitivos dueños, con la obligación de cultivarlas y poblarlas de ganado, convirtiéndose así en importante fuente financiera del Estado. El gobierno, por su parte, ocupó las tierras aptas para la producción ganadera, organizando en ellas grandes estancias de ganado vacuno y caballar del Estado, para abastecer de carne, montados y equipos al ejército, y de cueros a la industria de la curtiembre y de la yerba mate, y para distribuir entre la gente sin recursos económicos." See Pastore, Lucha por la tierra, p.102.

79. See Alfredo Viola, "Tenencia de la tierra," pp. 85-86. Francia's decree says: "...la omisión de los mercedarios ha sido la causa no sólo de hallarse aún despobladas dichas villas y sus costas y de los desastres y robos que por falta de suficiente gente que la cubra y defienda han ejecutado los indios bárbaros del Chaco sino también de que para contenerlos, haya sido preciso que el gobierno con crecidos gastos hiciese construir cuatro fuertes en aquella banda, manteniendo en todos ellos, la guarnición de tropa veterana a costa igualmente de la Tesorería, sin que hubiesen bastado, para que los insinuados mercedarios cumplieren con su obligación las repetidas providencias, que en todo tiempo aun en el antiguo régimen se tomaron para que poblasen debidamente las tierras que habían solicitado y se les había concedido.." Viola adds that "Dispuso además el Dictador que si esas tierras no era pobladas por el término señalado se tendrán '...por inválidas e ineficaces, mandándolas recoger, y se repartieran las tierras a las familias pobres que se irán remitiendo a poblar la costa.'" See Viola, "Tenencia de la Tierra", pp. 85-86.

80. The information on state ranches "Costa Arriba" and "Costa Abajo" is from Viola, "Tenencia de la tierra".

81. See John Hoyt Williams, "Paraguay's Nineteenth Century Estancias de la República," Agricultural History Vol. 47 (July):206-215).

82. See Archivo Nacional, Vol 61, n°21-37 SE, in Colección Doroteo Bareiro, Tomo III, p. 15, in Colección Documental Carlos A. Pastore.

83. See Luis Armando Galeano Romero, "Unidades productivas agropecuarias y estructura de poder en Paraguay (1811-1870)," Revista Paraguaya de Sociología Vol. 9, n° 23 (Enero-Abril):91-105, and White, Paraguay's Autonomous Revolution, p. 264.

84. Riquelme García states that "por la pragmática de expulsión de los jesuitas el 7 de febrero de 1767 se dispuso que todos los bienes de la Compañía de Jesús en Hispanoamérica, pasasen a ser aplicados a la fundación de institutos de enseñanza", and goes on to say that "se entregó al Seminario, en enero de 1781, las estancias de Paraguarí, Tacurutí, Ybitipé, Yeguariza, Caañabé, Pindapoita, Yariguaá-miní, Román Potrero, Guazu-cuá, Yariguaá-guazú, Roman Potrero viejo, Novillo Vacay, La Cruz, treinta y cinco leguas de tierras en las Cordilleras, tierras de labrantíos en Tacumbú, las chacras de San Lorenzo, Barsequillo Potrero y Capiípery." See Benigno Riquelme García, "El Colegio Seminario Conciliar de San Carlos, de Asunción, 1783-1822," Cuadernos Republicanos n°10, p. 74. Juan Bautista Rivarola Paoli furnishes a roughly coincident list of sixteen ranches. See "La Administración de Temporalidades en la Provincia del Paraguay," Historia

Paraguay Vol. 25 (1988), p. 200. This number is also that furnished by a contemporary observer, Mariano Antonio Molas, in "Descripción histórica de la antigua Provincia del Paraguay," Revista de Buenos Aires Tomo IX (1866), p. 187, cited by Pastore, Lucha por la tierra, p. 104. Ranches administered by the Colegio in the Paraguay "partido" in 1816, are said to have been Tacurutu and Caacupé, suggesting that, by that date, the number of ranches could have been larger still, ceteris paribus. See "Inventario Perteneiente a las Estancias de Paraguay," Archivo Nacional, Vol. 1822, NE, 20 July 1816. For the statement that former Jesuit ranches were turned to individuals see Rengger and Longchamps, Reign of Doctor Francia.

85. Beeves from state ranches were not only used to feed the troops. In addition, evidence from 1829 reportedly suggests that the state distributed eight hundred head of cattle to the indigent poor of Villa Rica. Evidence from 1831 suggests that the state provided beeves in partial payment of the salaries of eight teachers of rural public schools. See Williams, "Estancias de la República", p. 211. This is consistent with the notion that after the state expropriated the lands of the religious orders, it had to take over some welfare functions that the Church had discharged during the colonial and the early national period, like those related to ministering to the needy and education.

86. Available evidence indicates that the government obtained revenues from renting out ejido lands after 1827. See White, Paraguay's Autonomous Revolution, p. 278, footnote 71. It is not clear whether these ejido lands belonged to Spanish or Indian towns.

87. See Williams, "From the Barrel of a Gun".

88. See Velázquez, "Los Yegros", p. 60. The passage referred to reads in its entirety as follows: "Hubo conspiración en 1820? Pudo haberla, como no haberla. El propio gobernador afectado se habría encargado de destruir la documentación relativa al tema. Sobre el mismo existe amplia bibliografía, con aseveraciones y desmentidos por igual rotundos, mas no hallamos en ella testimonios objetivos que nos permitan arribar a definitiva certidumbre."

89. See previously quoted excerpt from Batou, Cent ans.

90. The claim that Francia's emphyteusis was simply a prolongation of the colonial emphyteusis, made by Báez, Ensayo sobre el Dr. Francia, is restated by Abente, "Foreign Capital", p. 73.

91. See Castedo Franco, "Proceso social de la revolución."

92. For the emphyteusis under Rodríguez and Rivadavia see Emilio Coni, La verdad sobre la enfiteusis de Rivadavia (Buenos Aires, 1927), Sergio Bagú, El plan económico del grupo rivadaviano, 1811-1827 (Rosario, Argentina, 1966), pp. 49-53 and 84-94) and Miron Burgin, The Economic Aspects of Argentine Federalism, 1820-1852 (New York, 1946), pp. 96-99.

93. In that sense they also seem to have differed from the emphyteusis Carlos Antonio Lopez's later implemented, as described by Gelly. See Juan Andrés Gelly, Paraguay: lo que fue, lo que es, y lo que será (Paris, 1926).

94. The Army could press peasants into service. Private ranchers, presumably, could not obtain laborers in that fashion. State ranches, therefore, had an advantage vis-a-vis private ranches.

108. Whigham, The Politics of River Trade, p. 29, advances a similar opinion, but offers no evidence to support it.

109. See Burgin, Economic Aspects of Argentine Federalism, p. 97, emphasis in the original.

110. For early modern Europe see Ronald Batchelder and Herman Freudenberger, "On the Rational Origins of the Modern Centralized State," Explorations in Economic History Vol. 20 (1983), pp. 1-13, for seventeenth century England see North and Weingast, "Constitutions and Commitment".

111. Viola points out that "educational expenditures limited themselves to paying the salaries of the elementary school teacher of Asunción, José Gabriel Téllez, the professors of the Colegio Seminario de San Carlos which opened until 1823, and of the academy of young apprentices." After the Colegio's closure, educational expenditures must have fallen, but according to Viola they "experienced a noticeable increase beginning in 1834." See Alfredo Viola, "El Dr. Francia y la Hacienda Pública," Anuario del Instituto de Investigaciones Históricas Dr. José Gaspar Rodríguez de Francia Vol V, n° 5 (October 1983), p. 53. Potthast-Jukheit notes that Francia's policies had the effect of "weakening the institution of marriage," and illegitimacy rose, in Encarnación, "from around 51% in 1818 and 1819" to more than 79% in 1835/36, and in Villa Rica, Horqueta, and Santa Rosa to 54%, 50%, and 35%, respectively. See Potthast-Jukheit, "Ass of a Mare", p. 220.

112. See Cooney, "Repression and Reform", p. 416.

113. See Fulgencio Yegros, Pedro Juan Cavallero, and Fernando de la Mora, 9 de abril de 1812, in Báez, Ensayo sobre el Doctor Francia, pp. 87-88.

114. The original reads "casarse con indias de los pueblos, mulatas conocidas, y negras." Viola's remark may be found in Alfredo Viola, "El Dr. Francia y la Hacienda Pública," Anuario del Instituto de Investigaciones Históricas Dr. José Gaspar Rodríguez de Francia Vol V, n° 5 (October), p. 49. On Francia's extension of the droit d'aubaine see Barbara Potthast-Jukheit, "The Ass of a Mare and Other Sancals: Marriage and Extramarital Relations in Nineteenth Century Paraguay," Journal of Family History, Vol 16 n° 3 (1991), p. 219.

115. The decree granting one such license reads as follows: "Asunción y Noviembre 1° de 1819. Se concede licencia para el Matrimonio, que pretende ésta parte, siempre que entregue en la Tesorería tres mil ochocientos pesos fuertes para los gastos extraordinarios del Estado, que al presente ocurren en la inteligencia de que verificada la entrega se dará por el Actuario el correspondiente certificado de ésta concesión. Francia. Ante mi Mateo Fleytas, Fiel de Fhos." Archivo Nacional, Vol 2533, Nueva Encuadernación, transcribed in Colección Doroteo Bareiro, tomo III, p. 48, in Colección Documental Carlos A. Pastore.

116. See Carlos Antonio Heyn Schupp, Iglesia y Estado en el proceso de emancipación política del Paraguay (1811-1853) (Asunción: 1991) p. 212.

117. The entire passage reads as follows:

"por hallarme en un país de pura gente idiota, donde el Gobierno no tiene a quien volver los ojos, siendo preciso que yo lo haga, lo industrie y lo amaestre todo por sacar al Paraguay de la infelicidad y abatimiento en que ha estado sumido por tres siglos. Por eso después de la revolución todos se avinieron a robarlo, y lo robaron a su satisfacción Porteños, Artigueros y Portugueses. --Si en medio de todo esto hay quienes deseen

más de lo q<sup>e</sup> yo puedo proporcionar, no tengo otro arbitrio sino licenciarlos y que se retiren a sus casas, porque no he de hacer lo q<sup>e</sup> llaman milagro, y mucho menos en esta tierra de imposibles donde todo es dificultad, q<sup>e</sup> es menester q<sup>e</sup> entre mis infinitas atencions<sup>s</sup> y ocupacion<sup>s</sup>, ande como un desesperado riñendo, y lidiando con sastres, con mujeres y con criadas para q<sup>e</sup> no me hechen a perder los vestuar<sup>s</sup> q<sup>e</sup> hay que preparar asi para la gente de por alla como para la de las Villas de los Presidios del Chaco de Olympo, de Apa, y de los de aqui." (Francia al Comandante de Itapúa, 10 Diciembre 1828, cited in Pérez Acosta, Francia y Bompland, pp. 22-23.

118. The problem apparently persisted, for he later observed that he was

"ahogado, sin poder respirar en el inmenso cúmulo de atencion<sup>s</sup> y ocupacion<sup>s</sup> q<sup>e</sup> cargan sobre mi solo, porque en el Pais por falta de hombres idoneos, se ve el Gobierno sin los operarios y auxiliares, que debe tener y tiene en todas partes, de suerte que por necesidad estoy cumpliendo y llevando el peso de oficios que debian servirse por empleados competentes." (Francia al comandante de Itapúa, 22 de agosto de 1830, cited in Pérez Acosta, Francia y Bompland, pps 22-23.

Vargas Peña, Secreta Política, pp. 271-285, presents a documentary survey of additional statements by Francia on the capability of Paraguayans.

119. There were colonial precedents for these state measures. Before independence, indigenous people were congregated in "pueblos de indios" administered by "pobleros." "Indios de pueblo" paid taxes in labor services until the encomienda was abolished in 1803. However, the state continued to use coerced indigenous labor in state enterprises. At independence the Junta abolished state monopolies and reiterated the encomienda's abolition. However, during Francia the state apparently again began using Indian towns for the same purposes as the late colonial administration, i.e., as a source of coerced labor for state enterprises and tax revenues.

120. See Roger L. Ransom and Kerry Ann Odell, "Land and Credit: Some Historical Parallels Between Mexico and the American South," Agricultural History Vol 60 n°1 (Winter 1986):4-31.

121. Quoted in Rafael Eladio Velázquez, "Los Cabildos en la historia del Paraguay," Historia Paraguaya Vol. XXVI (1987), p.235. The translation is mine, MP. The officers Francia appointed to replace those of the Cabildo are listed in Velázquez, "Los Cabildos", p.235.

122. For the closure of Villa Rica's Cabildo, see White Paraguay's Autonomous Revolution, p.98. For cabildos in other Spanish towns and in Indian towns see Velázquez, "Los Cabildos", pp. 232-234 and 224-227. Pueblos de españoles and pueblos de indios are listed in Pastore, Lucha por la tierra. For the argument that cabildos in other towns continued operating see White, Paraguay's Autonomous Revolution, p.98, bottom; for the suggestion that they did not, see Rengger and Longchamps, Reign of Doctor Francia, p. 125. There is evidence that in the Indian town of Yaguarón, elected Cabildo representatives took office as late as 1831, and that "en algún caso la elección es rectificada por el Dictador." See Velázquez, "Los Cabildos", p. 27. The tribunal of commerce to which Rengger and Longchamps refer must be the "consulado." The jurisdiction of a first alcalde was substituted in its place. See Rengger and Longchamps, Reign of Doctor Francia, p. 131. For the Cabildo Eclesiástico's suppression see Margarita Durán Estragó, Presencia Franciscana en el Paraguay (1538-1824) (Asunción, 1987), p. 292.

123. It would be hard to suggest that the state represented peasants as a class, even if there were more evidence of a particularly favorable attitude towards the peasantry, because it is not clear that peasants are a class. Marx, for one, seemed to doubt it. See Karl Marx, The Eighteenth of Brumaire of Louis Bonaparte, excerpted in Robert C. Tucker (editor) The Marx-Engels Reader 2nd. edition (London, 1978), p. 608.

124. Abente contends that the indigenous landed elite created the early national state. In support of this contention he adduces that among Francia's supporters were José Manuel de Ibáñez and Lázaro de Roxas Aranda y Carrillo. He points out that both were well to do members of the clases rurales mentioned in contemporary accounts as having made up the social basis of Francia's dictatorship, which he suggests should not be equated to the campesinado or the rural poor. See Abente, "Foreign Capital", p.65. However, Ibáñez eventually turned against Francia, and was jailed until his death for it. See Williams, The Rise and Fall, p. 50. Roxas step-son-in-law, Carlos Antonio López, who would become President after Francia, withdrew to the lands his wife had inherited.

125. Norberto Ortellado wrote to Francia: Señor: de mi mas alto respeto me es indispensable en esta ocasión molestar a las muy ocupadas atenciones de V.E. y es a que si fuere del Spmo. agrado de V.E. me permita comprar algunas vaquitas que se me proporcionare, y poblar un puestito de Estancia, solo con el fin de tener como socorrer a mis ancianos padres. Quartel de Santa María, 30 de Abril de 1821." Archivo Nacional, Colección Rio Branco, #220, I-29,23-28, n° 10. Francia answered: "Puede Ud. desde luego comprar el ganado que se le proporcione y fundar de su cuenta la Estanzuela que me dice y. .tambi" establecer si quiere una buena chacra, pues todo eso no es vedado supuesto que alla hay tierras de sobra y Ud. lo hará a su costa como que son para su utilidad y provecho." Archivo Nacional, Colección Rio Branco, #220, I-29-23-28, n°11.

126. See Whigham, Politics of River Trade, p. 43.

127. Sales of state products to the public were 59,809 pesos, to the troops 23,616 pesos; rents of state lands and other state property amounted to 8,517 pesos. See White, Paraguay's Autonomous Revolution, Appendix A.

128. The sources referred to may be found, respectively, in ANA-NE, Legajo 2968, "Cuenta Arrendamiento Exidos..de 1827 hasta 1836; ANA-NE, Legajo 2968, "Cuenta.. Arrendamiento de Exidos..año 1832; and ANA-NE, "Cuentas. Arrendamientos de Exidos...año 1839," cited in White, Paraguay's Autonomous Revolution, p. 278, ftnt. 71.

129. See White, Paraguay's Autonomous Revolution, Appendix A.

130. See White, Paraguay's Autonomous Revolution, Appendix A.

131. At Asunción, Pilar, and Ytapúa. According to Williams, The Rise and Fall, p. 94, their profits may have amounted to 5750 pesos in the second half of 1826.

132. White, Paraguay's Autonomous Revolution, p. 106.

133. See White, Paraguay's Autonomous Revolution, p. 123.

134. For the statement that it was a tax decrease for the small holder at the expense of slaves see Abente, "Foreign Capital, Economic Elites, and the State in Paraguay during the Liberal Republic (1870-1936)," (ms) p.38. The statement does not appear in the version of the paper published in the Journal of Latin American Studies Vol 21 (1989):61-88.



135. See Wisner, Dictador del Paraguay, p.144.

136. This analysis suggests that the more appropriate theoretical view of mercantilism in terms of which to conceptualize Francia's regime is that of Barry Baysinger, Robert Ekelund, and Robert Tollison, "Mercantilism as a Rent-Seeking Society," in Buchanan, James, et.al., Towards a Theory of the Rent-Seeking Society (College Station, Texas, 1981), not Eli Heckscher Mercantilism 2 vols. (London, 1935).

137. By comparison to spending on military salaries, spending on non-military salaries in 1829, as in 1828, was very low. It covered the salaries of the small treasury staff, of the crews of state ships, a primary school teacher, a public defender for Minors and the Poor, and a lamplighter.

138. See White, Paraguay's Autonomous Revolution, Appendix A.

139. Thereafter, and until 1834, the bulk of state appropriations are accounted for by state inheritance, confiscations from the Church, state debt collections, and fines and confiscations; forced contributions disappeared.

140. To 18,662 pesos.

141. Catalano asserts, by contrast, that Francia successfully rooted ancient institutional forms in a new socio economic reality. See Pierangelo Catalano, Modelo institucional romano e independencia: República del Paraguay, 1813-1870 (Asunción, 1986), p. 16.

142. For a discussion of the concept in the context of technological innovation see Paul A. David, "Clio and the Economics of QWERTY," American Economic Review Vol 75 (May 1985).

143. The numerous analogous features between this economy and socialist economies suggest that all these economies may be of the same genus.

144. See my "State and Industrialization".

145. This interpretation contrasts with that in Abente's "Foreign Capital" and "Liberal Republic", where the entire 1870-1930 period is invested with the characteristics of the nineteen twenties.

146. In fact, the only other attempt to create a dynasty in Paraguayan history is observed at this time, but it was less successful. Though Stroessner ruled longer than Carlos Antonio López and Francisco Solano López combined, he did not manage to install his son as President before being forced to relinquish power.